SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69002; File No. SR-EDGA-2013-08)

February 27, 2013

Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate
Effectiveness of Proposed Rule Change to Amend EDGA Rules 1.5, 11.5, 11.8, 11.9 and 11.14
in connection with the implementation of the National Market System Plan to Address
Extraordinary Market Volatility

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 February 13, 2013, EDGA Exchange,

Inc. (the "Exchange" or "EDGA") filed with the Securities and Exchange Commission

("Commission") the proposed rule change as described in Items I and II 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 Rules 1.5, 11.5, 11.8, 11.9 and 11.14 regarding the

implementation of the National Market System Plan to Address Extraordinary Market Volatility

(as amended, the "Plan") as approved by the Securities and Exchange Commission.[3] 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 www.directedge.com, at the

Exchange's principal office, on the Commission's Internet website at www.sec.gov, and at the

Commission's Public Reference Room.

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

[3]   See Securities Exchange Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012)
        (approving the Plan on a pilot basis).

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

EDGA proposes to amend Rules 1.5, 11.5, 11.8, 11.9 and 11.14 in connection with the implementation of the Plan.

Background

On April 5, 2011, NYSE Euronext, on behalf of the New York Stock Exchange LLC ("NYSE"), NYSE Amex LLC, and NYSE Arca, Inc. ("Arca"), and the following parties to the Plan: BATS Exchange, Inc., BATS Y-Exchange, Inc. (together, "BATS"), Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA, EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, the Nasdaq Stock Market LLC, and National Stock Exchange, Inc. (collectively with NYSE, NYSE MKT, and Arca, the "Participants"), filed with the Commission pursuant to Section 11A of the Securities Exchange Act of 1934 ("Act"),[4] and Rule 608 thereunder,[5] the Plan to create a market-wide limit up-limit down ("LULD") mechanism that is intended to

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[4]   15 U.S.C. 78k-1.

[5]   17 CFR 242.608.

address extraordinary market volatility in NMS Stocks.[6] The Plan sets forth procedures that provide for market-wide LULD requirements that would be designed to prevent trades in individual NMS Stocks from occurring outside of specified price bands. These LULD requirements would be coupled with trading pauses[7] to accommodate more fundamental price moves (as opposed to erroneous trades or momentary gaps in liquidity).

The price bands would consist of a Lower Price Band (the "Lower Price Band") and an Upper Price Band (the "Upper Price Band" – each a "Price Band" and, together with the Lower Price Band, the "Price Bands") for each NMS Stock. The Price Bands would be calculated by the Securities Information Processors (the "SIP" or "Processors") responsible for consolidation of information for an NMS Stock pursuant to Rule 603(b) of Regulation NMS under the Act.[8] The Price Bands would be based on a Reference Price[9] that equals the arithmetic mean price of Eligible Reported Transactions[10] for the NMS Stock over the immediately preceding five-minute period. The Price Bands for an NMS Stock would be calculated by applying the Percentage Parameter[11] for such NMS Stock to the Reference Price, with the Lower Price Band being a

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[6]   See Letter from Janet M. McGinness, Senior Vice President, Legal and Corporate Secretary, NYSE Euronext, to Elizabeth M. Murphy, Secretary, Commission, dated April 5, 2011 ("Transmittal Letter"). The term "NMS Stock" shall have the meaning provided in Rule 600(b)(47) of Regulation NMS under the Act.

[7]   As defined in Section I(X) of the Plan.

[8]   17 CFR 242.603(b).

[9]   As defined in Section I(T) of the Plan.

[10]   As defined in the proposed Plan, Eligible Reported Transactions would have the meaning prescribed by the Operating Committee for the proposed Plan, and generally mean transactions that are eligible to update the sale price of an NMS Stock.

[11]   As initially proposed by the Participants, the Percentage Parameters for Tier 1 NMS Stocks (i.e., stocks in the S&P 500 Index or Russell 1000 Index and certain ETPs) with a Reference Price of $1.00 or more would be five percent and less than $1.00 would be the lesser of (a) $0.15 or (b) 75 percent. The Percentage Parameters for Tier 2 NMS Stocks (i.e., all NMS Stocks other than those in Tier 1) with a Reference Price of $1.00 or more

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Percentage Parameter below the Reference Price, and the Upper Price Band being a Percentage

Parameter above the Reference Price. Between 9:30 a.m. and 9:45 a.m. ET and 3:35 p.m. and

4:00 p.m. ET, the Price Bands would be calculated by applying double the Percentage

Parameters.

Under the Plan, the Exchange is required to establish, maintain, and enforce written

policies and procedures reasonably designed to prevent the display of offers below the Lower

Price Band and bids above the Upper Price Band for an NMS Stock. The Processors would

disseminate an offer below the Lower Price Band or bid above the Upper Price Band that

nevertheless inadvertently may be submitted despite such reasonable policies and procedures, but

with an appropriate flag identifying it as non-executable; such bid or offer would not be included

in National Best Bid ("NBB") or National Best Offer ("NBO" and, together with the NBB, the

"NBBO") calculations. In addition, the Exchange is required to develop, maintain, and enforce

policies and procedures reasonably designed to prevent trades at prices outside the Price Bands,

with the exception of single-priced opening, reopening, and closing transactions on the primary

listing exchange.

In connection with the upcoming implementation of the Plan on April 8, 2013, the

Exchange proposes to amend the following rules:

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would be 10 percent and less than $1.00 would be the lesser of (a) $0.15 or (b) 75
percent. The Percentage Parameters for a Tier 2 NMS Stock that is a leveraged ETP
would be the applicable Percentage Parameter set forth above multiplied by the leverage
ratio of such product. On May 24, 2012, the Participants amended the Plan to create a
20% price band for Tier 1 and Tier 2 stocks with a Reference Price of $0.75 or more and
up to and including $3.00. The Percentage Parameter for stocks with a Reference Price
below $0.75 would be the lesser of (a) $0.15 or (b) 75 percent. See Securities Exchange
Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012).

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<u>Order Execution (Rule 11.9)</u>

The Exchange proposes to re-organize Rule 11.9 so that matters relevant to order execution would be covered in Rule 11.9(a), while matters relevant to order routing would be covered in Rule 11.9(b). Rules 11.9(a) and (b) would be structured so that each would contain subsections that would describe the manner by which execution and routing would be affected by the Plan, among other regulations. The Exchange proposes to add Rule 11.9(a)(3) that would provide particular details with regard to how the Plan would modify order behavior on the Exchange. Proposed Rule 11.9(a)(3) and its subparagraphs are described below.

<u>Compliance with the Plan</u>

The Exchange proposes to add Rule 11.9(a)(3), which would state that, except as provided in Section VI of the Plan,[12] for any executions to occur during Regular Trading Hours, such executions must occur at a price that is greater than or equal to the Lower Price Band and less than or equal to the Upper Price Band, when such Price Bands are disseminated.

<u>Default Behavior for Non-Routable Orders Not Crossing the Price Bands</u>

The Exchange proposes to add Rule 11.9(a)(3)(A), which would state that, when a non-routable buy (sell) order is entered into the System[13] at a price less (greater) than or equal to the Upper (Lower) Price Band, such order will be posted to the EDGA Book[14] or executed, unless (i)

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12   Section VI(A)(1) of the Plan provides that "single-priced opening, reopening, and closing transactions on the Primary Listing Exchange, however, shall be excluded from this limitation. In addition, any transaction that both (i) does not update the last sale price (except if solely because the transaction was reported late), and (ii) is excepted or exempt from Rule 611 under Regulation NMS shall be excluded from this limitation."

13   As defined in Rule 1.5(cc).

14   As defined in Rule 1.5(d).

the order is an Immediate-or-Cancel ("IOC") Order,[15] in which case it will be cancelled if not

executed, or (ii) the User[16] has entered instructions to cancel the order.

<u>Default Behavior when a Non-Routable Buy (Sell) Order Arrives at a Price Higher (Lower) than the Upper (Lower) Price Band</u>

The Exchange proposes to add Rule 11.9(a)(3)(B), which would state that, when a non-

routable buy (sell) order arrives at a price greater (less) than the Upper (Lower) Price Band, the

Exchange will re-price and display such buy (sell) order at the price of the Upper (Lower) Price

Band.

<u>Default Behavior when the Upper (Lower) Price Band Moves to a Price Higher (Lower) than a Resting Buy (Sell) Order's Displayed Posting Price</u>

If the price of the Upper (Lower) Price Band moves above (below) a non-routable buy

(sell) order's displayed posting price, such buy (sell) order will not be adjusted further and will

remain posted at the original price at which it was posted to the EDGA Book.

<u>Default Behavior when the Upper (Lower) Price Band Crosses a Resting Buy (Sell) Order's Displayed Posting Price</u>
Proposed Rule 11.9(a)(3)(B) would also state that, when the Upper (Lower) Price Band

crosses a non-routable buy (sell) order resting on the EDGA Book, such buy (sell) order will be

re-priced to the price of the Upper (Lower) Price Band.

<u>Routable Market and Limit Orders</u>

The Exchange proposes to add Rule 11.9(a)(3)(C), which would cross reference how

routable market and limit orders would behave under the Plan.[17] The proposed order handling

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[15]   As defined in Rule 11.5(b)(1).

[16]   As defined in Rule 1.5(ee).

[17]   The Exchange notes that the behavior of stop orders and stop limit orders, as defined in Exchange Rule 1.5, are not specifically addressed in this filing as they are converted to market and limit orders when the stop price is elected and will then behave like market or limit orders, respectively, as described above.

under the Plan would be set forth in proposed Rule 11.9(b)(1)(B) and described in the section entitled "Changes in Routing Behavior to Comply with the Plan," below.

Short Sale Behavior

The Exchange proposes to add Rule 11.9(a)(3)(D), which would describe how short sale orders would be re-priced in accordance with both Regulation SHO and the Plan. In particular, the proposed rule would state that, where a short sale order is entered into the System with a limit price below the Lower Price Band and a short sale price test restriction under Rule 201 of Regulation SHO ("short sale price test restriction") is in effect for the covered security, the System will re-price such order to the Lower Price Band as long as the Lower Price Band is at a Permitted Price.[18] When a short sale order is entered into the System with a limit price above the Lower Price Band and a short sale price test restriction is in effect for the covered security, the System will re-price such order, if necessary, at a Permitted Price pursuant to Rule 11.5(c)(4).

Example: Sell Short Order is priced at the Lower Price Band where the Lower Price

Band is above the NBB

Assume the NBBO is $10.00 by $10.10, the Price Bands[19] are $10.01 by $10.15, and the short sale price test restriction is in effect. A sell short order arrives to sell 100 shares at $10.00 and is displayed at $10.01. The sell short order will be allowed to be priced at the Lower Price Band so long as the Lower Price Band is above the NBB during the short sale price test restriction.

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[18]   As defined in Rule 11.5(c)(4)(B).

[19]   Note that Price Band prices used in all examples in this filing are for illustrative purposes only and do not reflect the method by which the actual Price Bands will be calculated in accordance with the Plan.

<u>Policies and Procedures</u>

The Exchange proposes to add Rule 11.9(a)(3)(E) to specify that pursuant to Section IV of the Plan, all Trading Centers[20] in NMS Stocks, including those operated by Members of the Exchange, shall establish maintain, and enforce written policies and procedures that are reasonably designed to comply with the requirements specified in Section VI of the Plan, and to comply with the Trading Pauses specified in Section VII of the Plan.

<u>Applicability of the Plan to Specific Order Types</u>

The following examples and descriptions demonstrate how Rules 11.9(a)(3)(A)-(C), as described above, will affect specific order functionality under the Plan.

<u>Immediate-or-Cancel ("IOC") Orders</u>

As described in proposed Rule 11.9(a)(3)(A), IOC Orders will be executed to the extent allowed within the Price Bands, and the portion not so executed will be cancelled.

In general, IOC and IOC Intermarket Sweep Orders[21] ("IOC ISO") will be handled the same way when the Price Bands are inside of the NBBO. Buy IOC/IOC ISOs will be executed up to the Upper Price Band and the remainder will be canceled back to the User. Sell IOC/IOC ISOs will be executed down to the Lower Price Band and the remainder will be canceled back to the User. IOC ISOs will be prevented from executing at prices that cross the Price Bands when the limit price of the ISO crosses a Price Band that is outside of the NBBO.

Example 1: Sell IOC Order Executes Down to the Lower Price Band

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $10.04 by $10.15. Three orders are placed: Order1 to buy 100 shares at $10.02; Order2 to buy 100 shares at $10.04; and

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[20]   As defined in Rule 2.11(a).

[21]   ISO Orders are described in Exchange Rule 11.5(d) and defined under Regulation NMS. <u>See</u> Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005).

an IOC Order to sell 200 shares at $10.02. The IOC Order will execute 100 shares at $10.04

against Order2 and the remaining 100 shares will be cancelled back to the User. The IOC Order

cannot execute against Order1 because Order1 is priced below the Lower Price Band.

Example 2: Sell IOC ISO Executes through NBBO Down to the Lower Price Band

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $9.99 by $10.15. Three

orders are placed: Order1 to buy 100 shares at $9.99; Order2 to buy 100 shares at $9.98; and an

IOC ISO to sell 200 shares at $9.98. The IOC ISO will execute 100 shares at $9.99 against

Order1 and the remaining 100 shares will be canceled back to the User. The IOC ISO cannot

execute against Order2 because Order2 is priced below the Lower Price Band.

EDGA Only / Post Only Orders[22]

As described in proposed Rule 11.9(a)(3)(B), where a non-routable order such as a

EDGA Only / Post Only buy (sell) Order is entered into the System at a price above (below) the

Upper (Lower) Price Band, such buy (sell) order will be re-priced and displayed at the price of

the Upper (Lower) Price Band. If the Upper (Lower) Price Band moves higher (lower) than the

EDGA Only / Post Only buy (sell) Order's posting price, such buy (sell) order will not be

adjusted further and will remain at the original price at which it was posted to the EDGA Book.

Example 1: EDGA Only / Post Only Order is entered into the System at a
             Price that Crosses the Price Bands

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $9.95 by $10.08. An

EDGA Only / Post Only buy Order arrives at $10.09. The buy order will be re-priced, displayed

and posted to the EDGA Book at $10.08, the price of the Upper Price Band.

Example 2: Price Band Moves Higher Than EDGA Only / Post Only Buy Order on the EDGA
             Book

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[22]   As defined in Rules 11.5(c)(4) and (5).

Assume the same facts as in Example 1, but now the Price Bands adjust to $9.95 by $10.10. The buy order will not be adjusted further and will instead remain on the EDGA Book at $10.08, the original price at which it was posted to the EDGA Book.

Changes in Routing Behavior to Comply with the Plan

The Exchange proposes to add Rule 11.9(b)(1)(B), which would describe how routing will function under the Plan and would be divided into three major subsections, detailed under the subheadings listed below.

Default Routing Behavior

The first major subsection, proposed Rule 11.9(b)(1)(B)(i), would describe how default routing behavior would function in accordance with the Plan and would state that, in order to comply with the Plan, a routable buy (sell) market or routable marketable limit order will be routed by the Exchange only when the NBO (NBB) is or becomes executable according to the Plan, which would be when the NBO is less than or equal to the Upper Price Band (NBB is greater than or equal to the Lower Price Band). According to the Plan, the NBO (NBB) is or becomes non-executable when the NBO is greater than the Upper Price Band (the NBB is less than the Lower Price Band) ("Non-Executable"). Proposed Rule 11.9(b)(1)(B)(i) would also state that, excluding routing strategies SWPA, SWPB and SWPC, for purposes of Rules 11.9(b)(1)(B)(i)(I) and (II), routing strategies that access all Protected Quotations include the following routing strategies as described in current Rule 11.9(b)(3) (proposed to be re-numbered Rule 11.9(b)(2)): ROUT, ROUX, ROUC, ROUE and ROOC. Routing strategies that do not access all Protected Quotations include all other routing strategies listed in current Rule 11.9(b)(3).

Routing strategies that access all Protected Quotations (other than SWPA, SWPB and SWPC) are designed to maximize liquidity with the intention to fully execute a marketable order. Routing strategies that do not access all Protected Quotations are designed with other objectives in mind and are not as likely to fully execute a marketable order because of the smaller number of liquidity sources accessed. For example, routing strategy ROUZ, which does not access all Protected Quotations, will only access dark pools after interacting with the EDGA Book and then post any remainder to the EDGA Book unless otherwise instructed by the User.

If a marketable order utilizing a routing strategy that accesses all Protected Quotations cannot be executed because the Upper (Lower) Price Band crosses the NBO (NBB) (i.e., the NBO/NBB is non-executable), the Exchange believes that, in order to fulfill the routing strategy's objective of maximizing liquidity and fully executing a marketable order, it is appropriate to re-price such order up to the order's limit price and re-route such order once the Upper (Lower) Price Band no longer crosses the NBO (NBB) (i.e., the NBO/NBB becomes executable).

Below are examples illustrating how default routing behavior will function in accordance with the Plan.[23]

Example: Buy Order Example where NBO is Above the Upper Price Band

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $9.95 by $10.05. Order1 arrives to buy 100 shares at $10.15; Order2 arrives to buy 100 shares as a market order. Neither Order1 nor Order2 will be routed because no buy orders will be routed when the NBO is above the Upper Price Band.

Routable Market Orders

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[23] All of the below examples in this section on changes to the behavior of routable orders as a result of compliance with the Plan assume that there is no liquidity on the EDGA Book.

Proposed Rule 11.9(b)(1)(B)(i) would contain two minor subsections, the first of which, proposed Rule 11.9(b)(1)(B)(i)(I), would describe routing behavior under the Plan applicable to routable market orders and would state that, for routing strategies that access all Protected Quotations, if the NBO (NBB) is Non-Executable and a buy (sell) market order is placed, the System will default to re-price such buy (sell) market order and display it at the price of the Upper (Lower) Price Band and will continue to re-price it to the price of the Upper (Lower) Price Band as the Upper (Lower) Price Band adjusts, so long as the buy (sell) market order does not move above (below) its market collar price, as defined in Rule 11.5(a)(2), or alternatively, such buy (sell) market order may be cancelled pursuant to User instruction. For all other routing strategies that do not access all Protected Quotations, routable market orders will not be re-priced and displayed at the price of the Upper (Lower) Price Band and will instead be cancelled if the NBO (NBB) is Non-Executable.

The rule further provides that if the Upper (Lower) Price Band crosses a routable buy (sell) order resting on the EDGA Book, such buy (sell) order will be re-priced to the price of the Upper (Lower) Price Band.

Example 1: Buy Market Order where NBO is Above Upper Price Band

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $9.95 by $10.05. A routable buy market order arrives for 100 shares utilizing a routing strategy that accesses all Protected Quotations (e.g., ROUT). The buy order will not be routed as the NBO is Non-Executable (greater than the Upper Price Band) and will be posted and displayed at $10.05 or cancelled according to the User's instructions.

If the Price Bands move up after the initial re-price to $9.98 by $10.08, the buy order will be re-priced and displayed at $10.08. If the Upper Price Band moves down after the initial re-

price to $9.92 by $10.02, the buy order will be re-priced and displayed at $10.02.

In the same example, if the buy market order arrives for 100 shares utilizing a routing strategy that does not access all Protected Quotations, such as ROCO, then the System will cancel the buy market order when the NBO is Non-Executable and will not re-price and display the order at the price of the Upper Price Band.

Example 2: Market Order is Re-Priced to Market Collar Price as a Result of Movement of the Price Bands

Assume the NBBO is $10.00 by $11.00, the Price Bands are $9.05 by $10.05 and the last sale was at $10.00. A market order arrives to buy 100 shares and is displayed at $10.05 with a market collar of $10.50. The Price Bands then change to $10.00 by $11.00. As a result, the market order is posted and displayed at its collar price of $10.50.

Routable Limit Orders

The second minor subsection, proposed Rule 11.9(b)(1)(B)(i)(II), would describe routing behavior under the Plan applicable to routable limit orders and would state that, if the price of (i) a routable buy (sell) limit order that is entered into the System or (ii) the unfilled balance of such order returned from routing to away Trading Centers is greater (less) than the Upper (Lower) Price Band and is ineligible for routing as a result of the NBO (NBB) being or having become Non-Executable, then the System will default to re-price such buy (sell) order and display it at the price of the Upper (Lower) Price Band, or alternatively, it may be cancelled pursuant to User instruction. For routing strategies that access all Protected Quotations, if the Upper (Lower) Price Band subsequently moves above (below) the routable buy (sell) order's posting price, such routable order will continue to be re-priced to the Upper (Lower) Price Band until the order reaches its limit price. For all other routing strategies that do not access all Protected Quotations, the routable order will not be re-priced to a price above (below) the original price at which it was

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posted to the EDGA Book.

The rule further provides that if the Upper (Lower) Price Band crosses a routable buy (sell) order resting on the EDGA Book, such buy (sell) order will be re-priced to the price of the Upper (Lower) Price Band.

Example 1: Sell Limit Order that accesses all Protected Quotations where NBB is Below Lower Price Band

Assume the NBBO is $10.02 by $10.10 and the Price Bands are $10.04 by $10.15. A routable sell order arrives for 100 shares at $10.01 utilizing a routing strategy that accesses all Protected Quotations (e.g., ROUT). The sell order will not be routed and will be posted and displayed at $10.04 or cancelled according to the User's instructions.

If the Price Bands move up after the initial re-price to $10.06 by $10.16, the order will be re-priced to display at $10.06. If the Price Bands move down after the initial re-price to $10.03 by $10.13, the order will be re-priced to display at $10.03.

Example 2: Sell Limit Order that does not access all Protected Quotations

Assume the NBBO is $10.02 by $10.10 and the Price Bands are $10.04 by $10.15. A routable sell order arrives for 100 shares at $10.01 utilizing a routing strategy that does not access all Protected Quotations (e.g., ROUZ). The sell order will not be routed and will instead be posted and displayed at $10.04 or cancelled according to the User's instructions.

If the Price Bands move up to $10.06 by $10.16 after the initial re-price, the order will be re-priced and displayed at $10.06. If the Price Bands move down to $10.03 by $10.13 after the initial re-price, the order will be re-priced and displayed at $10.04, the original price at which it was posted to the EDGA Book.

Re-Routing Behavior

The second major subsection, proposed Rule 11.9(b)(1)(B)(ii), would describe how re-routing will function under the Plan and would state that, for routing strategies that access all Protected Quotations, when the Upper (Lower) Price Band adjusts such that the NBO (NBB) becomes executable, a routable buy (sell) market order or marketable limit order will be eligible to be re-routed by the Exchange.

Example 1: Routing Buy Order when NBO Becomes Executable

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $9.94 by $10.09. A routable buy market order arrives for 100 shares utilizing a routing strategy that accesses all Protected Quotations (e.g., ROUT).[24] The buy order will not be routed and will instead be posted and displayed at $10.09. The Price Bands change to $9.95 by $10.10. The order will be routed since the NBO is now executable.

Example 2: Routing Sell Order when NBB Becomes Executable

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $10.05 by $10.15. A routable sell order arrives for 100 shares at $9.99 utilizing a routing strategy that accesses all Protected Quotations (e.g., ROUT). The sell order will be re-priced and displayed at $10.05. The Price Bands then change to $9.98 by $10.10. The sell order will be routed since the NBB is now executable.

Behavior of Orders Utilizing SWP Routing Strategies

The third and final major subsection, Rule 11.9(b)(1)(B)(iii), would describe how orders utilizing routing strategies SWPA, SWPB and SWPC[25] (together, "SWP routing strategies") will

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[24] If, for example, a routing strategy that does not access all Protected Quotations, such as ROUZ, is elected by the User, the order is not re-routed and remains posted on the EDGA Book.

[25] Rules 11.9(b)(3)(o), (p) and (q) define SWPA, SWPB and SWPC routing strategies, respectively.

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function under the Plan and would state that the System will immediately cancel orders utilizing

a SWP routing strategy when an order to buy utilizing an SWP routing strategy has a limit price

that is greater than the Upper Price Band or if a sell order utilizing an SWP routing strategy has a

limit price that is less than the Lower Price Band. The following examples illustrate how an

order utilizing a SWP routing strategy (an "SWP order") would behave in accordance with the

Plan:

Example 1:   Buy SWP Limit Price Crosses the Upper Price Band (Price Band Inside the NBBO)

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $10.00 by $10.08. A

SWP order is placed to buy 100 shares at $10.10. The order is rejected immediately because its

$10.10 limit price crosses the Upper Price Band.

Example 2: Buy SWP Limit Price Crosses the Upper Price Band (Price Band Outside the
            NBBO)

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $9.95 by $10.11. A

SWP order is placed to buy 100 shares at $10.12. The order is rejected immediately because its

$10.12 limit price crosses the Upper Price Band.

Example 3:   Buy SWP Limit Price is the same as the price of the Upper Price Band (Price Band
            Outside the NBBO)

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $9.95 by $10.11. A

SWP order is placed to buy 100 shares at $10.11. The order is executed and ISOs can be routed

out since the limit price of $10.11 is equal to the Upper Price Band.

Miscellaneous Organizational Amendments to Rule 11.9

The Exchange proposes to add Rule 11.9(a)(1) (Compliance with Regulation SHO),

which would contain unchanged text from current Rule 11.9(a) relevant to compliance with

Regulation SHO. The Exchange proposes to add Rule 11.9(a)(2) (Compliance with Regulation

NMS), which would contain unchanged text from current Rule 11.9(a) relevant to compliance

with Regulation NMS. The Exchange proposes to re-number current Rule 11.9(a)(1) (Execution against EDGA Book) to new Rule 11.9(a)(4). The text of the rule would remain unchanged.

The Exchange proposes to rename current Rule 11.9(b) (Execution and Routing) to Rule 11.9(b) (Routing). The Exchange proposes to add Rule 11.9(b)(1), which would contain text in current Rule 11.9(b)(2) with regard to routing to away trading centers. The text of the rule will remain unchanged aside from updated cross references. The Exchange also proposes to add Rule 11.9(b)(1)(A), which would contain unchanged text in current Rule 11.9(b)(2) relevant to Regulation SHO. The Exchange proposes to add new Rules 11.9(b)(1)(C) and (D), which would contain the unchanged text of current Rules 11.9(b)(2)(A) and (B), respectively. Lastly, the Exchange proposes to re-number current Rule 11.9(b)(3) to new Rule 11.9(b)(2). The text of the rule will remain unchanged.

Orders and Modifiers (Rule 11.5)

The Exchange proposes to amend cross references in Rules 11.5(a)(2), 11.5(c)(4) – (10), and 11.5(d)(1) in response to the re-numbering of subsections within Rule 11.9, as discussed in detail above.

Mid-Point Peg Orders

The Exchange proposes to amend Rule 11.5(c)(7) to describe the behavior of Mid-Point Peg Orders[26] under the Plan.

The Exchange believes that, when a Protected Quotation[27] is crossed by the Price Bands and all Trading Centers have not yet replaced their quotes to re-align them with the Price Bands, the integrity of the NBBO is compromised. In such circumstances, the Exchange believes that it is fair and reasonable to shut down all midpoint trading until the Protected Quotation is no longer

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[26]   As defined in Rule 11.5(c)(7).

[27]   As defined in Rule 11.5(v).

crossed by the Price Bands. Pursuant to Rule 11.9(a)(3), Mid-Point Peg Orders will not trade

with any other orders when (i) the price of the Upper Price Band moves below an existing

Protected Bid;[28] or (ii) the Lower Price Band moves above an existing Protected Offer.[29] Mid-

Point Peg Orders will resume trading against other orders when the conditions in (i) or (ii) no

longer exist.

Example 1: Mid-Point Peg Order Does Not Trade when Upper Price Band Crosses Protected
Bids from other Exchanges

Assume the NBBO is $10.00 by $10.01 and the Price Bands are $9.02 by $10.02. The

best bids are $10.00 at NYSE, $10.00 at BATS and $9.95 at ARCA. Order1 is placed to Sell 100

shares at $9.95 as a Mid-Point Peg Order. The Price Bands then change to $8.99 by $9.99 and

the NBBO changes to $9.95 by $10.01 (BATS and NYSE's best bids are excluded from the

NBBO by the SIP and neither exchange has yet submitted new quotes to the SIP). Order2 is

placed to Buy 100 shares at $9.99. Order2 does not trade with Order1 and remains posted to the

EDGA Book at $9.99.

Mid-Point Peg Orders will continue to execute at the midpoint of the NBBO or at prices

better than the midpoint of the NBBO as long as the execution price is within the Upper and

Lower Price Bands.

The Exchange notes that Mid-Point Peg Orders cannot trade with other Mid-Point Peg

Orders when the Upper (Lower) Price Band is crossing the midpoint of the NBBO.

Example 2: Mid-Point Peg Orders Cannot Trade when the Price Band is Crossing the Midpoint
of the NBBO

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $10.00 by $10.04. A

Mid-Point Peg Order is placed to buy 100 shares at $11.00 and posted at $10.05. A Mid-Point

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[28]   As defined in Rule 11.5(v).

[29]   As defined in Rule 11.5(v).

Peg Order is placed to sell 100 shares at $10.00. The Mid-Point Peg Orders cannot trade at $10.05 because the Upper Price Band is crossing the midpoint of the NBBO. Both orders will stay on the EDGA Book at $10.05. No execution will occur between the orders until the Upper Price Band no longer crosses the midpoint of the NBBO.

Mid-Point Discretionary Orders

The Exchange proposes to amend Rule 11.5(c)(17) to describe the behavior of Mid-Point Discretionary Orders under the Plan.

The Exchange believes that, when a Protected Quotation is crossed by the Price Bands and all Trading Centers have not yet replaced their quotes to re-align them with the Price Bands, the integrity of the NBBO is compromised. In such circumstances, the Exchange believes that it is fair and reasonable to shut down all midpoint trading until the Protected Quotation is no longer crossed by the Price Bands. Pursuant to Rule 11.9(a)(3), Mid-Point Discretionary Orders will only execute at their displayed prices and not within their discretionary ranges when (i) the price of the Upper Price Band moves below an existing Protected Bid; or (ii) the Lower Price Band moves above an existing Protected Offer. Mid-Point Discretionary Orders will resume trading against other orders in their discretionary range when the conditions in (i) or (ii) no longer exist.

Example 1: Two Mid-Point Discretionary Orders Do Not Trade with Each Other when Upper Price Band Crosses Protected Bids

Assume the NBBO is $10.00 by $10.01 and the Price Bands are $9.50 by $10.02. The best bids on other exchanges are $10.00 at NYSE, $10.00 at BATS and $9.95 at Arca. Order1 to buy 100 shares at $10.05 is placed as a Mid-Point Discretionary Order. The Price Bands then change to $9.50 by $9.99. The NBBO changes to $9.95 by $10.01 (BATS' and NYSE's best bids are excluded from the NBBO by the SIP and neither exchange has yet submitted new quotes

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to the SIP). Order2 to sell 100 shares at $9.95 is placed as a Mid-Point Discretionary Order.

Order1 and Order2 do not trade and Order2 is instead posted on the EDGA Book.

Example 2: Mid-Point Discretionary Orders Do Not Trade in their Discretionary Ranges when
               Upper Price Band Crosses Top of Book Bids

Assume the NBBO is $10.00 by $10.01 and the Price Bands are $9.02 by $10.02. The

best bids on other exchanges are $10.00 at NYSE, $10.00 at BATS and $9.95 at ARCA. Order1

to Sell 100 shares at $9.95 is placed as a Mid-Point Discretionary Order. The Price Bands then

change to $8.99 by $9.99. The NBBO changes to $9.95 by $10.01 (BATS' and NYSE's best

bids are excluded from the NBBO by the SIP and neither exchange has yet submitted new quotes

to the SIP). Order2 to Buy 100 shares at $9.98 entered. Order1 and Order2 do not trade and

Order2 is instead posted on the EDGA Book at $9.98.

Mid-Point Discretionary Orders' discretionary ranges will be shortened to the price of the

Price Bands, as necessary.

Example 3: Mid-Point Discretionary Order's Discretionary Range is shortened due to Price
               Band

Assume the NBBO is $10.00 by $10.08 and the Price Bands are $9.95 by $10.03. Three

orders are placed: Order1, a Mid-Point Discretionary Order to buy 100 shares at $10.08; Order2

to sell 100 shares at $10.04; and Order3 to sell 100 shares at $10.03. No trade can occur between

the Mid-Point Discretionary Order (Order 1) and Order2 because $10.04 is outside of the Upper

Price Band. Order3 will trade with the Mid-Point Discretionary Order (Order 1) at $10.03

because Order3 is within the Price Bands.

Priority of Orders (Rule 11.8)

The Exchange proposes to add new Rule 11.8(a)(8), which would state that when a Price

Band crosses an order resting on the EDGA Book, such order will be provided a new time

stamp[30] and prioritized based on its existing time stamp at the time the new Price Bands are established. Furthermore, if an order is resting on the Book at a price equal to the Upper (Lower) Price Band, such order will not be re-priced, but will be provided a new time stamp and prioritized based on its existing time stamp at the time the new Price Bands are established.

The Exchange views this method of retaining priority based on time as being the method that is most fair to its Members and subject to the least amount of manipulation. The Exchange believes that time priority is a superior approach to price priority because under a time priority approach, it would be more difficult for certain Members to price their orders on the EDGA Book in a way that gives them a potential priority advantage when such orders are subsequently re-priced by a Price Band crossing the price at which such orders reside on the Book.

The following examples demonstrate how order priority will be affected by the Plan.

Example 1: Price Band Crosses Orders Resting on the EDGA Book

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $9.95 by $10.15. Two orders are placed: Order1 arrives to buy 100 shares at $10.05 and then Order2 arrives to buy 100 shares at $10.08. The Price Bands change to $9.95 by $10.05 and Order2 is re-priced to $10.05 as a result of the adjustment of the Upper Price Band. Order3 is then placed to sell 100 shares at $10.05. Order1 will trade with Order3. Initially, Order2 will have price priority while the Price Bands are outside of the NBBO. However, after the Price Bands adjust, Order1 will have priority based on its existing time stamp at the time the new Price Bands were established.

Example 2: Price Band Crosses Orders Resting on the EDGA Book

Assume the NBBO is $10.00 by $10.10 and the Price Bands are $9.95 by $10.15. Two orders are placed: Order1 arrives to buy 100 shares at $10.08 and then Order2 arrives to buy 100

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30   A new time stamp enables the Exchange's System to record every time an order is re-priced.

shares at $10.05. The Price Bands change to $9.95 by $10.05 and Order1 is re-priced to $10.05 as a result of the adjustment of the Upper Price Band. Order3 is then placed to sell 100 shares at $10.05. Order1 will trade with Order3 because it retains its priority based on its existing time stamp at the time the new Price Bands were established. When the Price Bands adjusted, both Order1 and Order2 obtained new time stamps and retained priority based on the time stamps that existed relative to one another at the time the new Price Bands were established.

Definitions (Rule 1.5)

The Exchange proposes to add new Rule 1.5(gg), which would define the term the "Plan" to mean The National Market System Plan to Address Extraordinary Market Volatility as well as state that a number of terms used in the Rules and related to the Plan shall have the definitions and meanings ascribed to them under the Plan.

Trading Halts Due to Extraordinary Market Volatility (Rule 11.14)

The Exchange proposes to amend Rule 11.14(d) (individual stock trading pauses) to explain how the rule will operate during the phased implementation of the Plan. Currently, under Rule 11.14(d), if a primary listing market issues an individual stock trading pause in any NMS stock, the Exchange will pause trading in that security until trading has resumed on the primary listing market. If, however, trading has not resumed on the primary listing market and ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor, the Exchange may resume trading in such stock. During Phase 1 of the Plan, an individual stock trading pause in Tier 1 NMS Stocks that are subject to the requirements of the Plan shall be subject to the Plan. Tier 1 NMS Stocks not yet subject to the requirements of the Plan and Tier 2 NMS Stocks shall be subject to the requirements set forth

in paragraph (d) of Rule 11.14. Once the Plan has been fully implemented and all NMS stocks

are subject to the Plan, Rule 11.14(d) will no longer apply.

2.   Statutory Basis

The statutory basis for the proposed rule change is Section 6(b)(5) of the Act,[31] which

requires the rules of an exchange to promote just and equitable principles of trade, to remove

impediments to and perfect the mechanism of a free and open market and a national market

system and, in general, to protect investors and the public interest. The Exchange believes that

the proposed rule change meets these requirements in that it seeks to promote the efficient

execution of investor transactions, and thus strengthen investor confidence, over the long term by

providing additional transparency regarding the order handling procedures employed by the

Exchange and certain obligations of Members when sending orders to the Exchange consistent

with the Plan. The Exchange also believes that the proposed amendments to Rules 11.8 and 11.9

will assist Users in executing or displaying their orders consistent with the Plan, especially under

fast moving conditions where the Price Bands and NBBO are quickly updating. In addition,

Users can choose to use an IOC Order or opt out of certain default re-pricing processes, as

described in proposed Rules 11.9(b)(3) and 11.9(b)(1)(B)(i)(I – II), that re-price a buy (sell)

order to the price of the Upper (Lower) Price Band. If Users choose to do so, the Exchange will

instead cancel their orders instead as per User instructions.

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

The Exchange does not believe that the proposed rule change will impose any burden on

competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

Exchange believes that its rules are comparable, in part, with re-pricing and cancellation

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[31]   15 U.S.C. 78f(b)(5).

processes offered by other exchanges in response to the Plan. The Exchange also believes that there is no impact on competition as analogous rule changes are being filed by all Participants to the Plan and the Plan itself was developed and jointly filed by all Participants in the first instance.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act[32] and Rule 19b-4(f)(6) thereunder.[33] Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) 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. If the Commission takes such action, the

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[32]   15 U.S.C. 78s(b)(3)(A)(iii).

[33]   17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Commission shall institute proceedings under Section 19(b)(2)(B) of the Act[34] to determine whether the proposed rule change should be approved or disapproved.

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 No. SR-EDGA-2013-08 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 No. SR-EDGA-2013-08. 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 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

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[34]   15 U.S.C. 78s(b)(2)(B).

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 such 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 No. SR-EDGA-2013-08 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.[35]

Kevin M. O'Neill
Deputy Secretary

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[35]   17 CFR 200.30-3(a)(12).