

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-67380; File No. SR-EDGA-2012-29)

July 10, 2012

Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the EDGA Exchange, Inc. Fee Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 29, 2012, EDGA Exchange, Inc. (the "Exchange" or "EDGA") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend its fees and rebates applicable to Members³ of the Exchange pursuant to EDGA Rule 15.1(a) and (c). All of the changes described herein are applicable to EDGA Members. The text of the proposed rule change is available on the Exchange's Internet website at <http://www.directedge.com>, at the Exchange's principal office, and at the Public Reference Room of the Commission.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ A Member is any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

Flag DM is yielded where non-displayed orders add or remove liquidity using the Mid-Point Discretionary order type.⁴ In order to provide additional transparency to Members and for the reasons discussed below, Flag DM is proposed to be bifurcated into two flags: Flag DM (adds liquidity in the discretionary range) and Flag DT (removes liquidity in the discretionary range). The Exchange proposes to continue to charge a fee of \$0.0005 per share for Flags DM and DT.⁵

In addition, the Exchange proposes to delete Footnote 18 that is appended to Flag DM in the fee schedule because the proposed Flags DM and DT will count towards volume tiers as the Exchange can now differentiate between non-displayed liquidity that adds liquidity in the

⁴ See Securities Exchange Act Release No. 67226 (June 20, 2012), 77 FR 38113 (June 26, 2012) (SR-EDGA-2012-22).

⁵ See SR-EDGA-2012-24 (June 19, 2012) (describing the Exchange's proposal to amend its fee schedule pursuant to Rule 15.1(a) and (c) regarding Flag DM).

discretionary range from non-displayed liquidity that removes liquidity in the discretionary range.⁶

The Exchange also proposes to amend Flag K to only apply to Members' orders routed to NASDAQ OMX PSX ("PSX") using the ROUC or ROUE routing strategy as defined in Rule 11.9(b)(3). The Exchange proposes to reduce the rate from \$0.0025 per share to \$0.0005 per share, which represents a pass-through of the Exchange's rate for routing orders to PSX, in response to the proposed pricing changes in PSX's pending filing with the Commission.⁷ Accordingly, where Members' orders are routed to the BATS BZX Exchange ("BATS BZX") using the ROBA routing strategy (EDGA + BATS), the Exchange proposes to apply Flag X, which is yielded when Members route orders through EDGA and the Exchange assesses a charge of \$0.0029 per share.

Similarly, the Exchange also proposes to amend the rate for Flag RS, which is yielded when Members route orders to PSX that add liquidity. The Exchange proposes to amend the pricing for Flag RS from a rebate of \$0.0024 per share to a charge of \$0.0005 per share in response to PSX's pending filing, which represents a pass-through of the Exchange's rate for routing orders to PSX.

The Exchange proposes to implement these amendments to its fee schedule on July 1, 2012.

⁶ See SR-EDGA-2012-24 (June 19, 2012) (where the Exchange excluded the volume generated from Flag DM from counting towards the volume tiers because a Member could potentially receive Flag DM if the Member either added or removed liquidity using the Midpoint Discretionary Order).

⁷ See PSX's Equity Trader Alert #2012-28 at <http://www.nasdaqtrader.com/TraderNews.aspx?id=ETA2012-28> (discussing PSX's pending fee changes effective July 2, 2012).

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,⁸ in general, and furthers the objectives of Section 6(b)(4),⁹ in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities.

The Exchange believes that the proposed technical amendment to bifurcate Flag DM into Flags DM and DT promotes market transparency and improves investor protection by adding additional transparency to its fee schedule by more precisely delineating for Members whether they are “adders of liquidity” or “removers of liquidity” for purposes of Members’ non-displayed orders using the Mid-Point Discretionary order type. In addition, the Exchange believes that counting Flags DM and DT towards volume tiers is reasonable and equitable as the Exchange can now differentiate between non-displayed liquidity that adds liquidity in the discretionary range from non-displayed liquidity that removes liquidity in the discretionary range, as explained above. Including Flags DM and DT in volume tiers allows their associated volume to be tracked by the Exchange in the appropriate tier(s), which may incent Members to increase use of the volume tiers in the fee schedule. Such volume will increase potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of higher rebates/lower costs. The increased liquidity also benefits all investors by deepening EDGA’s liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price

⁸ 15 U.S.C. 78f.

⁹ 15 U.S.C. 78f(b)(4).

discovery, promoting market transparency and improving investor protection. The Exchange also believes that proposed change is non-discriminatory because it applies uniformly to all Members.

The rates and rebates associated with routing orders to PSX on the Exchange's fee schedule are pass-through rates. Currently, PSX charges the Exchange \$0.0025 per share for Members' orders that are routed to PSX using the ROUC or ROUE routing strategy and the Exchange charges its Members \$0.0025 per share as a pass-through. Therefore, the Exchange believes that the proposed reduction from \$0.0025 per share to \$0.0005 per share is equitable and reasonable because PSX is reducing the rate it charges the Exchange for routing to PSX to \$0.0005. Currently, PSX provides the Exchange a rebate of \$0.0024 per share for Members' orders that are routed to PSX and add liquidity and the Exchange rebates Members \$0.0024 per share as a pass-through (Flag RS). Therefore, the Exchange believes that the proposed reduction from a rebate of \$0.0024 per share to a charge of \$0.0005 per share is equitable and reasonable because PSX is increasing the rate it charges the Exchange for routing to PSX to \$0.0005 per share. In addition, the Exchange also believes that the proposed pass-through of this rate is non-discriminatory because it applies uniformly to all Members.

The Exchange believes that increasing the charge assessed for Members' orders that are routed to BATS BZX using the ROBA routing strategy (EDGA + BATS) from \$0.0025 per share to \$0.0029 per share (yielding Flag X) is equitable and reasonable because the Exchange is removing the \$0.0004 per share incentive it previously associated with this routing strategy and replacing it with a straight pass-through of the charge BATS BZX assesses the Exchange for removing liquidity from the BZX Exchange order book.¹⁰ Accordingly, the Exchange will

¹⁰ See BATS BZX fee schedule at <http://batstrading.com/FeeSchedule/>.

assess a charge of \$0.0029 per share for Members' orders that route to BATS BZX using the ROBA routing strategy as well as other routed orders that yield Flag X. In addition, the Exchange also believes that the proposed pass-through of this rate is non-discriminatory because it applies uniformly to all Members.

The Exchange also notes that it operates in a highly-competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. The proposed rule change reflects a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange. The Exchange believes that the proposed rates are equitable and non-discriminatory in that they apply uniformly to all Members. The Exchange believes the fees and credits remain competitive with those charged by other venues and therefore continue to be reasonable and equitably allocated to Members.

B. Self-Regulatory Organization's Statement on Burden on Competition

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3) of the Act¹¹ and Rule 19b-4(f)(2)¹² thereunder. At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-EDGA-2012-29 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-EDGA-2012-29. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(2).

proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-EDGA-2012-29 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Kevin M. O'Neill
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).