

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71047; File No. SR-EDGA-2013-35)

December 11, 2013

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 November 29, 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, 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) (“Fee Schedule”) to: (i) remove Flag RS, which routes to NASDAQ OMX PSX (“PSX”) and adds liquidity; (ii) make a non-substantive, corrective change to both Step-Up Tier 1 and Step-Up Tier 2 under Footnote 4; and (3) amend the criteria of both Step-Up Tier 1 and Step-Up Tier 2 under Footnote 4. 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, and at the Public Reference Room of the Commission.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term “Member” is defined as “any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange. A Member will have the status of a “member” of the Exchange as that term is defined in Section 3(a)(3) of the Act.” See Exchange Rule 1.5(n).

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

The Exchange proposes to amend its Fee Schedule to: (i) remove Flag RS, which routes to PSX and adds liquidity; (ii) make a non-substantive, corrective change to both Step-Up Tier 1 and Step-Up Tier 2 under Footnote 4; and (iii) amend the criteria of both Step-Up Tier 1 and Step-Up Tier 2 under Footnote 4.

Flag RS

The Exchange proposes to delete Flag RS from its Fee Schedule. Orders that yield Flag RS are routed to the PSX and add liquidity. The Exchange currently rebates orders that yield Flag RS \$0.0020 per share for securities priced at or above \$1.00 and charges no fee for securities priced below \$1.00. These fees represent a pass through of the rate that Direct Edge ECN LLC (d/b/a DE Route) ("DE Route"), the Exchange's affiliated routing broker-dealer, is rebated for routing orders to PSX when it does not qualify for a volume tiered rate. The Exchange recently began to incur increased excessive messaging fees from PSX.⁴ To mitigate

⁴ See the Excessive Messaging Policy under the Nasdaq Stock Market LLC fee schedule available at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2> (last visited November 20, 2013).

the increased messaging fees, the Exchange intends to delete Flag RS from its Fee Schedule and no longer permit Members to route orders via DE Route to post on the PSX. Members would continue to be able to route orders to PSX and remove liquidity via DE Route.

Step-Up Tiers 1 and 2

Footnote 4 of the Fee Schedule contains the Step-Up Tier 1 and Step-Up Tier 2 (collectively, the “Step-Up Tiers”). Step-Up Tier 1 provides Members with a reduced fee of \$0.0003 per share for adding liquidity to the Exchange when the Member, on an MPID basis, adds more than 0.10% of the total consolidated volume (“TCV”) on EDGA on a daily basis, measured monthly, more than the MPID’s December 2012 added TCV. The Step-Up Tier 2 provides Members with a reduced fee of \$0.0003 per share to add liquidity to the Exchange when the Member: (i) on an MPID basis, adds more than 0.05% of the TCV on EDGA on a daily basis, measured monthly, more than the MPID’s December 2012 added TCV; and (ii) has an “added liquidity” to “added plus removed liquidity” ratio of at least 85%. Under both tiers, where an MPID’s December 2012 TCV is zero, the Exchange would apply a default TCV baseline of 10,000,000 shares. The Exchange now proposes to make two changes to both Step-Up Tiers.

First, the Exchange proposes to correct an inadvertent drafting error in the criteria related to TCV requirements for the Step-Up Tiers outlined above. Specifically, the Exchange proposes to amend the Step-Up Tiers to replace the term “TCV”⁵ with “ADV”⁶ when referring to the

⁵ “TCV” is defined as “the volume reported by all exchanges and trade reporting facilities to the consolidated transaction reporting plans for Tapes A, B and C securities for the month in which the fees are calculated.” See Exchange Fee Schedule available at <http://www.directedge.com/Trading/EDGAFeeSchedule.aspx> (last visited November 27, 2013).

⁶ “ADV” is defined as the “average daily volume of shares that a Member executed on the Exchange for the month in which the fees are calculated.” See Exchange Fee Schedule

baseline the Member must exceed to achieve the tier. In practice, a Member cannot have an added TCV on the Exchange since TCV is comprised of volume reported by all exchanges and trade reporting facilities to the consolidated transaction reporting plans. Therefore, basing a Member's eligibility for the Step-Up Tiers on their added TCV is impracticable. The Exchange notes that its proposal conforms to an existing practice and does not modify the criteria that the Exchange has been using for its Members for achieving the tiers. The Exchange will continue to calculate whether a Member satisfied criteria based on the Member's ADV, not TCV, when considering the baseline the Member must exceed to achieve the tier.

Second, the Exchange proposes to amend the baseline eligibility criteria for the Step-Up Tiers to allow a greater number of Members to participate. In general terms, the baseline eligibility criteria is the liquidity in percentage of TCV a Member adds to the Exchange in excess of their December 2012 ADV. To the extent that a Member's added liquidity exceeds their December 2012 ADV, the Member may be eligible for the Step-Up Tiers. The current baseline eligibility for Step-Up Tier 1 requires the Member to, on an MPID basis, add more than 0.10% of the TCV on EDGA on a daily basis, measured monthly, more than the MPID's December 2012 added ADV.⁷ The current baseline eligibility for Step-Up Tier 2 requires the Member to, on an MPID basis, add more than 0.05% of the TCV on EDGA on a daily basis, measured monthly, more than the MPID's December 2012 added ADV.⁸

The Exchange proposes to modify the baseline eligibility for the Step-Up Tiers to allow the Member's added liquidity in percentage of TCV to be more than the lower of its ADV for

available at <http://www.directedge.com/Trading/EDGAFeeSchedule.aspx> (last visited November 27, 2013).

⁷ The Exchange notes that the current criteria for the Step-Up Tiers inaccurately states “. . . MPID's December 2012 added TCV.” As stated above, the Exchange is proposing to amend the Step-Up Tiers to replace the term “TCV” with “ADV.”

⁸ Id.

December 2012 or September 2013. Thus, to the extent a Member's eligibility is limited by having a high ADV in December 2012, the Member may have a greater chance to be eligible for either Step-Up Tier 1 or Step-Up Tier 2 to the extent its ADV was lower in September 2013 than December 2012. Conversely, a Member with a lower ADV in December 2012 would continue to be eligible for the Step-Up Tiers based on that ADV. Specifically, the Exchange proposes to amend the criteria for Step-Up Tier 1 to now require that the Member, on an MPID basis, measured monthly, add more than 0.10% of the MPID's December 2012 or September 2013 added ADV, whichever is lower. Likewise, the Exchange proposes amend the criteria for Step-Up Tier 2 to require that Members add more than adds more than 0.05% of the MPID's December 2012 or September 2013 added ADV, whichever is lower.

The revised criteria for Step-Up Tier 1 would read as follows:

On an MPID basis, add more than 0.10% of the TCV on EDGA on a daily basis, measured monthly, more than the MPID's December 2012 or September 2013 added ADV, whichever is lower.

Where an MPID's December 2012 and September 2013 ADV is zero, then the Exchange applies a default ADV baseline of 10,000,000 shares.

The revised criteria for Step-Up Tier 2 would read as follows:

On an MPID basis:

- (1) Add more than 0.05% of the TCV on EDGA on a daily basis, measured monthly, more than the MPID's December 2012 or September 2013 added ADV, whichever is lower; and
- (2) Have an "added liquidity" to "added plus removed liquidity" ratio of at least 85%. (No change).

Where an MPID's December 2012 and September 2013 ADV is zero, then the Exchange applies a default ADV baseline of 10,000,000 shares.

The remainder of the footnote as it pertains to Step-Up Tier 1 and Step-Up Tier 2 would remain unchanged.

Implementation Date

The Exchange proposes to implement these amendments to its Fee Schedule on December 2, 2013.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,⁹ in general, and furthers the objectives of Section 6(b)(4),¹⁰ 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.

Flag RS

The Exchange believes that its proposal to delete Flag RS from its Fee Schedule represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because it will no longer offer routing to the PSX via its System routing table. The Exchange recently began to incur increased excessive messaging fees from PSX.¹¹ To mitigate the increased messaging fees, the Exchange intends to delete Flag RS and no longer allow Members to route orders DE Route to post on the PSX. The Exchange notes that it will continue to comply with its obligations under Regulation NMS and will route to PSX

⁹ 15 U.S.C. 78f.

¹⁰ 15 U.S.C. 78f(b)(4).

¹¹ See the Excessive Messaging Policy under the Nasdaq Stock Market LLC fee schedule available at <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2> (last visited November 20, 2013).

to remove liquidity; however, it will not continue to offer Flag RS as a routing option to post liquidity to the PSX. Members seeking to post orders on the PSX may select alternative routing methods or to access the PSX directly. The Exchange believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

Step-Up Tiers 1 and 2

The Exchange believes that its proposal to replace the term “TCV” with “ADV” in the Step-Up Tiers when referring to the baseline the Member must exceed to achieve the tier is reasonable because it will increase the level of transparency on the Exchange’s Fee Schedule and improve the Exchange’s ability to effectively convey the criteria necessary to achieve the tiers. The Exchange notes that its proposal conforms to an existing practice and does not modify the rebate that the Exchange has been providing its Members for achieving the Step-Up Tiers. The Exchange has historically calculated and will continue to calculate whether a Member satisfied the Step-Up Tier’s criteria based on their ADV, and not TCV. Lastly, the Exchange also believes that these proposed amendments are non-discriminatory because they would be available to all Members equally.

The Exchange believes its proposal to modify the baseline eligibility for the Step-Up Tiers to allow the Member’s added liquidity in percentage of TCV to be based on the lower of its ADV for December 2012 or September 2013 represents an equitable allocation of reasonable dues, fees, and other charges since reduced fees reward higher liquidity provision commitments by Members. The primary objective to amending the baseline eligibility criteria for the Step-Up Tiers to increase the number of Members who may be eligible to achieve the tier. The change enhances the number of Members by modifying the baseline eligibility for the Step-Up Tiers to reflect the lower of its ADV for December 2012 or September 2013. Given the requirement that

a Member must exceed a percentage of liquidity in excess of their December 2012 ADV, the change will enhance the value of the Step-Up Tiers to Members whose market participation was higher in December 2012 than September 2013, thereby encouraging them to increase their volume on the Exchange over such baseline. Such increased volume would increase potential revenue to the Exchange and allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, which would result in lower per share costs. The Exchange may then pass on these savings to Members in the form of reduced fees. The increased liquidity would also benefit all investors by deepening EDGA's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection.

In addition, the amended criteria for the Step-Up Tiers is also reasonable as compared to similar pricing mechanisms based on similar criteria (the lower volume of two months) employed by The Nasdaq Stock Market LLC ("Nasdaq"). Nasdaq's Investor Support Program enables members to receive a fee credit for providing additional liquidity to Nasdaq based on the Member equaling or exceeding a baseline volume of liquidity added to Nasdaq.¹² Under the Nasdaq program, the member's baseline is a percentage of monthly consolidated volume calculated by dividing the total number of share of liquidity that the member added on Nasdaq in August 2010 or August 2011, whichever is lower. Lastly, the Exchange believes that it is reasonable and equitable to offer a discounted rate to Members who satisfy a baseline eligibility based on the percentage of a Member's added liquidity to be based on the lower of its ADV for December 2012 or September 2013 because the Exchange believes that such Members are most

¹² See Nasdaq Rule 7014.

likely to provide consistent liquidity during periods of market stress and to manage their quotes/orders in a coordinated manner that promotes price discovery and market stability.

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

These proposed rule changes do not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that any of these changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor EDGA's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

Flag RS

The Exchange believes that its proposal to delete Flag RS from its Fee Schedule would not impact intermarket competition because Members seeking to access the PSX to add liquidity may select alternative routing methods or access the PSX directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed repeal of Flag RS would be available to all Members equally.

Step-Up Tiers 1 and 2

The Exchange believes that correcting an inadvertent drafting error by replacing the term "TCV" with "ADV" in the Step-Up Tiers when referring to the baseline the Member must exceed to achieve the tier would not impose a burden on intermarket competition because it simply clarifies for Members how the criteria under the Step-Up Tiers has and will continue to be calculated by the Exchange. The Exchange has historically and will continue to calculate whether a Member satisfied criteria based on the Member's ADV, and not TCV. The Exchange

does not propose to amend any of the existing criteria under the Step-Up Tiers. It simply seeks to correct in its Fee Schedule how the criteria under the Step-Up Tiers has and will continue to be calculated. The Exchange believes that its proposal would neither increase nor decrease intramarket competition because the criteria, as amended, in Step-Up Tiers would continue to be available to all Members equally.

The Exchange also believes that its proposal to modify the baseline eligibility for the Step-Up Tiers to allow the percentage of a Member's added liquidity to be based on the lower of its ADV for December 2012 or September 2013 would increase intermarket competition because it offers Members increased opportunities to be eligible for the Step-Up Tiers and receive the discounted rate. Given the requirement that a Member must exceed a percentage of liquidity in excess of their December 2012 ADV, the change will enhance the value of the Step-Up Tiers to Members whose market participation was higher in December 2012 than September 2013, thereby encouraging them to increase their volume on the Exchange, and thereby increasing intermarket competition. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would be available to all Members equally.

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)(A) of the Act¹³ and Rule 19b-4(f)(2)¹⁴ 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-2013-35 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-2013-35. 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

¹³ 15 U.S.C. 78s(b)(3)(A).

¹⁴ 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-2013-35 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.¹⁵

Kevin M. O'Neill
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).