SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-72812; File No. SR-EDGA-2014-20)

August 11, 2014

Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing of Proposed Rule Change Relating to Include Additional Specificity within Rule 1.5 and Chapter XI Regarding Current System Functionality Including the Operation of Order Types and Order Instructions

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 August 1, 2014, EDGA Exchange, Inc. (the "Exchange" or "EDGX") 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 the Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 1.5 and Chapter XI of its rule book to include additional specificity regarding the current functionality of the Exchange's System,[3] including the operation of its order types and order instructions. These changes are designed to update the rule book to reflect current system functionality and include: (i) further clarifying the Exchange's trading sessions and hours of operation by amending Rule 11.1; (ii) describing the process for initial opening and re-opening after a trading halt by adding proposed Rule 11.7, Opening Process; (iii) amending the description of order types, order instructions, and their functionality by deleting the content of Rule 11.5, Order Types and Modifiers, renumbering it as

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

2 17 CFR 240.19b-4.

3 Exchange Rule 1.5(cc) defines "System" as "the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away."

Rule 11.8, and adding proposed Rule 11.6, Definitions; (iv) amending Rule 11.8, Priority of Orders, to provide additional specificity regarding the execution priority of orders and renumbering it as Rule 11.9; and (v) making a series of organizational and conforming changes to Rule 1.5, Rule 8.15, and Chapter XI.

The text of the proposed rule change is attached as Exhibit 5 and is available on the Exchange's website at www.directedge.com, at the Exchange's principal office, and at the Public Reference Room of the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and the 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 Rule 1.5 and Chapter XI of its rule book to include additional specificity regarding the current functionality of the Exchange's System, including the operation of its order types and order instructions. These changes are designed to update the rule book to reflect current system functionality and include: (i) further clarifying the Exchange's trading sessions and hours of operation by amending Rule 11.1; (ii) describing the process for initial opening and re-opening after a trading halt by adding proposed Rule 11.7, Opening Process; (iii) amending the description of order types, order instructions, and their functionality by deleting the content of Rule 11.5, Order Types and Modifiers, renumbering it as Rule 11.8, and adding proposed Rule 11.6, Definitions; (iv) amending Rule 11.8, Priority of Orders, to provide additional specificity regarding the execution priority of orders and renumbering it as Rule 11.9; and (v) making a series of organizational and conforming changes to Rule 1.5, Rule 8.15, and Chapter XI. Unless otherwise stated,[4] the Exchange does not propose to substantively modify the operation of any of the current defined order types or terms or the operation of the System; rather, it intends to provide additional specificity and transparency to Members, Users, and the investing public regarding the Exchange's order types and system functionality, and to organize its rules in a more intuitive and less complex manner.[5]

TRADING SESSIONS, HOURS OF OPERATION, AND INITIAL OPENING AND RE-OPENING PROCESSES

The Exchange proposes to further clarify its trading sessions and hours of operation by amending Rule 11.1. The Exchange also proposes to describe the processes for initial opening and re-opening after a trading halt by adding proposed Rule 11.7, Opening Process. The Exchange believes that these proposed rule changes provide greater transparency to its

4 As discussed in more detail below, the Exchange proposes the following new System functionality: Proposed Rule 11.7(c). Alternatively set the price of the Opening Process for securities listed on either the New York Stock Exchange, Inc. or NYSE MKT LLC at the midpoint of the then prevailing NBBO when the first two-sided quotation published by the listing exchange after 9:30:00 a.m. Eastern Time, but before 9:45:00 a.m. Eastern Time if no first trade is reported by the listing exchange within one second of publication of the first two-sided quotation by the listing exchange. Proposed Rule 11.7(e). Alternatively set the price of a re-opening at the midpoint of the then prevailing NBBO when the first two-sided quotation is published by the listing exchange following the resumption of trading after a halt, suspension, or pause if no first trade is reported within one second of publication of the first two-sided quotation by the listing exchange. Proposed Rule 11.6(j)(1). Require that an order with a Market Peg instruction that is to be displayed by the System on the EDGA Book include an offset equal to or greater than one Minimum Price Variation. Proposed Rule 11.6(n)(4). Permit an order with a Post Only Instruction to execute against an order resting on the EDGA Book where it is eligible to receive price improvement as described under the proposed rule.

5 See Mary Jo White, Chair, Commission, Speech at the Sandler O'Neill & Partners, L.P. Global Exchange and Brokerage Conference, (June 5, 2014), available at http://www.sec.gov/News/Speech/Detail/Speech/1370542004312#.U7rxbLE4KSo.

Members,[6] Users,[7] and the investing public regarding the Exchange's hours of operation and current opening process.

Rule 11.1, Hours of Trading and Trading Days

The Exchange proposes to amend Rule 11.1, Hours of Trading and Trading Days, to clarify when orders may be entered into the System and to outline a User's ability to select the trading sessions for which an order may be eligible for execution. Proposed Rule 11.1(a)(1), Session Indicator, describes each of the Exchange's existing trading sessions. A User may select the particular trading sessions for which their order(s) may be eligible for execution. Specifically, orders designated as:

- "Pre-Opening Session" are eligible for execution between 8:00 a.m. Eastern Time and 4:00 p.m. Eastern Time;
- "Regular Session" are eligible for execution between the completion of the Opening Process or a Contingent Open as defined in proposed Rule 11.7 (described below), whichever occurs first, and 4:00 p.m. Eastern Time, unless otherwise noted;[8]
- "Post-Closing Session" are eligible for execution between the start of the Regular Session and 8:00 p.m. Eastern Time; and

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[6] 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).

[7] The term "User" is defined as "any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3." See Exchange Rule 1.5(ee).

[8] Beginning at 9:30:00 a.m. Eastern Time, the System will accept: (i) incoming orders designated as Intermarket Sweep Orders, and (ii) orders with a time-in-force instruction of Immediate-or-Cancel. This is to assist Members' compliance with Rule 611 of Regulation NMS.

- "All Sessions" are eligible for execution between 8:00 a.m. and 8:00 p.m. Eastern Time.

Under proposed Rule 11.1(a)(1), orders may be entered into the System from 6:00 a.m. until 8:00 p.m. Eastern Time, but orders entered between 6:00 a.m. and 8:00 a.m. Eastern Time are not eligible for execution until the start of the session selected by the User. All orders are eligible for execution during the Regular Session. For an order to be eligible for the Pre-Opening and/or Post-Closing Sessions, Users must so designate the order. If the User does not select a particular session or sessions, the order will default to the Regular Session only.

<u>Proposed Rule 11.7, Opening Process</u>

The Exchange also proposes to adopt proposed Rule 11.7 to describe its opening and re-opening processes.[9] Proposed Rule 11.7(a) states that prior to the beginning of the Regular Session, Users who wish to participate in the Opening Process may enter orders to buy or sell. Orders cancelled prior to the Opening Process will not participate in the Opening Process. Proposed Rule 11.7(a)(2) provides that all orders may participate in the Opening Process except for: (i) orders with a Stop Price[10] or Stop Limit Price[11] instruction, (ii) Limit Orders with a Post Only[12] instruction, (iii) orders with a time-in-force ("TIF") instruction of Fill-or-Kill ("FOK") or Immediate or Cancel ("IOC"), and (iv) Intermarket Sweep Orders ("ISOs"). Orders that are

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[9] Proposed Rule 11.7 is based on and substantially similar to International Securities Exchange, LLC ("ISE") Rule 2106. <u>See</u> <u>also</u> Securities Exchange Act Release No. 54287 (August 8, 2006), 71 FR 46947 (August 15, 2006) (Order Approving File No. SR-ISE-2006-48).

[10] The Stop Price instruction is proposed to be set forth in Rule 11.8(a)(1), and is further discussed below.

[11] The Stop Limit Price instruction is proposed to be set forth in Rule 11.8(b)(1), and is further discussed below.

[12] The Post Only instruction is proposed to be set forth in Rule 11.6(n)(4), and is further discussed below.

designated for the Regular Session that cannot participate in the Opening Process will not be accepted by the System until the Opening Process is completed or a Contingent Opening has occurred, as described below. Limit Orders with a Reserve Quantity[13] may participate to the full extent of their displayed size and Reserve Quantity. Limit Orders with a Discretionary Range[14] may participate up to their discretionary price for buy orders and down to their discretionary price for sell orders. A Limit Order with a Pegged instruction[15] will be eligible for execution in the Opening Process based on its pegged price at the time the Opening Process is conducted.

Under proposed Rule 11.7(a)(3), the Exchange will open by performing the Opening Process in which the System will attempt to match buy and sell orders that are executable at the midpoint of the National Best Bid and Offer ("NBBO"). Proposed Rule 11.7(c) codifies the process by which the System sets the opening price of the Opening Process. The System sets the price of the Opening Process at the midpoint of the first NBBO after 9:30:00 a.m. Eastern Time. However, for securities listed on either the New York Stock Exchange, Inc. ("NYSE") or NYSE MKT LLC ("NYSE MKT"), the System currently sets the price of the Opening Process at the midpoint of the first NBBO subsequent to the first reported trade on the listing exchange after 9:30:00 a.m. Eastern Time. In addition to this existing process, the Exchange proposes to alternatively set the price of the Opening Process for securities listed on either the NYSE or NYSE MKT at the midpoint of the then prevailing NBBO when the first two-sided quotation published by the relevant listing exchange after 9:30:00 a.m. Eastern Time, but before 9:45:00

13 Reserve Quantity is proposed to be defined in Rule 11.6(m), and is further discussed below.

14 The Discretionary Range instruction is proposed to be defined in Rule 11.6(d), and is further discussed below.

15 The Pegged instruction is proposed to be defined in Rule 11.6(i), and is further discussed below.

a.m. Eastern Time if no first trade is reported by the listing exchange within one second of publication of the first two-sided quotation by the listing exchange. The System waits to set the price at the midpoint of the first NBBO as set forth above because securities listed on the NYSE or NYSE MKT may not open at precisely 9:30:00 a.m. Eastern Time.

Proposed Rule 11.7(b) describes the Opening Process. Under the Opening Process, all orders executable at the midpoint of the NBBO will be processed in time sequence, beginning with the order with the oldest time stamp. Matches will occur until there are no remaining contra-side orders or there is an imbalance of orders. An imbalance of orders may result in orders that cannot be executed in whole or in part. Any unexecuted orders may then be placed by the System on the EDGA Book,[16] cancelled, executed, or routed to away Trading Centers in accordance with the Users' instructions pursuant to proposed renumbered Rule 11.11.

Proposed Rule 11.7(d) describes the Exchange's process for a Contingent Open, which would occur where the conditions to establish the price of the Opening Process set forth under proposed Rule 11.7(c) do not occur by 9:45:00 a.m. Eastern Time. For example, the Opening Process will not occur where, if between 9:30:00 a.m. and 9:45:00 a.m. Eastern Time, no NBBO is published, or, for securities listed on either the NYSE or NYSE MKT, no first trade is reported or quote is published by the listing exchange, as proposed above. If the conditions to establish the price of the Opening Process do not occur by 9:45:00 a.m. Eastern Time, orders will be placed by the System on the EDGA Book, cancelled, executed, or routed to away Trading Centers in accordance with the Users' instructions pursuant to proposed renumbered Rule 11.11.

Proposed Rule 11.7(e) describes the process by which the System sets the price of a re-opening following the resumption of trading after a halt, suspension, or pause. The System

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16 The term "EDGA Book" is defined as "the System's electronic file of orders." See EDGA Rule 1.5(d).

currently re-opens a security at the midpoint of the first NBBO subsequent to the first reported trade on the listing exchange following the resumption of trading after a halt, suspension, or pause. In addition, the Exchange proposes to alternatively set the price of a re-opening at the midpoint of the then prevailing NBBO when the first two-sided quotation is published by the listing exchange following the resumption of trading after a halt, suspension, or pause if no first trade is reported within one second of publication of the first two-sided quotation by the listing exchange.

ORDER TYPE AND SYSTEM FUNCTIONALITY CLARIFICATION UNDER CHAPTER XI

The Exchange proposes to describe the basic requirements for all order types processed by the System by eliminating current Rule 11.5 and replacing it with proposed Rule 11.6, Definitions, and Rule 11.8, Order Types, each of which are explained in more detail below. The Exchange also proposes to amend current Rule 11.8, Priority of Orders, to describe the time priority of orders at specific price points and renumber it as Rule 11.9. Unless otherwise stated, the Exchange does not propose to substantively modify the operation of any of the current defined order types or terms or the operation of the System. The Exchange believes the proposed amendments will provide greater transparency regarding how the System operates, the order types the Exchange offers, which instructions a User may attach to each order type, and how order types and instructions when used in combination, may affect an order's execution priority under proposed renumbered Rule 11.9.

Specifically, the Exchange proposes to delete the content of current Rule 11.5, Orders and Modifiers, and replace it with proposed Rule 11.6, Definitions, and Rule 11.8, Order Types. The Exchange's proposed rule change would outline the number of order types available on the System as well as describe what instructions may be attached to each order type. In certain cases, what was previously described under the Exchange's rules as a standalone order type, is, in fact, an instruction or set of instructions attached to an order type and not an order type itself. The Exchange believes the order types that it now proposes to classify as order instructions are derivative of and could not operate independently from what the Exchange proposed as a standalone order type. Specifically, and as described more fully below, proposed Rule 11.8, Order Types, would describe the following standalone order types that are available on the Exchange: Market Orders, Limit Orders, ISOs, MidPoint Peg Orders, MidPoint Discretionary Orders, NBBO Offset Peg Orders, and Route Peg Orders. Proposed Rule 11.8 would further describe each order type's functionality and the instructions a User may attach to each. Proposed Rule 11.6, Definitions, would re-classify and describe the features currently defined as order types as instructions that may be attached to order types.

PROPOSED RULE 11.6, DEFINITIONS

Proposed Rule 11.6 seeks to set forth in one rule current defined terms and order instructions that are described in Chapter XI. The proposed rule also includes additional defined terms and instructions to aid in describing System functionality and the operation of the Exchange's order types. Some features listed below and now codified in proposed Exchange Rule 11.6 are currently included under current Rule 11.5, where they are described as standalone order types. As part of the Exchange's order type clarification discussed below, the Exchange proposes to relocate and reclassify these features as instructions that may be appended to an order type.

The Exchange notes that an instruction defined within Rule 11.6 may not be available for all order types. Whether an instruction is available for a particular order type is set forth in detail in proposed Rule 11.8, Order Types.

The terms and instructions defined within proposed Rule 11.6 are as follows:

Attributable and Non-Attributable (Rule 11.6(a)).

The Exchange currently defines the terms "Attributable Order" and "Non-Attributable Order" in Exchange Rules 11.5(c)(18) and (19). An Attributable Order is currently defined as "[a]n order designated for display (price and size) that includes the Member's market participant identifier ("MPID")." A Non-Attributable Order is currently defined as "[a]n order designated for display (price and size) on an anonymous basis by the System." The Exchange believes that a User choosing whether to display its MPID on an order they submit to the Exchange is more characteristic of an instruction, rather than an order type. Therefore, the Exchange proposes to keep this definition but delete the word Order from both terms, leaving just the terms Attributable and Non-Attributable. As part of its order type clarification, the Exchange proposes to relocate each term to proposed Rule 11.6. The Exchange does not propose to alter the meaning of either term. The Exchange, however, proposes to add additional specificity to the rule regarding the designation of orders as Attributable and Non-Attributable. Specifically, the Exchange proposes to state that unless the User elects otherwise, all orders will be automatically defaulted by the System to Non-Attributable. Further, a User may elect an order to be Attributable on an order-by-order basis or instruct the Exchange to default all its orders as Attributable on a port-by-port basis. However, if a User instructs the Exchange to default all its orders as Attributable on a particular port, such User would not be able to designate any order from that port as Non-Attributable. Where a User includes an Attributable instruction with an order, the User's MPID will be visible via the Exchange's Book Feed.[17] Conversely, if an order is to be Non-Attributable, the User's MPID will not be visible via the Exchange's Book Feed.

[17] The Exchange's Book Feed is described under Rule 13.8.

<u>Cancel Back (Rule 11.6(b))</u>.

Under current Exchange Rule 11.5(c)(4), a User may opt not to use any re-pricing[18] instructions if display of the User's order by the System on the EDGA Book at its limit price would violate Regulation NMS, Regulation SHO, or the National Market System Plan, also known as Limit Up/Limit Down ("LULD"), to address extraordinary market volatility (the "LULD Plan")[19] at the time of receipt by the System. In such a case, the System cancels the order back to the User. The Exchange proposes to add a new defined term "Cancel Back" to its rules to specifically describe this instruction. The Exchange proposes to define Cancel Back as an instruction the User may attach to an order instructing the System to cancel the order, when, if displayed by the System on the EDGA Book at the time of entry, or upon return to the System after being routed away, the order would create a violation of Rule 610(d) of Regulation NMS, Rule 201 of Regulation SHO, or the order cannot otherwise be executed or posted by the System to the EDGA Book at its limit price upon entry. The Cancel Back instruction is not currently defined in the rules, but is currently available in the System. This proposed addition merely codifies the existing ability of a User to request that an order be cancelled if it would violate Regulation NMS, Regulation SHO, or the LULD Plan if it were displayed by the System on the EDGA Book at its limit price, upon entry.

<u>Discretionary Range (Rule 11.6(d))</u>.

The Exchange currently defines a "Discretionary Order" in Rule 11.5(c)(13) as an "[o]rder to buy or sell a stated amount of a security at a specified, undisplayed price (the

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18 The re-pricing instructions are proposed to be defined in Rule 11.6(l), and are further discussed below.

19 <u>See</u> Appendix A to Securities Exchange Act Release No. 67091 (May 31, 2012) 77 FR 33498 (June 6, 2012).

"discretionary price"), as well as at a specified, displayed price."[20] The Exchange believes that a Member adding a non-displayed discretionary price to its order is characteristic of an instruction, rather than an order type. Therefore, the Exchange proposes to delete the word Order from the defined term, and rename the term "Discretionary Range." In addition, the Exchange proposes to modify the definition of Discretionary Range to clarify the order types that may include a Discretionary Range instruction, and how the Discretionary Range of the order operates. Specifically, the Exchange proposes to define Discretionary Range as an instruction that may accompany an order to buy (sell) a stated amount of a security at a specified, displayed price with discretion to execute up (down) to a specified, non-displayed price.[21]

The Exchange also proposes to state that the Discretionary Range of an order to buy (sell) cannot be more than $0.99 higher (lower) than the order's displayed price and that an order with a Discretionary Range instruction resting on the EDGA Book will execute at its least aggressive price when matched for execution against an incoming order that also contains a Discretionary Range instruction, as permitted by the terms of both the incoming and resting order. The Exchange does not propose to add additional functionality to the operation of the Discretionary Range instruction or to alter the meaning of the term or the manner in which an order with a Discretionary Range instruction currently operates in the System. Finally, as part of its order type clarification, the Exchange proposes to relocate the term to proposed Rule 11.6(d).

Display Options (Rule 11.6(e)).

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[20] Similar optionality is available on other exchanges. See Nasdaq Stock Market LLC ("Nasdaq") Rule 4751(f)(1), and NYSE Arca, Inc. ("NYSE Arca") Rule 7.31(h)(2).

[21] The Exchange proposes to modify the existing rule text to make clear that an order with a Discretionary Range maintains the ability to execute at its displayed price with discretion to execute at prices to and including a specified, non-displayed price, and not exclusively at those prices. The Discretionary Range may include prices to and more aggressive than the midpoint of the NBBO.

An order may either be displayed or non-displayed on the EDGA Book. Accordingly, the Exchange proposes to include definitions of "Displayed" and "Non-Displayed." Although the words display and displayed are used in various Exchange rules,[22] these terms are not currently defined in the Exchange's rules. Therefore, the Exchange proposes to define Displayed in Rule 11.6(e) as "an instruction the User may attach to an order stating that the order is to be displayed by the System on the EDGA Book." The addition of the definition is not intended to change the substance of how that term is used in the Exchange's existing rules. The Exchange is also proposing that the Displayed instruction is the default instruction for all orders eligible for display by the System on the EDGA Book.

Second, the Exchange proposes to amend the definition of a Non-Displayed Order. Current Exchange Rule 11.5(c)(8) defines a Non-Displayed Order as:

> [a] market or limit order that is not displayed on the Exchange. A Non-Displayed Order is ranked based on the specified limit price and time of order entry in accordance with Rule 11.8(a)(2) and is available for potential execution against incoming marketable orders in accordance with Rule 11.9(a)(4)(A)-(B).

The Exchange believes that a Member adding a Non-Displayed instruction to its order is characteristic of an instruction, rather than a standalone order type. Therefore, the Exchange proposes to delete the word Order from the defined term, and rename the term "Non-Displayed." In addition, the Exchange proposes to modify the definition of Non-Displayed in its rules and proposes to define it as an "instruction the User may attach to an order stating that the order is not to be displayed by the System on the EDGA Book."[23]

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22 See Exchange Rule 11.5(c).

23 Other exchanges define Non-Displayed similarly, but as a "Non-Displayed Order." See Nasdaq Rule 4751(e)(3), and BATS Exchange, Inc. ("BZX") Rule 11.9(c)(11). In

The Exchange does not propose to carry over to the definition of Non-Displayed in proposed Rule 11.6 the current rule text regarding the priority and ranking of Non-Displayed Orders given its re-categorization as an order instruction described above. The Exchange notes that it is also proposing to amend Rule 11.8 (to be renumbered as Rule 11.9) to outline the priority of orders and the impact of this instruction will be discussed therein. Therefore, the Exchange believes it unnecessary to include this provision in the definition of Non-Displayed as it is redundant with provisions in another rule. Lastly, the Exchange plans to move the definition of Non-Displayed to proposed Rule 11.6(e).

Locking Price (Rule 11.6(f)).

Under current Exchange Rule 11.5(c)(4), a re-pricing instruction may be triggered if an order displayed at its limit price would be a Locking Quotation[24] upon entry into the System. The existing rules do not provide a definition of the price at which an order would cause such a violation. Therefore, the Exchange proposes to add a new term, Locking Price, to its rules to specifically define this price as the "price of an order to buy (sell) that, if, upon entry into the System, or upon return to the System after being routed away, and displayed by the System on the EDGA Book, it would be a Locking Quotation." The introduction of the new defined term would provide additional specificity to, but not change the substance of the existing rules.[25]

Locking Quotation and Crossing Quotations (Rule 11.6(c) and (g)).

Currently, Exchange Rule 11.16, Locking and Crossing Quotations in NMS Stocks,

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addition, an order may include a Displayed and Non-Displayed Instruction. See proposed Rule 11.6(m) infra.

24 The term Locking Quotation is proposed to be defined in Rule 11.6(g), and is further discussed below.

25 The term, "Locking Price" is similarly defined in the rules of other exchanges. See, e.g., BZX Rule 11.13(a)(1), which defines "locking price" as ". . . prices equal to displayed orders on the other side of the market."

defines the terms “Locking Quotation” and “Crossing Quotation.” Specifically, Locking Quotation is defined as “[t]he display of a bid for an NMS stock during regular trading hours at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.” A Crossing Quotation is defined as “[t]he display of a bid (offer) for an NMS stock during Regular Trading Hours at a price that is higher (lower) than the price of an offer (bid) for such NMS stock previously disseminated pursuant to an effective national market system plan.” The Exchange does not propose any changes to these definitions, other than to clarify that the Locking and Crossing Quotation would be in violation of Rule 610(d) of Regulation NMS and to remove the term “Regular Trading Hours” from each definition as the Exchange applies its re-pricing instructions to comply with Rule 610(d) of Regulation NMS (described below) outside of Regular Trading Hours. These definitions would also be relocated to proposed Rule 11.6.

Minimum Execution Quantity (Rule 11.6(h)).

The Exchange proposes to introduce, and provide a definition of, a new term – “Minimum Execution Quantity.” Minimum Execution Quantity is an instruction a User may include with an order that includes a Non-Displayed instruction requiring the System to execute the order to the extent that a minimum quantity can be satisfied by execution against a single order or multiple aggregated orders simultaneously. An order with a Minimum Execution Quantity instruction may be partially executed so long as the execution size is equal to or exceeds the quantity provided in the instruction. The Exchange also proposes to state that, unless the User elects otherwise, any shares remaining after a partial execution will continue to be executed by the System at a size that is equal to or exceeds the quantity provided with the instruction. The Minimum Execution Quantity instruction would no longer apply to an order where the number of shares remaining after a partial execution is less than the quantity provided in the instruction. The Minimum Execution Quantity instruction is not currently defined in the rules, but is currently available in the System.[26]

Minimum Price Variation (Rule 11.6(i)).

Exchange Rule 11.7, Price Variations, currently defines the term "Price Variation." Specifically, the existing definition of Price Variation makes clear that bids, offers, or orders in securities traded on the Exchange shall not be made in an increment smaller than: (i) $0.01 if those bids, offers, or orders are priced equal to or greater than $1.00 per share; or (ii) $0.0001 if those bids, offers, or orders are priced less than $1.00 per share; or (iii) any other increment established by the Commission for any security which has been granted an exemption from the minimum price increment requirements of Rule 612(a) or 612(b) of Regulation NMS. The Exchange does not propose to amend the definition other than to remove the term, "indications of interest", as indications of interest have not existed on the Exchange since its withdrawal of the Exchange's Step-up order type.[27] In addition, the Exchange proposes to relocate the definition from Rule 11.7 to proposed Rule 11.6.

Pegged (Rule 11.6(j)).

The Exchange currently describes its price pegging functionality as a "Pegged Order" under current Rule 11.5(c)(6). The Exchange proposes to relocate the language describing this

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26 The minimum execution quantity instruction is available on other exchanges. See, e.g., Nasdaq Rule 4751(f)(5), and National Stock Exchange, Inc. ("NSX") Rule 11.11(c)(2)(B).

27 See Securities Exchange Act Release No. 64094 (March 18, 2011), 76 FR 16468 (March 23, 2011) (SR-EDGA-2011-07).

functionality as an instruction under proposed Rule 11.6. Other than as described below, the Exchange does not propose to substantively amend this functionality; the Exchange believes that a User instructing the Exchange to peg an order's price is characteristic of an instruction a User may attach to an order, rather than an order type. Specifically, the Exchange proposes to change the name Pegged Order to Pegged instruction and to define a Pegged instruction as an order instruction to automatically re-price an order in response to changes in the NBBO. The revised definition of Pegged Order as a Pegged instruction would continue to include the following provisions while also providing additional specificity as described below: (i) a User may specify that the order's price will peg to a price a certain amount away from the NBB or NBO (offset); (ii) if an order with a Pegged instruction displayed on the Exchange would lock the market, the price of the order will be automatically adjusted by the System to one Minimum Price Variation below the current NBO (for bids) or to one Minimum Price Variation above the current NBB (for offers); (iii) a new time stamp is created for the order each time it is automatically adjusted; and (iv) orders with a Pegged instruction are not eligible for routing pursuant to Rule 11.11. For purposes of the Pegged instruction, the rule would also state that the System's calculation of the NBBO does not take into account any orders with Pegged instructions that are resting on the EDGA Book. The rule would also state that an order with a Pegged instruction would be cancelled if an NBB or NBO, as applicable, is no longer available.

In addition, the Exchange proposes to further describe the options available when using a Pegged instruction by introducing two new terms – Primary Peg and Market Peg.[28] Specifically, proposed Rule 11.6 would state that a Pegged instruction may be a Market Peg or Primary Peg.

[28] The Primary Peg and Market Peg order instructions are available on other exchanges. See, e.g., New York Stock Exchange LLC ("NYSE") Rule 13 (defining Pegging Interest), and Nasdaq 4751(f)(4).

An order that includes a Primary Peg instruction will have its price pegged by the System to the NBB, for a buy order, or the NBO for a sell order. A User may, but is not required to, select an offset equal to or greater than one Minimum Price Variation above or below the NBB or NBO that the order is pegged to. An order with a Primary Peg instruction would be eligible to join the Exchange's Best Bid or Offer ("Exchange BBO") when the EDGA Book has been locked or crossed by another market. If an order with a Primary Peg instruction would create a Locking Quotation or Crossing Quotation, the price of the order would be automatically adjusted by the System to one Minimum Price Variation (discussed below) below the current NBO (for bids) or to one Minimum Price Variation above the current NBB (for offers).

An order that includes a Market Peg instruction will have its price pegged by the System to the NBB, for a sell order, or the NBO, for a buy order. Historically, the System permitted Users to include an offset amount of zero with a Market Peg instruction. The Exchange now proposes to require that an order with a Market Peg instruction that is to be displayed by the System on the EDGA Book include an offset equal to or greater than one Minimum Price Variation. For an order that is to be displayed by the System on the EDGA Book, the order will be required to have an offset for an order to buy (sell) that is equal to or greater than one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to. If a User does not select an offset, the System will automatically include an offset on an order to buy (sell) that is equal to one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to. Requiring an offset is necessary to prohibit an order with a Market Peg instruction from becoming a Locking Quotation. For an order with a Non-Displayed instruction, a User may, but is not required to, select an offset for an order to buy (sell) that is equal to or greater than one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to.

Operation of Limit Orders with a Pegged Instruction

The following examples illustrate the operation of Limit Orders with a Pegged instruction.

Example No. 1. Buy Limit Order with a Primary Peg instruction and Offset

Assume the NBBO is $10.00 by $10.06. A Limit Order is entered into the System to buy 500 shares, with a Primary Peg instruction and offset of +$0.02. The order will be pegged to the NBB and initially displayed by the System on the EDGA Book at $10.02.

Example No. 2. Sell Limit Order with a Primary Peg instruction and Offset

Assume the NBBO is $10.00 by $10.06. A Limit Order is entered into the System to sell 500 shares, with a Primary Peg instruction and offset of -$0.02. The order will be pegged to the NBO and initially displayed by the System on the EDGA Book at $10.04.

Example No. 3. Buy Limit Order with a Market Peg instruction and Offset

Assume the NBBO is $10.00 by $10.10. A Limit Order is entered into the System to buy 500 shares with a Market Peg instruction and offset of -$0.01. The order will be pegged to the NBO and initially displayed by the System on the EDGA Book at $10.09.

Example No. 4. Sell Limit Order with a Market Peg instruction and Offset

Assume the NBBO is $10.00 by $10.10. A Limit Order is entered to sell 500 shares with a Market Peg instruction and offset of +$0.01, and a second Limit Order is entered to sell 800 shares with a Market Peg instruction and offset of +$0.03. The orders will be pegged to the NBB and initially displayed by the System on the EDGA Book at $10.01 and $10.03, respectively. If the NBBO then changes to $10.02 by $10.10, the orders will be re-priced and displayed at $10.03 and $10.05, respectively.

Permitted Price (Rule 11.6(k)).

The Exchange currently defines the term "Permitted Price" in Exchange Rule 11.5(c)(4)(B), which states that a short sale order that is subject to the Exchange's short sale price sliding process will "be re-priced to display at one MPV above the current NBB." The Exchange does not propose to amend the definition other than to delete it from Rule 11.5(c)(4)(B) and add relocate it under proposed Rule 11.6.

Re-Pricing (Rule 11.6(l)).

The Exchange currently offers various re-pricing instructions which, in all cases, result in the ranking and/or display of an order at a price other than the order's limit price in order to comply with applicable securities laws and Exchange Rules. Specifically, the Exchange's re-pricing instructions are designed to permit Users to comply with: (i) Rule 610(d) of Regulation NMS; or (ii) Rule 201 of Regulation SHO are currently described under Exchange Rules 11.5(c)(4) as the "displayed price sliding process"[29] and "short sale price sliding process."[30] The

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29 The "displayed price sliding process" is currently described under Rule 11.5(c)(4)(A) as follows: An EDGA Only Order that, at the time of entry, would cross a Protected Quotation will be re-priced to the locking price and ranked at such price in the EDGA Book. An EDGA Only Order that, if at the time of entry, would create a violation of Rule 610(d) of Regulation NMS by locking or crossing a Protected Quotation will be displayed by the System at one minimum price variation ("MPV") below the current NBO (for bids) or to one MPV above the current NBB (for offers) (collectively, the "displayed price sliding process"). In the event the NBBO changes such that the EDGA Only Order at the original locking price would not lock or cross a Protected Quotation, the order will receive a new timestamp, and will be displayed at the original locking price.

30 The "short sale price sliding process" is currently described under Rule 11.5(c)(4)(B) – (C) as follows: An EDGA Only Order that, at the time of entry, could not be executed or displayed pursuant to Rule 201 of Regulation SHO will be re-priced by the System to prevent execution or display at or below the current NBB (such entire process called the "short sale price sliding process"). Any EDGA Only order subject to such re-pricing by the System will be re-priced to display at one MPV above the current NBB ("Permitted Price"). Following the initial adjustment provided for in this paragraph (B), the EDGA Only Order will, to reflect declines in the NBB, continue to be re-priced at the lowest Permitted Price down to the order's original limit price, or if a market order, until the order is filled. The order will receive a new timestamp each time it is re-priced.

Exchange proposes to delete Rule 11.5(c)(4) in its entirety and replace it with proposed Rule 11.6(l), which will describe in more detail and provide additional specificity regarding the re-pricing instructions currently available to Users by renaming displayed price sliding under current Rule 11.5(c)(4) as Hide Not Slide and introducing and defining three new terms with regard to Regulation NMS compliance – Price Adjust, Single Re-Price, and Routed and Returned Re-Pricing, and three new terms with regard to Regulation SHO compliance – Short Sale Price Adjust, Short Sale Price Sliding, and Short Sale Single Re-Price.[31] The Exchange also proposes to describe in its rules the re-pricing instruction for orders that are not displayed by the System on the EDGA Book. By providing additional specificity in proposed Rule 11.6(l) regarding the available re-pricing instructions, the Exchange believes the proposed rules will aid the understanding of Members, Users, and the investing public with respect to the operation of the System and the manner in which orders subject to re-pricing are handled and displayed by the System on the EDGA Book.

The Exchange describes each of these new terms in more detail below and provides specific examples as to how each process operates.

<u>Re-Pricing Instructions to Comply with Rule 610(d) of Regulation NMS</u>

Alternatively, following the initial adjustment provided for in paragraph (B), the EDGA Only Order may, in accordance with the User's instructions, provided that in all cases the display or execution of such lower prices does not violate Rule 201 of Regulation SHO: (i) be re-priced one additional time to a price that is above the current NBB but equal to the NBB at the time the EDGA Only Order was received and receive a new timestamp; or (ii) not be adjusted further. In the event the NBB changes such that the price of a Non-Displayed Order subject to short sale price sliding would lock or cross the NBB, the Non-Displayed Order will receive a new timestamp, and will be re-priced by the System to a Permitted Price . EDGA Only Orders marked "short exempt" shall not be subject to the short sale price sliding process.

31 Other exchanges utilize similar re-pricing processes. <u>See</u> <u>e.g.</u>, Chicago Stock Exchange, Inc. ("CHX") Art. I, Rule 2(b)(1)(C), BZX Rules 11.9(c)(4), (6) and 11.9(g)(2), BATS-Y Exchange, Inc. ("BYX") Rules 11.9(c)(4), (6) and 11.9(g)(2), and Nasdaq's "Re-pricing of Orders during Short Sale Period" described in Nasdaq Rule 4763(e).

Proposed Rule 11.6(l)(1) sets forth the following re-pricing instructions to comply with Rule 610(d) of Regulation NMS: (i) Price Adjust; (ii) Hide Not Slide; (iii) Single Re-Price; and (iv) and Routed and Returned Re-Pricing. As discussed in more detail under the description of proposed Rule 11.8, the Exchange notes a Limit Order that, if displayed by the System on the EDGA Book at its limit price upon entry would be a Locking Quotation or Crossing Quotation, will be automatically defaulted by the System to the Hide Not Slide instruction, unless the User affirmatively elects: (i) the Cancel Back instruction; (ii) the Price Adjust instruction; or (iii) the Single Re-Price instruction.

Price Adjust (Rule 11.6(l)(1)(A)).

Under the Price Adjust instruction, where a buy (sell) order would be a Locking Quotation or Crossing Quotation if displayed by the System on the EDGA Book at the time of entry, the order will be displayed and ranked[32] at a price that is one Minimum Price Variation lower (higher) than the Locking Price.[33] The order will be displayed and ranked by the System on the EDGA Book at the Locking Price if: the NBBO changes such that the order, if displayed at the Locking Price, would not be a Locking Quotation or Crossing Quotation, including where an ISO with a TIF instruction of Day is entered into the System and displayed on the EDGA Book on the same side of the market as the order at a price that is equal to or more aggressive than the Locking Price.[34] The order would not be subject to further re-ranking and will be

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[32] For purposes of the description of the re-pricing instructions under proposed Rule 11.6(l), the terms "ranked" and "priced" are synonymous and used interchangeably.

[33] The Exchange notes that other exchanges offer similar functionality. See Nasdaq Rule 4751(f)(7) (Price to Comply Order), BZX Rule 11.9(g)(1) (Display-Price Sliding), BYX 11.9(g)(1) (Display-Price Sliding), and CHX Rule Art. I, Rule 2(b)(1)(C)(i) (NMS Price Sliding).

[34] See Division of Trading and Markets: Response to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS, Question 5.02, available at http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm (last visited March 6, 2014).

displayed by the System on the EDGA Book at the Locking Price until executed or cancelled by the User. The order will receive a new time stamp at the time an order is re-ranked. Pursuant to proposed renumbered Rule 11.9, all orders that are re-ranked and re-displayed pursuant to the Price Adjust instruction will retain their priority as compared to each other based upon the time such orders were initially received by the System.

Operation of Orders with a Price Adjust Instruction

The following examples[35] illustrate the operation of the Price Adjust instruction.

Example No. 1. A Limit Order to Buy Executes at Displayed Price

Assume the NBBO is $10.00 by $10.10 and that there are no orders resting on the EDGA Book. If a non-routable Limit Order to buy 100 shares at $10.11 with a Price Adjust instruction is to be displayed by the System on the EDGA Book, such order will be displayed and ranked at $10.09. If a Limit Order to sell 100 shares at $10.09 or less is entered into the System, such order would execute against the resting Limit Order to buy at $10.09.

Example No. 2. The Displayed Price of a Limit Order to Buy Moves up One Minimum Price Variation

Assume the NBBO is $10.00 by $10.10 and that there are no orders resting on the EDGA Book. If a non-routable Limit Order with a Price Adjust instruction to buy 100 shares at $10.11 is to be displayed by the System on the EDGA Book, such order will be displayed

[35] Unless otherwise noted, the examples included under the description of the re-pricing instructions in this section assume that there is no Top of Book interest on the EDGA Book. Exchange Rule 1.5(dd) defines "Top of Book" as "the best-ranked order to buy (or sell) in the EDGA Book as ranked pursuant to Rule 11.8." The Exchange notes that Exchange Rule 11.8 is being renumbered as Exchange Rule 11.9. The definition of "Top of Book" under Exchange Rule 1.5(dd) is proposed to be amended by this filing to reflect the updated rule number.

and ranked at $10.09. If the NBO subsequently moves to $10.11, the order will be displayed and ranked at $10.10 and given a new time stamp. If the NBO moves to $10.12, the order will remain ranked and displayed at $10.10, the Locking Price.

<u>Hide Not Slide (Rule 11.6(l)(1)(B))</u>.

The Exchange also proposes to amend its description of the displayed price sliding process under current Rule 11.5(c)(4)(A) and rename it the Hide Not Slide instruction under proposed Rule 11.6(l)(1)(B). The only difference is that current Rule 11.5(c)(4)(A) incorrectly states that an order subject to the displayed price sliding process would receive a new time stamp where the NBBO changes such that the order would no longer lock or cross the market and is displayed at the Locking Price. Under Hide Not Slide, the Exchange proposes to correctly state that the order would retain its time stamp where the NBBO changes such that the order, if displayed by the System on the EDGA Book at the Locking Price would not be a Locking Quotation or Crossing Quotation, will be ranked and displayed by the System at the Locking Price. Under Hide Not Slide, the order retains its original time stamp because it remains ranked at the Locking Price. An order subject to the Hide Not Slide instruction will only receive a new time stamp when it is re-ranked by the System upon clearance of a Locking Quotation due to the receipt of an ISO with a TIF instruction of Day that establishes a new NBBO at the Locked Price in accordance with proposed Rule 11.9(a)(2)(B) described below. All other aspects of displayed price sliding and Hide Not Slide are similar. Like the displayed price sliding process, under the Hide Not Slide instruction, a buy (sell) order that would be a Locking Quotation or Crossing Quotation if displayed by the System on the EDGA Book at the time of entry, will be displayed at a price that is one Minimum Price Variation lower (higher) than the Locking Price, will be ranked at the Locking Price[36] with the ability to execute at the Locking Price. The Exchange proposes to specify in proposed Rule 11.6(l)(1)(B) that if a contra-side order that equals the Locking Price is displayed by the System on the EDGA Book, the order will be ranked at the Locking Price but its ability to execute at the Locking Price will be suspended unless and until there is no contra-side displayed order on the EDGA Book that equals the Locking Price. However, in such case, an order subject to the Hide Not Slide instruction may execute against other orders at its displayed price. Lastly, like displayed price sliding, Hide Not Slide would be the default re-pricing instruction.

Operation of Orders with a Hide Not Slide Instruction

The following examples illustrate the operation of the Hide Not Slide instruction:

Example No. 1. Assume the NBBO is $10.00 by $10.10 and that there are no orders resting on the EDGA Book. A non-routable Limit Order with a Hide Not Slide instruction to buy 100 shares at $10.10 is entered into the System. Such order will be displayed by the System on the EDGA Book at $10.09 and be ranked by the System at the Locking Price of $10.10. The NBBO will update to $10.09 by $10.10. If a Limit Order to sell 100 shares at $10.09 or more is entered into the System, such order would execute against the Limit Order at $10.10.

If a Limit Order to sell 100 shares is entered at $10.10 and there are no displayed orders to sell in the System at $10.10, such order will execute against the Limit Order to buy at $10.10.

36 The displayed price sliding process under current Rule 11.5(c)(4)(A) states an order that would be a Crossing Quotation at the time of entry will be re-priced and ranked at the Locking Price. The Exchange proposes to specify under description of the Hide Not Slide instruction that the order will be ranked at the Locking Price where it would have been a Locking Quotation or Crossing Quotation.

Example No. 2. The Displayed Price of a Limit Order to Buy Moves up One Minimum Price Variation

Assume the NBBO is $10.00 by $10.10 and that there are no orders resting on the EDGA Book. A non-routable Limit Order with a Hide Not Slide instruction to buy 100 shares at $10.11 is entered into the System. Such order will be displayed by the System on the EDGA Book at $10.09 and will be ranked at $10.10, the Locking Price. The NBBO will update to $10.09 by $10.10. If the NBO moves to $10.11, the Limit Order to buy will be ranked and displayed at $10.10, the Locking Price. If the NBBO then moves to $10.10 by $10.12, the Limit Order to buy will remain ranked and displayed at $10.10, the Locking Price.

Example No. 3. Resting Sell Order Prevents Contra-Side Displayed Limit Order with a Post Only Instruction from Executing at Locking Price

Assume the NBBO is $10.00 by $10.10. Also, assume there is a Limit Order with a Displayed instruction to sell 100 shares at $10.10 on the EDGA Book. A Limit Order with a Displayed, Post Only, and Hide Not Slide instruction to buy 100 shares at $10.10 is entered into the System. The Limit Order with the Displayed, Post Only, and Hide Not Slide instructions will be ranked at $10.10, the Locking Price, and displayed by the System on the EDGA Book at $10.09.[37] The order will be unable to execute at the Locking Price of $10.10 because there is a displayed sell order at that price on the EDGA Book. If a Limit Order to sell 100 shares at $10.10 is entered into the System, such order

[37] Assume that the Limit Order to buy with the Post Only instruction does not remove liquidity from the EDGA Book because the value of an execution does not equal or exceed the value of such execution if the order instead posted to the EDGA Book and subsequently provided liquidity, including the applicable fees charged or rebates provided under proposed Rule 11.6(n)(4). See also infra note 49.

will not execute against the Limit Order with both the Post Only and Hide Not Slide instructions to buy at $10.10 because the resting displayed Limit Order to sell 100 shares at $10.10 has time priority. Assuming no changes to the above conditions, if a Limit Order to sell 100 shares at $10.09 is entered into the System, it would execute against the Limit Order with a Post Only and Hide Not Slide instruction to buy at $10.09.

Example No. 4. Ability to Execute at the Locking Price is Suspended

Assume the NBBO is $10.00 by $10.10 and that there are no orders resting on the EDGA Book. A Limit Order with a Hide Not Slide instruction to buy 100 shares at $10.10 is entered into the System. The order will be displayed on the EDGA Book at $10.09 and ranked at $10.10, the Locking Price. If a Limit Order with a Post Only instruction to sell 100 shares at $10.10 is entered into the System, it will not execute against the buy order at 10.10 due to the Post Only instruction.[38] The buy order will now be unable to execute at the Locking Price of $10.10 because there is a displayed sell order at that price on the EDGA Book. If a Limit Order to sell 100 shares at $10.10 is entered into the System, such order will not execute against the Limit Order with the buy order at $10.10 because the resting displayed Limit Order to sell 100 shares at $10.10 has time priority.

Routed and Returned Re-Pricing (Rule 11.6(l)(1)(B)(i)).

The portion of a Limit Order that is returned to the System after being routed away in accordance with Rule 11.9(b) (proposed to be renumbered as Rule 11.11), that, if displayed by the System on the EDGA Book at its limit price at the time of entry in the System, would be a Locking Quotation or Crossing Quotation, will be automatically defaulted by the System to the Routed and Returned Re-Pricing instruction, unless the User affirmatively elects the Cancel

[38] Id.

Back instruction, Price Adjust instruction, Hide Not Slide instruction, or the Single Re-Price instruction.

Under the Routed and Returned Re-Pricing instruction, a Limit Order that is returned to the EDGA Book after being routed to an away Trading Center with a limit price that would cause the order to be a Locking Quotation or Crossing Quotation will be displayed by the System on the EDGA Book at a price that is one Minimum Price Variation lower (higher) than the Locking Price for orders to buy (sell), will be ranked at the Locking Price; provided, however, that if a contra-side order with a Post Only instruction that equals the Locking Price is displayed by the System on the EDGA Book, the order will be ranked at the Locking Price but its ability to execute at the Locking Price will be suspended unless and until there is no contra-side order displayed by the System on the EDGA Book that equals the Locking Price. However, in such case, an order subject to the Hide Not Slide instruction may execute against other orders at its displayed price. Each time the NBBO is updated, a buy (sell) order subject to the Routed and Returned Re-Pricing instruction will be further adjusted so that it continues to be displayed by the System on the EDGA Book at one Minimum Price Variation below (above) the NBO (NBB) and will be ranked at the Locking Price until the price of such order reaches its limit price, at which point it will remain displayed by the System on the EDGA Book at that price and cease to be further adjusted pursuant to the Routed and Returned Re-Pricing instruction. The order will receive a new time stamp when it is returned to the EDGA Book and each time it is subsequently re-ranked. Pursuant to Rule 11.9, all orders that are re-ranked and re-displayed pursuant to the Routed and Returned Re-Pricing instruction will retain their priority as compared to each other at the same price based upon the time such orders were initially received by the System.

<u>Operation of Orders with a Routed and Returned Re-Pricing Instruction</u>

The following examples illustrate the operation of the Routed and Returned Re-Pricing instruction:

Assume the NBBO is $10.00 by $10.10. Also, assume there are no sell orders resting on the EDGA Book. A Limit Order to buy 100 shares at $10.11 is returned to the EDGA Book after being routed to an away Trading Center. If displayed by the System on the EDGA Book, the returned Limit Order would be a Crossing Quotation. The order would default to the Routed and Returned Re-Pricing instruction unless the User affirmatively elects the Cancel Back instruction, the Price Adjust instruction, the Hide Not Slide instruction, or the Single Re-Price instruction. The Limit Order subject to the Routed and Returned Re-Pricing instruction will be ranked at $10.10 and displayed by the System on the EDGA Book at $10.09 with a new time stamp. If the NBO moves to $10.11, the Limit Order subject to the Routed and Returned Re-Pricing instruction will be re-priced and ranked at the Locking Price of $10.11, and displayed by the System on the EDGA Book at $10.10 with a new time stamp. If the NBO then moves to $10.12, the Limit Order subject to the Routed and Returned Re-Pricing instruction will now be ranked and displayed by the System on the EDGA Book at $10.11, its limit price.

Single Re-Price (Rule 11.6(l)(1)(C)).

If the User selects the Single Re-Price instruction, where an order would be a Locking Quotation or Crossing Quotation if displayed by the System on the EDGA Book at the time of entry, the order will be displayed and ranked at a price that is one Minimum Price Variation lower (higher) than the Locking Price for orders to buy (sell) and will not be subject to any further adjustment by the System.[39]

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[39] The Exchange notes that other exchanges offer similar functionality. See Nasdaq Rule 4751(f)(8) (Price to Comply Post Order), BZX Rule 11.9(g)(1) (Display-Price Sliding),

Operation of Orders with a Single Re-Price Instruction

The following examples illustrate the operation of the Single Re-Price instruction:

Example No.1: Limit Order to Buy that is Subject to the Single Re-Price Instruction Executes at Displayed Price

Assume the NBBO is $10.00 by $10.10 and that there are no orders resting on the EDGA Book. If a non-routable Limit Order with a Single Re-Price instruction to buy 100 shares at $10.11 is entered into the System, such order will be ranked and displayed by the System on the EDGA Book at $10.09 and will not be further adjusted by the System. If a Limit Order to sell 100 at $10.09 is entered into the System, such order would execute against the Limit Order to buy at $10.09.

Example No. 2. The Displayed Price of a Limit Order to Buy that is Subject to the Single Re-Price Instruction

Assume the NBBO is $10.00 by $10.10 and that there are no orders resting on the EDGA Book. If a non-routable Limit Order with a Single Re-Price instruction to buy 100 shares at $10.11 is entered into the System, such order will be ranked and displayed by the System on the EDGA Book at $10.09. If the NBBO moves to $10.09 by $10.11, the Limit Order subject to the Single Re-Price instruction will not be further adjusted and will remain ranked and displayed by the System on the EDGA Book at $10.09.

Re-Pricing Instructions to Comply with Rule 201 of Regulation SHO

Proposed Exchange Rule 11.6(l)(2) sets forth the following re-pricing instructions for an order with a Short Sale instruction to comply with Rule 201 of Regulation SHO: (i) Short Sale Price Adjust; (ii) Short Sale Price Sliding; and (iii) Short Sale Single Re-Price. The Exchange

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BYX 11.9(g)(1) (Display-Price Sliding), and CHX Rule Art. I, Rule 2(b)(1)(C)(i) (NMS Price Sliding).

notes that a Limit Order to sell with a Short Sale instruction that cannot be displayed by the System on the EDGA Book or executed at its limit price at the time of entry into the System because a short sale price restriction is in effect pursuant to Rule 201 of Regulation SHO ("Short Sale Circuit Breaker"),[40] will be automatically defaulted by the System to the Short Sale Price Adjust instruction, unless the User affirmatively elects: (i) the Cancel Back instruction; (ii) the Short Sale Price Sliding instruction; or (iii) the Short Sale Single Re-Price instruction. Like current Rule 11.5(c)(4)(E), orders to sell with both a Short Sale and a Short Exempt instruction are not eligible for any of the re-pricing instructions to comply with Rule 201 of Regulation SHO and will execute, display and/or route without regard to whether the order is at a Permitted Price above the NBB or whether a Short Sale Circuit Breaker in effect. In addition, when a Short Sale Circuit Breaker is in effect, the re-pricing instructions to comply with Rule 610(d) of Regulation NMS will be ignored with regard to a sell order that contains a Short Sale instruction. In such case, the below re-pricing instructions to comply with Rule 201 of Regulation SHO will apply.

Short Sale Price Adjust (Rule 11.6(l)(2)(A)).

Under the Short Sale Price Adjust instruction, the System will cause an order to sell with a Short Sale instruction to be ranked and displayed by the System on the EDGA Book at the

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40 17 CFR 242.200(g); 17 CFR 242.201. On February 26, 2010, the Commission adopted amendments to Regulation SHO under the Act in the form of Rule 201, pursuant to which, among other things, short sale orders in covered securities generally cannot be executed or displayed by a trading center, such as EDGA, at a price that is at or below the current NBB when a Short Sale Circuit Breaker is in effect for the covered security. See Securities Exchange Act Release No. 61595 (February 26, 2010), 75 FR 11232 (March 10, 2010). In connection with the adoption of Rule 201, Rule 200(g) of Regulation SHO was also amended to include a "short exempt" marking requirement. See also Securities Exchange Act Release No. 63247 (November 4, 2010), 75 FR 68702 (November 9, 2010) (extending the compliance date for Rules 201 and 200(g) to February 28, 2011). See also Division of Trading & Markets: Responses to Frequently Asked Questions Concerning Rule 201 of Regulation SHO, www.sec.gov/divisions/marketreg/rule201faq.htm.

Permitted Price.[41] Following the initial ranking, the order to sell with a Short Sale instruction will, to the extent the NBB declines, continue to be re-ranked and displayed by the System on the EDGA Book at the Permitted Price down to the order's limit price. The order to sell with a Short Sale instruction will receive a new time stamp each time it is re-ranked. All orders to sell with Short Sale instructions that are re-ranked and re-displayed by the System on the EDGA Book pursuant to the Short Sale Price Adjust instruction will retain their priority as compared to each other based upon the time such orders were initially received by the System.

Operation of Orders with a Short Sale Price Adjust Instruction

The below example illustrates the Short Sale Price Adjust instruction.

Assume the NBBO is $10.00 by $10.10 and the Short Sale Circuit Breaker is in effect for the relevant security. Also assume that there are no orders resting on the EDGA Book. If a Limit Order[42] to sell 200 shares at $9.95 is entered into the System with a Short Sale instruction and is subject to the Short Sale Price Adjust instruction, such order will be ranked and displayed at $10.01. If a Limit Order to buy 100 shares at $10.01 is entered into the System, such order would execute at $10.01 against the Limit Order to sell with the Short Sale and Short Sale Price Adjust instructions.

If the NBBO then moves to $9.99 by $10.01, the Limit Order to sell with the Short Sale and Short Sale Price Adjust instructions will be ranked and displayed by the System on the EDGA Book at $10.00. If the NBBO moves to $9.96 by $10.00, the order will be re-ranked and displayed by the System on the EDGA Book at $9.97. If the NBBO moves to $9.93 by $9.97,

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[41] The Exchange notes that other exchanges offer similar functionality. See Nasdaq Rule 4763(e) (Re-Pricing of Orders During Short Sale Period), BZX Rule 11.9(g)(2) (Short Sale Price Sliding), BYX 11.9(g)(2) (Short Sale Price Sliding), and CHX Rule Art. I, Rule 2(b)(1)(C)(ii) (Short Sale Price Sliding).

[42] Assume for purposes of this example that a Limit Order contains either a Post Only or Book Only instruction.

the order will be re-ranked and displayed by the System on the EDGA Book at $9.95, and will not be re-ranked further because the order reached its limit price.

Short Sale Price Sliding (Rule 11.6(l)(2)(B)).

If the User selects the Short Sale Price Sliding instruction, the System will cause a Limit Order to sell with a Short Sale instruction to be displayed by the System on the EDGA Book at the Permitted Price and be ranked at the midpoint of the NBBO. Following the initial ranking, the order will, to the extent the NBB declines, be re-ranked and displayed by the System on the EDGA Book one additional time at a price that is equal to the NBB at the time the order was received by the System and will receive a new time stamp. All orders to sell with Short Sale instructions that are re-ranked and re-displayed by the System on the EDGA Book pursuant to the Short Sale Price Sliding instruction will retain their priority as compared to each other based upon the time the orders were initially received by the System.

Operation of Orders with a Short Sale Price Sliding Instruction

The below example illustrates the Short Sale Price Sliding instruction.

Assume the NBBO is $10.00 by $10.10 and a Short Sale Circuit Breaker is in effect for the security. Also assume that there are no orders resting on the EDGA Book. A User enters a sell order into the System with a Short Sale instruction for 200 shares at $9.95 and elects the Short Sale Price Sliding instruction. The order will be ranked at $10.005 and displayed by the System on the EDGA Book at $10.01.

In the above example, if the NBBO then moves to $9.99 by $10.01, the order will be re-ranked and displayed by the System on the EDGA Book at $10.00. If the NBBO moves to $9.98 by $10.00, the order will remain displayed at $10.00 and not be subject to further re-ranking because the price of the order reached the bid at which it could not execute when it first arrived in the System because a Short Sale Circuit Breaker was in effect.

Short Sale Single Re-Price (Rule 11.6(l)(2)(C)).

If the User elects the Short Sale Single Re-Price instruction, the System will cause a Limit Order to sell with a Short Sale instruction that is entered into the System to be ranked and displayed by the System on the EDGA Book at the Permitted Price.[43] Following the initial ranking provided for in this rule, the order will not be adjusted further to reflect a decline in the NBB.

Operation of Orders with a Short Sale Single Re-Price Instruction

The below example illustrates the Short Sale Single Re-Price instruction.

Assume the NBBO is $10.00 by $10.10 and a Short Sale Circuit Breaker is in effect for the security. Also assume that there are no orders resting on the EDGA Book. A User enters an order into the System to sell 200 shares at $9.95 with a Short Sale instruction and the Short Sale Single Re-Price instruction. Such order will be ranked and displayed by the System on the EDGA Book at $10.01. If a Limit Order to buy 100 shares at $10.01 is entered into the System, such order would execute at $10.01 against the sell order with the Short Sale instruction and Single Re-Price instruction.

In the above example, if the NBBO then moves to $9.99 by $10.01, the order to sell with the Short Sale instruction and the Single Re-Price instruction will not re-priced and will remain Displayed at $10.01.

Re-Pricing of Orders with a Non-Displayed Instruction (Rule 11.6(l)(3))

Proposed Rule 11.6(l)(3) states that to avoid potentially trading through Protected

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[43] The Exchange notes that other exchanges offer similar functionality. See Nasdaq Rule 4763(e) (Re-Pricing of Orders During Short Sale Period), BZX Rule 11.9(g)(2) (Short Sale Price Sliding), BYX 11.9(g)(2) (Short Sale Price Sliding), and CHX Rule Art. I, Rule 2(b)(1)(C)(ii) (Short Sale Price Sliding).

Quotations of external markets, a non-routable order with a Non-Displayed instruction that would be a Crossing Quotation of an external market will be ranked at the Locking Price, unless the User affirmatively elects that the order Cancel Back. Each time the NBBO is updated and the order continues to be a Locking Quotation or Crossing Quotation of an external market, the order will be adjusted so that it continues to be ranked at the current Locking Price. Once an order with a Non-Displayed instruction has been ranked at its limit price it will only be adjusted in the event the NBBO is updated and the order would again be a Crossing Quotation of an external market. The order will receive a new time stamp each time it is subsequently re-ranked. For example, assume the NBBO is $24.00 x $26.00 and there are no orders resting on the EDGA Book. If an incoming order with a Non-Displayed instruction is entered into the System to buy at $27.00, it will be ranked by the System at $26.00, the Locking Price. Assume the NBBO changes to $24.00 x $25.00. The buy order with a Non-Displayed instruction will be re-ranked at $25.00, the new Locking Price, and be given a new time stamp.

Reserve Quantity and Replenishment Amounts (Rule 11.6(m)).

Exchange Rule 11.5(c)(1) currently defines a "Reserve Order" as "[a] limit order with a portion of the quantity displayed ('display quantity') and with a reserve portion of the quantity ('reserve quantity') that is not displayed." The Exchange believes that a Reserve Order is more appropriately described as an order instruction, rather than an order type. Therefore, the Exchange proposes to delete the term Reserve Order and replace it with the order instruction "Reserve Quantity" in proposed Rule 11.6. The substantive definition of Reserve Quantity would remain the same. Specifically, proposed Rule 11.6 would define Reserve Quantity to mean the portion of an order with a Non-Displayed instruction in which a portion of that order is also displayed on the EDGA Book. The Exchange believes that reclassifying a Reserve Order as

Reserve Quantity is consistent with the current System's functionality that permits a User when entering an order into the System to instruct the System to not display a portion of that order on the EDGA Book. The Exchange also proposes to include within the definition that both the portion of the order with a Displayed instruction and the Reserve Quantity of the order are available for execution against incoming orders.

The Exchange proposes to include in proposed Rule 11.6 language that describes how a User entering an order into the System with a Reserve Quantity may instruct the System to update the displayed quantity by setting a replenishment amount.[44] Proposed Rule 11.6(m) would also describe the two replenishment instructions offered by the Exchange which are: (i) Fixed Replenishment; and (ii) Random Replenishment.[45] Where the displayed quantity of an order is reduced to less than a Round Lot, the System will, in accordance with the replenishment instruction selected by the User, replenish the displayed quantity from the Reserve Quantity by at least a single Round Lot. A new time stamp is created for the displayed portion of the order each time it is replenished from the Reserve Quantity, while the Reserve Quantity retains the time stamp of its original entry.[46] Where the combined amount of the displayed quantity and Reserve Quantity of an order is reduced to less than one Round Lot, the order will be treated as an order

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[44] Other exchanges offer similar functionality for refreshing the displayed portion of an order from a Reserve Quantity. See, e.g., Nasdaq Rule 4751(f)(2) (Reserve Orders) and NYSE Rule 13 (Reserve Order Types).

[45] The Random Replenishment instruction is consistent with functionality described in existing Exchange rules related to the objective of a User to avoid providing information that an order has Reserve Quantity. Exchange Rule 13.8(b) contemplates the subsequent replenishment of "Reserve Orders" by permitting Users to obfuscate their order identification numbers on the Exchange's Book Feed when replenishing the displayed quantity of a Reserve Order.

[46] The Exchange notes that other exchanges maintain similar time stamp functionality when replenishing a displayed amount of an order from the order's undisplayed quantity. See Nasdaq Rule 4751(f)(2) (Reserve Orders), and NYSE Rule 13 (Reserve Order Types, Minimum Display Reserve Order).

with a Displayed instruction for purposes of execution priority under proposed renumbered Rule 11.9.

Under the Fixed Replenishment instruction, the displayed quantity of an order is replenished by a fixed quantity designated by the User. The Fixed Replenishment quantity for the order equals the initial displayed quantity designated by the User. The displayed replenishment quantity selected by the System may not be less than a single Round Lot or greater than the remaining Reserve Quantity. As set forth in proposed rule 11.8(b)(5) discussed below, unless the User selects the Random Replenishment instruction, the System will automatically default the order to the Fixed Replenishment instruction with a replenishment value equal to the displayed quantity of the order.

Under the Random Replenishment instruction, both the actual quantity of the order that will be initially displayed by the System on the EDGA Book and subsequent displayed replenishment quantities are randomly determined by the System within a replenishment range established by the User. In particular, the User entering an order into the System subject to the Random Replenishment instruction must select a quantity around which the replenishment range is established and a replenishment value. The actual quantity that will be initially displayed, as well as subsequent displayed replenishment quantities, will then be determined by the System randomly selecting a number of shares in Round Lots within a replenishment range that is between: (i) the quantity around which the replenishment range is established minus the replenishment value; and (ii) the quantity around which the replenishment range is established plus the replenishment value. In no case can the displayed replenishment quantity exceed the remaining Reserve Quantity of the order. The displayed replenishment quantity selected by the System may not be less than a single Round Lot or greater than the remaining Reserve Quantity.

Operation of Orders with Replenishment Amounts

The following examples illustrate the operation of replenishment amounts.

Fixed Replenishment

Example No. 1. A User enters an order into the System to buy 10,000 shares at $100 with a displayed quantity of 1,000 shares and a Reserve Quantity of 9,000 shares. The order defaults to a Fixed Replenishment quantity of 1,000 shares, equal to its displayed quantity. An inbound Market Order to sell 400 shares is entered into the System and executes against the displayed quantity of 1,000 shares, resulting in a remaining displayed quantity of 600 shares. Another Market Order to sell 600 shares is entered into the System and executes against the 600 displayed shares. The displayed quantity is then replenished by the System from the Reserve Quantity to the order's original displayed quantity of 1,000 shares, resulting in a remaining Reserve Quantity of 8,000 shares.

Example No. 2. A User enters Order No. 1, an order to buy 6,000 shares at $30.50, the NBB, with a displayed quantity of 1,000 shares and a Reserve Quantity of 5,000 shares. A User then enters Order No. 2 to buy 600 shares at $30.50 with no Reserve Quantity. Subsequently, an inbound Market Order to sell 2,000 shares is entered into the System. The order to sell first executes against the displayed quantity of 1,000 shares of the Order No. 1, then executes against the full 600 shares of Order 2, and then executes 400 shares from the Reserve Quantity of Order No. 1. The displayed quantities of Order Nos. 1 and 2 execute in time priority, followed by the Reserve Quantity of Order No. 1. The display quantity of Order No. 1 is then replenished for 1,000 shares, leaving a Reserve Quantity of 3,600 shares.

Random Replenishment

Example No. 1. A User enters an order into the System to buy 10,000 shares at $100 and the User selects Random Replenishment with a quantity of 1,000 shares around which the replenishment range is established and a replenishment value of 400 shares. Under Random Replenishment, the System will generate the actual quantity of the order that will be initially displayed by the System on the EDGA Book and subsequent displayed replenishment quantities within a replenishment range that is calculated by adding and subtracting the 400 share replenishment value from the order's quantity of 1,000 shares around which the replenishment range is to be established. Hence, for this order, 1,000 shares plus or minus 400 shares equals a replenishment range of 600 to 1,400 shares. Assume the System randomly chooses an initial displayed quantity of 800 shares, resulting in a Reserve Quantity of 9,200 shares. An inbound Market Order to sell 800 shares is entered into the System and executes against the 800 share displayed quantity. Under Random Replenishment, the displayed quantity is randomly replenished to a new Round Lot quantity within the replenishment range of 600 to 1,400 shares. Assume the System selects a replenishment quantity of 1,200 shares. The System will then display 1,200 shares to buy at $100, resulting in a Reserve Quantity of 8,000 shares.

Example No. 2. A User enters an order into the System to buy 5,000 shares at $100 and the User selects Random Replenishment with a quantity of 2,000 shares around which the replenishment range is established and a replenishment value of 1,000 shares. Under Random Replenishment, the System will generate the actual quantity of the order that will be initially displayed by the System on the EDGA Book and subsequent displayed replenishment quantities within a replenishment range that is calculated by adding and subtracting the 1,000 share replenishment value from the order's quantity of 2,000 shares around which the replenishment range is established. Hence, for this order, 2,000 shares plus or minus 1,000 shares equals a replenishment range of 1,000 to 3,000 shares. Assume the System randomly chooses an initial display quantity of 2,500 shares, resulting in a Reserve Quantity of 2,500 shares. A Market Order to sell 2,500 shares is entered into the System and is executed against the displayed quantity of 2,500 shares. Because the upper end of the replenishment range of 3,000 shares exceeds the remaining Reserve Quantity of 2,500 shares, the replenishment range is reset by the System to be between 1,000 shares and 2,500 shares. Assume the System selects a Random Replenishment of 1,100 shares. The System will then display on the EDGA Book 1,100 shares to sell at $100, resulting in a Reserve Quantity of 1,400 shares. The System will further reset the replenishment range to be between 1,000 shares and 1,400 shares. If, after subsequent executions, the lower end of the replenishment range exceeds the remaining Reserve Quantity, the System will generate a replenishment quantity that is equal to the remaining Reserve Quantity.

Routing/Posting Instructions (Rule 11.6(n)).

As discussed in more detail below, the Exchange proposes to describe the routing and posting instructions available to Users under the Exchange's rules under new proposed Rule 11.6(n). Specifically, proposed Rule 11.6(n) defines the following routing and posting instructions that a User may select, depending on the order type: (i) Aggressive; (ii) Super Aggressive; (iii) Book Only; (iv) Post Only; (v) Destination Specified; and (vi) Destination-on-Open.

The Exchange proposes to introduce two new terms to its rules -- Aggressive and Super Aggressive. Aggressive is an order instruction that directs the System to route such order if an away Trading Center crosses the limit price of the order resting on the EDGA Book. Super Aggressive is an order instruction that directs the System to route such order if an away Trading Center locks or crosses the limit price of the order resting on the EDGA Book. The Exchange believes adding definitions for these terms will provide additional transparency to the Exchange's rules.

The Exchange proposes to replace the term "EDGA Only Order" with the term "Book Only," revise the definition of EDGA Only Order, and move the new definition to proposed Rule 11.6(n)(3). None of the proposed changes introduce any substantive changes to the operation of the functionality of the System. Specifically, current Rule 11.5(c)(4) defines the term EDGA Only Order as follows:

> [a]n order that is to be ranked and executed on the Exchange pursuant to Rule 11.8 and Rule 11.9(a)(4) or cancelled, without routing away to another trading center. The System will default to the displayed price sliding process and short sale price sliding process for an EDGA Only Order unless the User has entered instructions not to use any of the processes.

The Exchange believes that the operation of an EDGA Only Order is indicative of an instruction a User may attach to a Limit Order and not that of a standalone order type. Therefore, the Exchange proposes to delete the word Order from the term, and to define the term as an order instruction. In addition, the Exchange believes that the term Book Only is a more commonly used term in the securities industry. Therefore, the Exchange proposes to replace the term EDGA Only with Book Only. Moreover, the Exchange does not propose to carry over the description of an EDGA Only Order that states it is subject to the Exchange's "display price sliding process and short sale price sliding process" unless the User instructs otherwise. The

Exchange believes this language is unnecessary because the applicable defaults are set forth in the proposed revisions to the Exchange's re-pricing instructions, as described in proposed Rule 11.6(l). With these changes, the proposed definition of Book Only reads as follows: "[a]n order instruction stating that an order will be matched against an order on the EDGA Book or posted to the EDGA Book, but will not route to an away Trading Center."[47]

The Exchange also proposes to amend the term "Post Only Order" and move it to proposed Rule 11.6(n). Current Exchange Rule 11.5(c)(5) defines the term Post Only Order as the following:

> An order that is to be ranked and executed on the Exchange pursuant to Rule 11.8 and Rule 11.9(a)(4) or cancelled, as appropriate, without routing away to another trading center except that the order will not remove liquidity from the EDGA Book absent an order instruction to the contrary. A EDGA Post Only Order will be subject to the displayed price sliding process and short sale price sliding process unless a User has entered instructions not to use the either or both processes as set forth in paragraph (c)(4) above.

The Exchange proposes to amend the existing language of a "Post Only Order" to classify it as a "Post Only" instruction. The revised definition would read as follows:

> An instruction that may be attached to an order that is to be ranked and executed on the Exchange pursuant to Rule 11.9 and Rule 11.10(a)(4) or cancelled, as appropriate, without routing away to another trading center except that the order will not remove liquidity from the EDGA Book, except as described below. An

[47] The proposed definition of Book Only is similar to that of other exchanges. See BZX Rule 11.9(c)(4) (BATS Only Order), BYX Rule 11.9(c)(4) (BATS Only Order), NSX Rule 11.11(c)(6) (NSX Only Order).

order with a Post Only instruction and a Hide Not Slide or Price Adjust instruction will remove contra-side liquidity from the EDGA Book if the order is an order to buy or sell a security priced below $1.00 or if the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the EDGA Book and subsequently provided liquidity, including the applicable fees charged or rebates provided.[48]

This amended definition would change the rule in the following ways. First, the Exchange believes that the operation of Post Only functionality is indicative of an instruction a User may attach to a Limit Order and not that of a standalone order type. Therefore, the Exchange proposes to delete the word Order from the term, and to define Post Only as an order instruction. The Exchange does not propose to carry over the current description of Post Only functionality that states it is subject to the Exchange's "display price sliding process and short sale price sliding process" unless the User instructs otherwise. The Exchange believes this language is unnecessary because the applicable defaults are set forth in the proposed revisions to the Exchange's re-pricing instructions and order types in proposed Rule 11.6(l). The Exchange also proposes to remove from the definition of Post Only the language that an order with a Post Only instruction will not remove liquidity from the EDGA Book unless "the User enters an instruction to the contrary." The Exchange proposes to replace this language with a description of the specific circumstances under which an order with a Post Only instruction may remove liquidity from the EDGA Book. Specifically, a Price Adjust or Hide Not Slide instruction will remove contra-side liquidity from the EDGA Book if the order is an order to buy or sell a

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48 Other exchanges offer similar functionality for Post Only orders. See BZX Rule 11.9(c)(6) (BATS Post Only Order) and BYX Rule 11.9(c)(6); see also NYSE Rule 13 (Add Liquidity Only Modifier) and NYSE Arca Rule 7.31(nn) (Adding Liquidity Only Order).

security priced below $1.00 or if the value of such execution when removing liquidity equals or exceeds the value of such execution if the order instead posted to the EDGA Book and subsequently provided liquidity, including the applicable fees charged or rebates provided.[49]

The Exchange also proposes to include the instruction "Destination Specified" in proposed Rule 11.6. The Exchange currently defines the term "Destination Specific Order" in Rule 11.5(c)(9) as

> A market or limit order that instructs the System to route the order to a specified away trading center or centers, after exposing the order to the EDGA Book. Destination Specific Orders that are not executed in full after routing away are processed by the Exchange as described below in Rule 11.9(a)(4), save where the User has provided instructions that the order reside on the book of the relevant away trading center.

As part of its proposed order type clarification discussed below, the Exchange proposes to amend its rules to classify the operation of a Destination Specific Order as an instruction that may be appended to a Market Order or a Limit Order. In doing so, the Exchange proposes to change the name of the Destination Specific Order to Destination Specified. The Exchange believes that treating the Destination Specific Order not as a standalone order type, but rather as an instruction assists in clarifying the operation of the Exchange's order types. The Exchange further proposes that, depending on the User's routing instructions, an order with a Destination Specified instruction may be processed by the System as described in Rule 11.9(b)(1)

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[49] The Exchange notes that an order with a Post Only instruction will, in most cases, remove liquidity from the EDGA Book because under its current taker-maker pricing structure, the remover of liquidity is provided a rebate while the provider of liquidity is charged a fee. Therefore, in most cases, value of the execution to remove liquidity will equal or exceed the value of such execution once posted to the EDGA Book, including the applicable fees charged or rebates received. See, e.g., proposed Rule 11.6(n)(4).

(renumbered as 11.10(a)(4)), returned to the User, or posted to the EDGA Book, unless the User instructs that the order reside on the book of the relevant away Trading Center. With these proposed revisions, the definition of Destination Specified reads: "Destination Specified instructs the System to route the order to a specified away Trading Center or Centers, after exposing the order to the EDGA Book. Such orders that are not executed in full after routing away are processed by the Exchange as described in Exchange Rule 11.10(a)(4), unless the User has provided instructions that the order reside on the book of the relevant away Trading Center." The proposed changes do not reflect any substantive change to the operation of the Destination Specified order instruction in the System.

Lastly, Exchange Rule 11.5(c)(10) currently defines the term "Destination-on-Open Order." The Exchange proposes to relocate the Destination-on-Open instruction from Exchange Rule 11.5(c)(10) to proposed Rule 11.6(n)(6). In addition, as part of its proposed order type clarification discussed below, the Exchange proposes to classify Destination-on-Open as an instruction that may be appended to a Market or a Limit Order. As a result, the Exchange proposes deleting the word Order from its name. The Exchange believes that treating Destination-on-Open as an instruction, rather than a standalone order type, will assist in clarifying the operation of the Exchange's order types. The Exchange also proposes that an unfilled portion of an order with a Destination-on-Open instruction may also be cancelled or rerouted. The proposed change does not involve any substantive changes to the operation of the order instruction in the System.

Short Sale and Short Exempt (Rules 11.6(o) and (p)).

Although certain current Exchange rules refer to the terms "short sale order" and "short exempt,"[50] the Exchange rules do not specifically define these terms. Therefore, the Exchange proposes to add definitions for "Short Sale" and "Short Exempt" as these terms are currently understood by Users of the Exchange and to clarify that each are instructions that a User may include on an order. Specifically, proposed Rule 11.6(o) would state that a "Short Sale instruction shall have the same meaning as the Short Sale definition contained in Rule 200(a) of Regulation SHO." Rule 11.6(p) would define a Short Exempt instruction as a "an instruction on an order with a Short Sale instruction that satisfies the requirements set forth in Rule 201 of Regulation SHO."

TIF (Rule 11.6(q)).

As described below, the Exchange proposes to describe the TIF instructions available to Users on the Exchange under proposed Rule 11.6(q), to include the following instructions: IOC, Day, FOK, and Good-'til Time ("GTT").

The Exchange proposes to relocate IOC, Day, and FOK from current Rule 11.5(b) with minor clarifications.[51] Specifically, the Exchange proposes to incorporate the existing definitions of an "IOC Order," "Day Order" and "Fill-or-Kill Order," as set forth in Rules 11.5(b)(1)-(3), into proposed Rule 11.6(q). The only change the Exchange proposes to make is to delete the word Order from each term, as the Exchange believes that each term is more accurately described as an order instruction. In addition, the Exchange proposes to include in the definition of Day that an order with a TIF instruction of Day entered into the System before the start of the specified trading session would be placed by the System in a pending state and activated for potential execution upon the start of that trading session.

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50 See Exchange Rules 11.9(a)(1) and 11.15.

51 Current Rule 11.5(b) includes two (2) additional TIF instructions of Good-'til-Cancel and Good-'til-Day, which the Exchange proposes to delete from its rules because they are not currently offered by the Exchange.

The Exchange also proposes to include a new TIF instruction of GTT, which will instruct the System that the order is to be cancelled at a specified time of day. A TIF instruction of GTT can be applied to an order eligible for trading in any trading session. Any unexecuted portion of an order with a TIF instruction of GTT will be cancelled at: (i) the expiration of the User's specified time; (ii) at the end of the User's specified trading session(s); or (iii) the end of the trading day, as instructed by the User. In no event shall an order with a TIF instruction of GTT be eligible for execution over multiple trading days.[52]

Trading Center (Rule 11.6(r)).

The Exchange also proposes to add a definition of the term "Trading Center" to proposed Rule 11.6. Trading Center would be defined as "[o]ther securities exchanges, facilities of securities exchanges, automated trading systems, electronic communications networks or other brokers or dealers." This definition also exists within Exchange Rule 2.11(a). The term Trading Center appears frequently within Chapter XI and the Exchange believes that repeating this definition in Rule 11.6(r) adds further clarity to its Rules. In addition, the Exchange notes that its proposed definition of Trading Center is consistent with the definition of Trading Center under Rule 600(a)(78) of Regulation NMS.[53]

Units of Trading (Rule 11.6(s)).

Rule 11.6 currently provides that "[o]ne hundred (100) shares shall constitute a 'round lot,' any amount less than 100 shares shall constitute an 'odd lot,' and any amount greater than

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52 Other exchanges offer TIF instructions similar to GTT. See CHX Rules Art. 1, Rule 2(d)(3) (Good 'Til Date), BZX Rule 11.9(b)(4) (Good 'til Day), BYX Rule 11.9(b)(4) (Good 'til Day), and Nasdaq Rule 4751(h)(4) (System Hours Expire Time).

53 Under Exchange Act Rule 600(a)(78), "Trading Center" is defined as "a national securities exchange or national securities association that operates an SRO trading facility, an alternative trading system, an exchange market maker, an OTC market maker, or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent." See 242 CFR 600(a)(78).

100 shares that is not a multiple of a round lot shall constitute a 'mixed lot.'" The Exchange proposes to delete the definition of "Units of Trading" as a standalone rule and proposes to relocate it to proposed Rule 11.6(s) with the below modifications.

First, the Exchange proposes to clarify that a Round Lot is 100 shares, unless an alternative number of shares is established as a Round Lot by the listing exchange for the security. This proposed revision acknowledges that for certain securities, a Round Lot is smaller than 100 shares (e.g., for Berkshire Hathaway Class A's "(BRK.A)" a Round Lot is one (1) share). Similarly, in Rule 11.8(a)(6) (proposed to be renumbered as Rule 11.9(a)(6)), the Exchange proposes to make an additional conforming change to replace the term "99 shares or fewer" with "less than a Round Lot." The Exchange also proposes to clarify the definition of Round Lot under proposed Rule 11.6(s) by adding that orders that are a Round Lot are eligible to be Protected Quotations.

Current Rule 11.5(c)(2) provides that an Odd Lot Order is "[a]n order to buy or sell an odd lot." The Exchange proposes to move this text into proposed Rule 11.6(s)(2) and also amend the definition of Odd Lot to read "[a]ny amount less than a Round Lot." The Exchange also proposes to clarify that orders of Odd Lot size are only eligible to be Protected Quotations if aggregated to form a Round Lot.

Similarly, the Exchange proposes to make conforming amendments to the definition of a Mixed Lot contained in current Rule 11.5(c)(3) and to move such text to Rule 11.6(s)(3). Mixed Lot would be defined as "[a]ny amount greater than a Round Lot that is not an integer multiple of a Round Lot…" The Exchange also proposes to clarify that Odd Lot portions of an order of

Mixed Lot size are only eligible to be Protected Quotations if aggregated to form a Round Lot.[54]

PROPOSED RULE 11.8, ORDER TYPES

The Exchange proposes to add proposed Rule 11.8, Order Types, to outline the characteristics of all orders accepted by the System. Currently, Exchange Rule 11.5 lists twenty-six individual order types.[55] As discussed above, the Exchange believes that most of these individual order types currently set forth under Exchange Rule 11.5 can be reclassified as instructions that may be attached to order types. Thus, the Exchange proposes to delete the content of current Rule 11.5 and replace it with proposed Rule 11.8, which describes the following order types accepted by the System: Market Orders, Limit Orders, ISOs, MidPoint Peg Orders, MidPoint Discretionary Orders, NBBO Offset Peg Orders, and Route Peg Orders. Proposed Rule 11.8 would describe each order type's functionality and the instructions a User may attach to each. The Exchange reiterates that, unless otherwise stated, it is not proposing to amend its current System functionality. The Exchange believes that the proposed rule change will provide greater specificity and transparency regarding the function of each of the order types and order instructions accepted by the System, including which order types and order instructions can be combined with each other.

Market Orders (Rule 11.8(a)).

Exchange Rule 11.5(a)(2) currently defines a "Market Order" as:

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54 The Exchange notes that these proposed definitions are similar to Nasdaq Rule 4751(g) (definition of "Order Size").

55 The order types listed under current Exchange Rule 11.5 are: Limit Order, Market Order, IOC Order, Day Order, FOK Order, GTC Order, GTD Order, Reserve Order, Odd Lot Order, Mixed Lot Order, EDGA Only Order, Post Only Order, Pegged Order, MidPoint Peg Order, MidPoint Discretionary Order, Non-Displayed Order, Destination Specific Order, Destination-on-Open Order, Stop Order, Stop Limit Order, Discretionary Order, NBBO Peg Offset Order, Route Peg Order, Attributable Order, Non-Attributable Order, Intermarket Sweep Order, and Directed Intermarket Sweep Order. See Exchange Rule 11.5.

> [a]n order to buy or sell a stated amount of a security that is to be executed at the NBBO when the order reaches the Exchange. Market orders shall not trade through Protected Quotations. A market order that is designated as "EDGA Only" will be cancelled if, when reaching the Exchange, it cannot be executed on the System in accordance with Rule 11.9(a)(4). Market orders that are not designated as "EDGA Only" and that cannot be executed in accordance with Rule 11.9(a)(4) on the System when reaching the Exchange will be eligible for routing away pursuant to Rule 11.9(b)(1). Except with respect to a Destination-on-Open Order, as defined in paragraph (c)(10), below, any portion of a market order that would execute at a price more than $0.50 or 5 percent worse than the consolidated last sale at the time the order initially reaches the Exchange, whichever is greater, will be cancelled. Market orders are not eligible for execution during the Pre-Opening or the Post-Closing Trading Sessions.

Under proposed Rule 11.8(a), the Exchange proposes to amend the definition of a Market Order to clarify its operation and the instructions available to Users when entering a Market Order into the System. The Exchange proposes to carry over the language of current Rule 11.5(a)(2) into proposed Rule 11.8(a).

Proposed Rule 11.8(a) would define a Market Order as "[a]n order to buy or sell a stated amount of a security that is to be executed at the NBBO or better when the order reaches the Exchange." Proposed Rule 11.8(a) would also include descriptions of the instructions that may be attached to a Market Order. First, the rule would make clear that an order may include a Stop Price that will convert the order into a Market Order when the Stop Price is triggered. An order to buy converts to a Market Order when a consolidated last sale in the security occurs at, or above, the specified Stop Price. An order to sell converts into a Market Order when the consolidated last sale in the security occurs at, or below, the specified Stop Price. This functionality is currently described in the Exchange's rules as a Stop Order under Rule 11.5(c)(11). The Exchange believes that a Stop Order is more appropriately described as an order instruction for a Market Order, rather than a stand-alone order type. Therefore, the Exchange proposes to delete the term Stop Order and replace it with the order instruction Stop Price in proposed Rule 11.8(a)(1). The proposed definition of Stop Price will remain the same as the current definition of Stop Order.

Market Orders are only eligible for execution by the System during the Regular Session. Proposed Rule 11.8(a)(2) would state that unless otherwise instructed by the User, the System will automatically default a Market Order to a TIF instruction of Day. A User may instead select TIF instructions of IOC or FOK for a Market Order. A Market Order that includes a TIF instruction of FOK will be cancelled if not executed in full immediately after entry into the System. If a Market Order includes a TIF instruction of IOC, any portion of the Market Order not executed after checking the System for available shares, and, if applicable, after return to the System after being routed to an away Trading Center, will be cancelled. A Market Order may not trade through a Protected Quotation.

Market Orders may be an Odd Lot, Round Lot, or Mixed Lot. A User may attach a Minimum Execution Quantity instruction to a Market Order with a TIF instruction of IOC. Under proposed renumbered Rule 11.10(a)(3)(A), where a non-routable buy (sell) Market Order is entered into the System and the NBO (NBB) is greater (lesser) than the Upper (Lower) Price Band, such order will be posted by the System to the EDGA Book and priced at the Upper (Lower) Price Band, unless (i) the order includes a TIF instruction of IOC or FOK, in which case it will be cancelled if not executed, or (ii) the User has entered a Cancel Back instruction.[56] The Exchange also proposes under Rule 11.8(a)(4) that a Market Order that includes both a TIF instruction of Day and a Short Sale instruction that cannot be executed because of the existence of a Short Sale Restriction, will also be posted and displayed by the System to the EDGA Book and priced in accordance with the Short Sale Price Sliding instruction described in proposed Rule 11.5(l)(2).

A Market Order may include a Book Only instruction. Except as described above with respect to re-pricing of a Market Order where the NBO (NBB) is greater (less) than the Upper (Lower) Price Band, a Market Order that includes a Book Only instruction will be cancelled if, when entered into the System, it cannot be executed in accordance with proposed Rule 11.10(a)(4). Except for a Market Order that includes a Destination-on-Open instruction, any portion of a Market Order that would execute at a price more than the greater of $0.50 or 5 percent worse than the consolidated last sale as published by the responsible single plan processor at the time the order is entered into the System, will be cancelled. A Market Order that does not include a Book Only instruction, or a TIF instruction of IOC or FOK, and cannot be executed by the System in accordance with proposed renumbered Rule 11.10(a)(4) will be eligible for routing to a Trading Center pursuant to proposed Rule 11.11.

Operation of Market Order with a Book Only instruction

The below examples demonstrate the functionality of a Market Order that is entered with

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56 Current Exchange Rule 11.9(a)(3)(A) states, "[w]here a non-routable buy (sell) Market Order is entered into the System and the NBB (NBO) is greater (less) than to the Upper (Lower) Price Band, such order will be posted to the EDGA Book or executed, unless (i) the order is an IOC Order, in which case it will be cancelled if not executed, or (ii) the User has entered instructions to cancel the order." See also Securities Exchange Act Release No. 69003 (February 27, 2013), 78 FR 14394 (March 5, 2013) (SR-EDGA-2013-08).

a Book Only instruction.

Example No. 1. Assume the NBBO is $10.01 x $10.02 and the Exchange's BBO is $9.99 x $10.02. A Market Order with a Book Only instruction to buy 100 shares is entered into the System and executes against the $10.02 offer displayed by the System on the EDGA Book.

Example No. 2. Assume the NBBO is $10.01 x $10.02 and the Exchange's BBO is $9.99 x $10.02. A MidPoint Peg Order to sell priced at the midpoint of the NBBO of $10.015 is resting on the EDGA Book. A Market Order with a Book Only instruction to buy 100 shares is entered into the System and executes against the order with a Non-Displayed instruction to sell at $10.015.

Example No. 3. Assume the NBBO is $10.01 x $10.02 and the Exchange's BBO is $9.99 x $10.03 and no better priced orders with a Non-Displayed instruction are resting on the EDGA Book. A Market Order with a Book Only instruction to buy 100 shares is entered into the System but is cancelled back to the User because the order is not routable and the NBO is displayed only on an away Trading Center.

Limit Orders (Rule 11.8(b)).

Exchange Rule 11.5(a)(1) defines a Limit Order as, "[a]n order to buy or sell a stated amount of a security at a specified price or better" and a "marketable" Limit Order as a "Limit Order to buy (sell) at or above (below) the lowest (highest) Protected Offer (Protected Bid) for the security." The Exchange proposes to relocate these definitions without modification to proposed Rule 11.8(b). Proposed Rule 11.8(b) would further describe a Limit Order's functionality and which instructions are available to Users when entering a Limit Order. Rule 11.8(b) would also describe the re-pricing instructions for Limit Orders available to Users seeking to comply with Rule 610 of Regulation NMS and Rule 201 of Regulation SHO.

First, proposed Rule 11.8(b) will describe how a Limit Order may include a "Stop Limit Price". An order with a Stop Limit Price will convert to a Limit Order once the Stop Limit Price is triggered. A Limit Order to buy with a Stop Limit Price becomes eligible for execution by the System when the consolidated last sale in the security occurs at, or above, the specified Stop Limit Price. A Limit Order to sell with a Stop Limit Price becomes eligible for execution when the consolidated last sale in the security occurs at, or below, the specified Stop Limit Price. This functionality is currently described in the Exchange's rules as a Stop Limit Order under Rule 11.5(c)(12). The Exchange believes that a Stop Limit Order is more appropriately described as an order instruction for a Limit Order, rather than a stand-alone order type. Therefore, the Exchange proposes to delete the term Stop Limit Order and replace it with the description of the Stop Limit Price functionality in proposed Rule 11.8(b)(1). The proposed description of a Stop Limit Price will remain the same as the current definition of Stop Limit Order.

Proposed Rule 11.8(b)(2) would state that a Limit Order must have one of the following TIF instructions: IOC, FOK, Day or GTT and that unless otherwise instructed by the User, the System will automatically default a Limit Order to a TIF instruction of Day.

A Limit Order may be an Odd Lot, Round Lot or Mixed Lot. A User may include a Minimum Execution Quantity instruction only for Limit Orders that also include a Non-Displayed instruction. A Limit Order is eligible for execution during the Pre-Opening Session, Regular Session and the Post-Closing Session.

A Limit Order will default to a Displayed instruction unless the User includes a Non-Displayed instruction on the order, or a portion thereof. A Limit Order with a Displayed instruction will default to a Non-Attributable instruction unless the User selects the Attributable instruction. A Limit Order that includes both a Post Only instruction and Non-Displayed instruction will be rejected by the System. Unless the order is re-priced in accordance with proposed Rule 11.8(b)(13), a Limit Order that includes a Non-Displayed instruction is ranked based on the specified limit price at the time the order is entered into the System in accordance with proposed Rule 11.9(a)(2)(A) and is available for potential execution in the System against incoming orders in accordance with proposed Rule 11.10(a)(4)(A)-(B). A Limit Order with a Displayed instruction may also include a Reserve Quantity. A Limit Order with both a Displayed instruction and Reserve Quantity must include a replenishment amount. Unless the User selects the Random Replenishment instruction, the System will automatically default the order to a Fixed Replenishment instruction with a replenishment value equal to the displayed quantity of the order.

A Limit Order may include a Post Only or Book Only instruction. Unless a Limit Order includes a Post Only or Book Only instruction, proposed Rule 11.8(b)(7) would specify that a marketable Limit Order would be eligible to be routed to a Trading Center pursuant to current Rule 11.9(b) (proposed to be renumbered as Rule 11.11). In such case, the routable, marketable Limit Order may include a Destination Specified, or a Destination-on-Open instruction. A Limit Order may also include an Aggressive or Super Aggressive instruction.

Limit Orders that include a TIF instruction of Day or GTT ("Eligible Limit Orders") may include a Discretionary Range or Pegged instruction (e.g., Market Peg or Primary Peg). A Limit Order that includes a Pegged instruction is not eligible to be routed to another Trading Center in accordance with proposed renumbered Rule 11.11.

Proposed Rules 11.8(b)(10), (11), and (12) would also describe the various re-pricing instructions a User may attach to an Eligible Limit Order to comply with Rule 610 of Regulation

NMS or Rule 201 of Regulation SHO. The operation of these re-pricing instructions is explained in detail above.[57] Proposed Rules 11.8(b)(10), (11), and (12) would explain which re-pricing instructions the System may default to absent a selection by the User. The Rule would also state that a User may elect to Cancel Back the order should its display by the System on the EDGA Book or execution by the System trigger the application of a re-pricing instruction.

First, Eligible Limit Orders are subject to one of the three re-pricing instructions the Exchange offers to comply with Rule 610 of Regulation NMS. A Limit Order that, if displayed at its limit price at the time of entry into the System, would become a Locking Quotation or Crossing Quotation will be automatically defaulted by the System to the Hide Not Slide instruction, unless the User affirmatively elects the Cancel Back instruction, the Price Adjust instruction or the Single Re-Price instruction. A Limit Order to buy (sell) with a limit price that would be a Crossing Quotation at the time of entry will not execute at a price that is higher (lower) than the Locking Price.

Second, should a Short Sale Circuit Breaker be in effect, an Eligible Limit Order may also be subject to one of the three re-pricing instructions the Exchange offers to comply with Rule 201 of Regulation SHO. Proposed Rule 11.8(b)(11) would state that a Limit Order that includes a Short Sale instruction and that is not marked Short Exempt and that cannot be executed in the System or displayed by the System on the EDGA Book at its limit price at the time of entry into the System because a Short Sale Circuit Breaker is in effect, will be automatically defaulted by the System to the Short Sale Price Adjust instruction, unless the User affirmatively elects the Cancel Back instruction, the Short Sale Price Sliding instruction or the Short Sale Single Re-Price instruction.

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[57] See supra notes 29 to 43 and accompanying text.

Third, when a Limit Order, or a portion thereof, is returned to the Exchange after being routed away in accordance with Rule 11.11, and, if displayed by the System on the EDGA Book at its limit price it would become a Locking Quotation or Crossing Quotation, such Limit Order will be automatically defaulted by the System to the Routed and Returned Re-Pricing instruction, unless the User affirmatively elects the Cancel Back instruction, the Price Adjust instruction, Hide Not Slide instruction, or the Single Re-Price instruction.

Lastly, proposed Rule 11.8(b)(13) would state that a Limit Order with a Non-Displayed instruction that would be a Crossing Quotation of an external market will be re-ranked in accordance with the Re-Pricing of orders with a Non-Displayed instruction process under proposed Rule 11.6(l)(3), unless the User affirmatively elects that the order Cancel Back.

The below examples describe the functionality of a Limit Order with various instructions under various circumstances.

Operation of Marketable Limit Order with a Book Only Instruction

Example No. 1. Assume the NBBO is $10.01 x $10.02 and the Exchange's BBO is $9.99 x $10.02. A Limit Order with a Book Only instruction to buy is entered into the System with a limit price of $10.02 and is executed against the $10.02 offer that is resting on the EDGA Book.

Example No. 2. Assume the NBBO is $10.01 x $10.02 and the Exchange's BBO is $9.99 x $10.02. A MidPoint Peg Order to sell ranked at the midpoint of the NBBO of $10.015 is resting on the EDGA Book. A Limit Order with a Book Only instruction to buy is entered into the System with a limit price of $10.02 and is executed against the MidPoint Peg Order to sell at $10.015.

Operation of Limit Order with a Book Only Instruction Entered with a Limit Price that

Equals the Locking Price

The following information applies to each of the scenarios listed below.

Example. Assume the NBBO is $10.01 x $10.02 and the Exchange's BBO is $9.99 x $10.03. A Limit Order with a Book Only instruction to buy is entered into the System with a limit price of $10.02.[58]

No Re-Pricing Instruction Elected by User – Defaults to Hide Not Slide Instruction

Scenario No. 1. Assume the facts from the example above and that the order defaults to the Hide Not Slide instruction because an alternate re-pricing instruction is not elected. The Limit Order is displayed at $10.01, one Minimum Price Variation below the Locking Price of $10.02, and is ranked at Locking Price. The Exchange's BBO is now $10.01 x $10.03. The Limit Order may be displayed at the Locking Price in response to changes in the NBBO.

User Elects Price Adjust Instruction

Scenario No. 2. Assume the facts from the example above and that the User elects the Price Adjust instruction. The Limit Order is displayed and ranked by the System on the EDGA Book at $10.01, one Minimum Price Variation below the Locking Price. The Exchange's BBO is now $10.01 x $10.03. The Limit Order may be re-ranked and displayed at the Locking Price with a new time stamp in response to changes in the

58 The Limit Order does not execute in the System because the NBO is displayed on an away Trading Center and the Limit Order is not eligible to be routed away. The Limit Order is also not displayed by the System on the EDGA Book at its limit price because if it did it would be a Locking Quotation. The User may elect that the Limit Order immediately Cancel Back; otherwise, the Limit Order will be eligible for one of the three re-pricing instructions the Exchange offers to comply with Rule 610 of Regulation NMS. The Limit Order will be automatically defaulted by the System to the Hide Not Slide instruction unless the User affirmatively elects the Price Adjust instruction, the Single Re-Price instruction, or Cancel Back.

NBBO.

User Elects Single Re-Price Instruction

Scenario No. 3. Assume the facts from the example above and that the User elects the Single Re-Price instruction. The Limit Order is displayed and ranked by the System on the EDGA Book at $10.01, one Minimum Price Variation below the Locking Price. The Exchange's BBO is now $10.01 x $10.03. The Limit Order is not subject to further adjustments in response to changes in the NBBO.

The Exchange's BBO Joins NBO

The following information applies to each of the scenarios listed below.

Example. Assume the NBBO is $10.01 x $10.02 and the Exchange's BBO is $10.01 x $10.03. Also assume that orders with a Post Only instruction do not remove liquidity from the EDGA Book because the value of an execution would not equal or exceed the value of an execution if posted at its limit price, including the applicable fees charged or rebates provided under proposed Rule 11.6(n)(4). The EDGA Book contains the following buy orders, ranked in time order:

Buyer One: $10.02 Book Only/Price Adjust instruction/displayed and ranked at $10.01

Buyer Two: $10.02 Book Only/Single Re-Price instruction/displayed and ranked at $10.01

Buyer Three: $10.02 Book Only/Hide Not Slide instruction/displayed at $10.01 and ranked at $10.02

Scenario 1. Assume that Seller One enters a Limit Order with a Post Only and Displayed instruction to sell at $10.02. Seller One's order cannot remove liquidity pursuant to proposed Rule 11.6(n)(4) so it does not execute in the

System against Buyer Three's buy order. Rather, it is displayed by the System on the EDGA Book at $10.02. The Exchange's BBO narrows to $10.01 x $10.02. Buyer Three's ability to execute at $10.02 is suspended to prevent later arriving sell orders priced at $10.02 from violating Seller One's time priority at that price.

Scenario 2. Assume the facts from above and that Seller Two enters a Limit Order to sell at $10.02. This order does not execute against Buyer Three because Buyer Three's ability to execute at $10.02 is suspended because a contra-side order to sell at $10.02 is displayed on the EDGA Book. Seller Two's offer is posted by the System to the EDGA Book and joins the offer at $10.02 behind Seller One.

Scenario 3. Assume the facts from above and next that Seller One cancels its order. Buyer Three's ability to execute at $10.02 remains suspended because a contra-side order to sell at $10.02 from Seller 2 remains displayed on the EDGA Book. Seller Two does not execute against Buyer Three because Buyer Three's ability to execute at $10.02 is suspended.

Scenario 4. Assume the facts from above and next that Seller Three enters a Limit Order to sell at $10.02. Seller Three does not execute against Buyer Three because Buyer's Three's ability to execute at $10.02 remains suspended. Seller Three's order is posted by the System to the EDGA Book at $10.02 behind Seller Two.

Operation of Limit Orders with Displayed and Post Only Instructions

The following information applies to each of the scenarios listed below.

Example No. 1. Assume the NBBO is $10.01 x $10.02 and the Exchange's BBO is $10.01 x

$10.02.

Scenario No. 1. Buyer One enters a Limit Order with a Displayed and Post Only instruction at $10.02. Buyer One's order will not execute at $10.02 because an order with a Post Only instruction will not remove liquidity from the EDGA Book at its limit price unless there is a contra-side order to provide an execution, the value of which would equal or exceed the value of an execution if posted at its limit price, including the applicable fees charged or rebates. If Buyer One's Limit Order is subject to the Hide Not Slide instruction, it will be displayed by the System on the EDGA Book at $10.01 and ranked at $10.02, the Locking Price. If Buyer One's Limit Order is subject to either the Price Adjust or Single Re-Price instructions, it will not execute and will be displayed and ranked by the System on the EDGA Book at $10.01.

Scenario No. 2. Assume that Buyer One instead enters a Limit Order with a Displayed and Post Only instruction at $10.03. Also assume that the value of an execution with one cent of price improvement would equal or exceed the value of an execution if posted at its limit price, including the applicable fees charged or rebates provided under proposed Rule 11.6(n)(4). If Buyer One's order contains a Hide Not Slide or Price Adjust instruction the order will be executed at 10.02.

Example No. 2. For the following scenarios, assume the NBBO upon order entry is $10.01 x $10.02. Also assume that orders with a Post Only instruction do not remove liquidity from the EDGA Book because the value of an execution does not equal or exceed the value of an execution if posted at its limit price, including the applicable fees charged or rebates provided under proposed Rule 11.6(n)(4). Unless otherwise specified, further assume that all Limit Orders with a Displayed and Post Only instruction are Limit Orders to buy.

Scenario No. 1. The Exchange BBO is $9.99 x $10.03. A Limit Order to buy at $10.00 is entered into the System. The order is posted by the System to the EDGA Book at $10.00. The order does not change the NBB; but improves the Exchange BBO to $10.00 x $10.03.

Scenario No. 2. The Exchange BBO is $9.99 x $10.03. A Limit Order to buy at $10.02 is entered into the System and the User selected the Price Adjust Process. If the buy order was displayed by the System on the EDGA Book at its limit price, it would lock the NBO at $10.02 and, hence, be considered a Locking Quotation. To avoid being a Locking Quotation, the order is ranked and displayed by the System on the EDGA Book at $10.01.

Scenario No. 3. The Exchange BBO is $9.99 x $10.03. A Limit Order to buy at $10.02 is entered into the System and the User elects the Single Re-Price instruction. If displayed by the System on the EDGA Book at its limit price, the order would lock the NBO at $10.02 and, hence, be considered a Locking Quotation. To avoid being a Locking Quotation, the order is ranked and displayed by the System on the EDGA Book at $10.01 with no further price adjustments.

Scenario No. 4. The Exchange BBO is $9.99 x $10.03. A Limit Order to buy at $10.02 is entered into the System and the User elects that the order Cancel Back should it become a Locking Quotation or Crossing Quotation. If displayed on the EDGA Book at its limit price, the order would lock the NBO at $10.02 and, hence, be considered a Locking Quotation. The order is immediately canceled pursuant to the User's instructions.

Scenario No. 5. The Exchange BBO is $9.99 x $10.03. A buy order priced at $10.02 is entered into the System. If displayed on the EDGA Book at its limit price, the order would lock the NBO at $10.02 and, hence, be considered a Locking Quotation. To avoid being a Locking Quotation, order defaults to the Hide Not Slide instruction because the User did not select either the Cancel Back, Price Adjust, or Single Re-Price instructions, the order is displayed by the System on the EDGA Book at $10.01, and ranked by the System at $10.02, the Locking Price.

Other Examples

The following information applies to each of the scenarios listed below.

Example. Assume the NBBO is $10.00 x $10.01 and the Exchange's BBO is $10.00 x $10.02. Also assume that orders with a Post Only instruction do not remove liquidity from the EDGA Book because the value of an execution does not equal or exceed the value of an execution if posted at its limit price, including the applicable fees charged or rebates provided under proposed Rule 11.6(n)(4). The following buy orders are resting on the EDGA Book ranked in order of time of arrival:

Buyer One: $10.01 x 100 Book Only/Price Adjust instruction/displayed and ranked by the System on the EDGA Book at $10.00.

Buyer Two: $10.01 x 100 Book Only/Single Re-price instruction/displayed and ranked by the System on the EDGA Book at $10.00.

Buyer Three: $10.01 x 100 Book Only/Hide Not Slide instruction/displayed by the System on the EDGA Book at $10.00 and ranked by the System at $10.01

Scenario No. 1. Seller One enters into the System a Limit Order to sell 100 shares with a Post Only instruction at $10.01. Seller One's order will be posted by the System to the EDGA Book at $10.01, updating the Exchange's BBO to $10.00 x $10.01. Buyer

Three's ability to execute at $10.01 is suspended because a contra-side order to sell 100 shares at $10.01 is now displayed by the System on the EDGA Book. Seller Two enters a Limit Order to sell 100 shares at $10.01. Seller Two's order may not execute in the System against Buyer Three's order because Seller One currently has priority at that price. Accordingly, Seller Two's order will be posted by the System to the EDGA Book at $10.01 and ranked by the System behind Seller One. Seller One cancels its order. Seller Two's order is now the Exchange's best offer at $10.01. Seller Two's order would remain on the EDGA Book and not execute against Buyer Three's order - Buyer Three's ability to execute at $10.01 continues to be suspended because a contra-side order to sell 100 shares at $10.01 is displayed by the System on the EDGA Book.

Scenario No. 2. Assume that Seller One instead enters into the System a Limit Order to sell 100 shares at $10.01 without a Post Only instruction. Seller One's order executes against Buyer Three's order at $10.01.

Scenario No. 3. Assume that Seller One instead enters into the System a Limit Order to sell 500 shares at $10.00 without a Post Only or Book Only instruction. Seller One's order executes 100 shares against Buyer Three's order at $10.01, and then executes 100 shares against Buyer One's order at $10.00, and lastly, executes 100 shares against Buyer Two's order at $10.00. The remaining 200 shares of Seller One's order are routed in accordance with proposed renumbered Rule 11.11.

Scenario No. 4. Assume that Seller One instead enters into the System a Limit Order to sell 500 shares with a Book Only instruction at $10.00 and selects the Price Adjust Process. Seller One's order executes 100 shares against Buyer Three's order at $10.01, and then executes 100 shares against Buyer One's order at $10.00, and lastly, executes

100 shares against Buyer Two's order at $10.00. The remaining 200 shares of Seller One's order are subject to the Price Adjust instruction and are, therefore, ranked and displayed by the System on the EDGA Book at $10.01.

Scenario No. 5. Assume instead that prior to any contra-side sell order being entered into the System, the NBBO updates to $10.00 x $10.02. Buyer One's order is ranked and displayed by the System on the EDGA Book at $10.01, and it, along with Buyer Three, establish a new NBB. Buyer Three's order has execution priority ahead of Buyer One's order.[59] Buyer Two's order remains ranked and displayed by the System at $10.00. The NBBO is now $10.01 x $10.02. Seller One enters into the System a Limit Order to sell 100 shares at $10.01. Seller One's order is executed against Buyer Three's order at $10.01.

Scenario No. 6. Assume instead that prior to any contra-side sell order being entered into the System Buyer Four enters into the System an ISO with a TIF instruction of Day to buy 100 shares at $10.01. Buyer Four's order is displayed by the System on the EDGA Book at $10.01.[60] Buyer Three's order is then also displayed by the System on the

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59 As described in more detail below, under proposed Rule 11.9(a)(2)(C), where such an order is re-ranked to the Locking Price after a Locking Quotation clears, the System will re-rank and display such orders at the Locking Price in time priority in the following order: (i) ISO with a TIF instruction of Day that establishes a new NBBO at the Locking Price; (ii) Limit Orders to which the Hide Not Slide or Routed And Returned Re-Pricing instruction has been applied; (iii) Limit Orders to which the Price Adjust instruction has been applied; and (iv) orders with a Pegged instruction. See infra section entitled "Orders Re-Ranked upon Clearance of a Locking Quotation".

60 Buyer Four's order may be posted to the EDGA Book under proposed Rule 11.8(c)(4), which states that a User entering an ISO with TIF instruction of Day represents that such User has simultaneously routed one or more additional limit orders marked ISO, if necessary, to away Trading Centers to execute against the full displayed size of any Protected Quotation for the security with a price that is superior or equal to the limit price of the ISO entered in the System. This is consistent with the ISO exception under the Exchange Rule 11.10(f), which requires that ISOs be routed to execute against all

EDGA Book at $10.01 behind Buyer Four's order. Buyer One's order is also displayed by the System on the EDGA Book at $10.01, behind Buyer Three's order and Buyer Four's order. Buyer Two's order remains ranked and displayed by the System at $10.00. Seller One enters into the System a Limit Order to sell 200 shares at $10.01. Seller One's order executes 100 shares against Buyer Four's order at $10.01, then executes 100 shares against Buyer Three's order at $10.01.

ISO (Rule 11.8(c)).

Proposed Rule 11.8(c) would define an ISO as it is currently defined in Rule 11.5(d)(1), but would also include additional language to describe which instructions may be attached to an ISO and how the System will treat such orders. Just as in Rule 11.5(d)(1), proposed Rule 11.8(c) will continue to state that the System will accept incoming ISOs (as such term is defined in Regulation NMS) and that "[t]o be eligible for treatment as an ISO, the order must be: (i) a Limit Order; (ii) marked ISO; and (iii) the User entering the order must simultaneously route one or more additional Limit Orders marked ISO, if necessary, to away markets to execute against the full displayed size of any Protected Quotation for the security with a price that is superior to the limit price of the ISO entered in the System. Such orders, if they meet the requirements of the foregoing sentence, may be executed at one or multiple price levels in the System without regard to Protected Quotations at away Trading Centers consistent with Regulation NMS (i.e., may trade through such quotations)."

Like current Rule 11.5(d)(1), proposed Rule 11.8(c) would continue to make clear to

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protected quotations with a price that is *better than or equal* to the display price, rather than solely to protected quotations for a security with a price that is superior to the ISO's limit price. See also Question 5.02 in the Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS (last updated April 4, 2008) available at http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm.

Members that the Exchange relies on the marking of an order as an ISO when handling such order, and thus, it is the entering Member's responsibility, not the Exchange's responsibility, to comply with the requirements of Regulation NMS relating to ISOs.

Proposed Rule 11.8(c)(4) provides that incoming ISOs may be submitted during the Pre-Opening Session, Regular Session and the Post-Closing Session. Proposed Rule 11.8(c)(1)-(4) would also state that an incoming ISO will have a default TIF instruction of Day, unless the User selects a TIF instruction of GTT or IOC. Incoming ISOs cannot include a TIF instruction of FOK. An ISO with a Post Only and TIF instruction of GTT or Day will be rejected without execution if, when entered, it is immediately marketable against an order with a Displayed instruction resting on the EDGA Book, unless the User included on the ISO a Price Adjust, Hide Not Slide, or the Single Re-Price instruction. The rule would also state that a User entering an ISO with TIF instruction of Day represents that such User has simultaneously routed one or more additional limit orders marked ISO, if necessary, to away Trading Centers to execute against the full displayed size of any Protected Quotation for the security with a price that is superior or equal to the limit price of the ISO entered in the System. [61] Any unfilled portion of an ISO with a TIF instruction of GTT or Day will be posted by the System to the EDGA Book at the ISO's limit price.

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[61] The operation of an ISO with a TIF instruction of Day is similar to the Post ISO order on the National Stock Exchange, Inc. ("NSX"), but for the NSX stating that it will reject a Post ISO if it is immediately marketable against a displayed order on the NSX Book, while the Exchange retains such orders where they include a Price Adjust, Hide Not Slide, or Single Re-Price instruction. See NSX Rule 11.11(c)(8)(ii). The ISO exception under Exchange Rule 11.10(f) requires that ISOs be routed to execute against all protected quotations with a price that is *better than or equal* the display price, rather than solely to protected quotations for a security with a price that is superior to the ISO's limit price. See Question 5.02 in the Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS (last updated April 4, 2008) available at http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm.

Similar to proposed Rule 11.8(b) on Limit Orders, proposed Rule 11.8(c) would also describe the various re-pricing instructions a User may attach to an ISO to comply with Rule 610 of Regulation NMS or Rule 201 of Regulation SHO where the ISO includes a Post Only and TIF instruction of GTT or Day. An ISO with a TIF instruction of GTT or Day as well as a Short Sale instruction that cannot be executed or displayed by the System at its limit price at the time of entry into the System because of the existence of a Short Sale Circuit Breaker, will be automatically defaulted by the System to the Short Sale Price Adjust instruction, unless the User affirmatively elects the Cancel Back instruction, the Short Sale Price Sliding instruction or the Short Sale Single Re-Price instruction.

Inbound ISOs are not eligible for routing pursuant to Rule 11.9(b) (proposed to be renumbered as Rule 11.11). However, proposed Rule 11.8(c) would permit a User to attach an instruction to an ISO that would allow the ISO to bypass the System and be immediately routed by the Exchange as an outbound ISO to an away Trading Center specified by the User for execution. It is the entering Member's responsibility, not the Exchange's responsibility, to comply with the requirements of Regulation NMS relating to ISOs. The Exchange notes that this functionality is currently provided for under Exchange Rule 11.5(d)(2) as a "Direct Intermarket Sweep Order" ("Directed ISO"). The Exchange proposes to no longer classify a Directed ISO as a standalone order type because it believes the functionality of a Directed ISO is more indicative of an instruction a User may attach to an ISO directing the System to route the order to a specified Trading Center, rather than a standalone order type.

MidPoint Peg Order (Rule 11.8(d)).

Exchange Rule 11.5(c)(7) currently defines a MidPoint Peg Order as "[a] limit order whose price is automatically adjusted by the System in response to changes in the NBBO to be pegged to the midpoint of the NBBO." The Exchange proposes to move the description of the functionality of a MidPoint Peg Order into proposed Rule 11.8(d) and to include additional language describing and outlining the instructions that may be included with a MidPoint Peg Order. The Exchange also proposes to amend the definition to expressly state that a MidPoint Peg Order may be a Market Order or a Limit Order. However, proposed Rule 11.8(d) makes clear that notwithstanding that a MidPoint Peg Order may be a Market Order or a Limit Order, as set forth in proposed Rules 11.8(a) and 11.8(b), respectively, the operation of and available instructions applicable to a MidPoint Peg Order are limited to those contained in proposed Rule 11.8(d).

Like current Rule 11.5(c)(7), proposed Rule 11.8(d) would state that a MidPoint Peg Limit Order may only contain the following TIF instructions: Day, FOK, IOC, or GTT. Any unexecuted portion of a MidPoint Peg Limit Order with a Day or GTT instruction that is resting on the EDGA Book will receive a new time stamp each time it is re-priced by the System in response to changes in the midpoint of the NBBO.

A MidPoint Peg Order may include a limit price that would specify the highest or lowest prices at which the MidPoint Peg Order to buy or sell would be eligible to be executed. Specifically, a MidPoint Peg Order with a limit price that is more aggressive than the midpoint of the NBBO will execute at the midpoint of the NBBO or better subject to its limit price.[62] For example, assume the NBBO is $10.10 by $10.18, resulting in a midpoint of $10.14, and there are no orders resting on the EDGA Book. An order with a Non-Displayed instruction to sell is entered with a limit price of $10.12 and is posted non-displayed on the EDGA Book. A

62 A MidPoint Peg Order will execute at prices better than the midpoint of the NBBO where it is able to receive price improvement subject to its limit price either upon entry or re-pricing.

MidPoint Peg Order to buy with a limit price of $10.15 is then entered and executes against the order to sell at $10.12, a price better than the midpoint of the NBBO because the MidPoint Peg order is able to receive price improvement subject to its limit price. A MidPoint Peg Order will be ranked at the midpoint of the NBBO where its limit price is equal to or more aggressive than the midpoint of the NBBO.

A MidPoint Peg Order may execute at its limit price or better where its limit price is less aggressive than the midpoint of the NBBO. For example, assume the NBBO is $10.01 by $10.02, resulting in a midpoint of $10.015, and there are no orders resting on the EDGA Book. A MidPoint Peg Order to buy is entered with a limit price of $10.01 and posted non-displayed on the EDGA Book at $10.01, its limit price, because its limit price precludes it from being posted at $10.015, the midpoint of the NBBO. An order to sell at $10.01 is then entered and executes against the MidPoint Peg Order to buy at $10.01. A MidPoint Peg Order will be ranked at its limit price where its limit price is less aggressive than the midpoint of the NBBO. Expressly stating at which prices a MidPoint Peg Orders are ranked and may execute is intended to provide additional clarity regarding the operation of the MidPoint Peg Orders.

Proposed Rule 11.8(d) would also state that a MidPoint Peg Order may only be entered as a Round Lot or a Mixed Lot. A User may include a Minimum Execution Quantity instruction on a MidPoint Peg Order. MidPoint Peg Orders are not eligible for routing pursuant to Rule 11.9(b)(1) (proposed to be renumbered as Rule 11.11), unless routed utilizing the RMPT routing strategy as defined in proposed renumbered Rule 11.11(g)(20). The rule would also state that a MidPoint Peg Order is not eligible for execution when a Locking Quotation or Crossing Quotation exists. In such case, a MidPoint Peg Order would rest on the EDGA Book and would not be eligible for execution in the System until a Locking Quotation or Crossing Quotation no longer exists.

MidPoint Peg Orders are defaulted by the System to a Non-Displayed instruction. MidPoint Peg Orders are not eligible to include a Displayed instruction. MidPoint Peg Orders may only be executed during Regular Trading Hours.

MidPoint Peg Orders will not trade with any other orders at a price above the Upper Price Band or below the Lower Price Band.

MidPoint Discretionary Order (Rule 11.8(e)).

The Exchange currently defines and explains the functionality of a MidPoint Discretionary Order in Rule 11.5(c)(17).[63] The Exchange proposes to renumber current Rule 11.15(c)(17) as proposed Rule 11.8(e) but does not propose to amend the functionality of the MidPoint Discretionary Order. However, the Rule will be reformatted to be consistent with the Exchange's description of other order types to clearly delineate the various aspects of the MidPoint Discretionary Order. The MidPoint Discretionary Order would continue to be defined as "[a] Market or Limit Order to buy (sell) that is pegged to the NBB (NBO) with discretion to execute at prices up to (down to) and including the midpoint of the NBBO." Notwithstanding that a MidPoint Discretionary Order may also considered a Market or Limit Order, its operation and available modifiers would be set forth in proposed Rule 11.8(e); proposed Rules 11.8(a) and (b) regarding Market and Limit Orders would generally not apply to MidPoint Discretionary Orders.

A MidPoint Discretionary Order with a limit price may only contain a TIF of Day or GTT. MidPoint Discretionary Orders may only be a Round Lot or Mixed Lot. MidPoint

[63] See Securities Exchange Act Release No. 67226 (June 20, 2012), 77 FR 38113 (June 26, 2012) (Notice of Filing and Immediate Effectiveness to Amend EDGA Rules to Add the MidPoint Discretionary Order).

Discretionary Orders may only be submitted during Regular Trading Hours. MidPoint Discretionary Orders are not eligible for routing pursuant to proposed Rule 11.11.

A MidPoint Discretionary Order that is a Limit Order to buy is displayed at and pegged to the NBB, with discretion to execute at prices up to and including the midpoint of the NBBO. A MidPoint Discretionary Order to sell is displayed at and pegged to the NBO, with discretion to execute at prices down to and including the midpoint of the NBBO. A MidPoint Discretionary Order's displayed price and discretionary range are bound by its limit price. A MidPoint Discretionary Order to buy or sell with a limit price that is less than the prevailing NBB or higher than the prevailing NBO, respectively, is posted to the EDGA Book at its limit price. The displayed prices of MidPoint Discretionary Orders are derived from the NBB or NBO, and cannot independently establish the NBB or NBO. MidPoint Discretionary Orders in stocks priced at $1.00 or more can only be executed in sub-penny increments when they execute at the midpoint of the NBBO against contra side MidPoint Peg Orders and against other MidPoint Discretionary Orders. A new time stamp is created for a MidPoint Discretionary Order to buy or sell each time its displayed price is automatically adjusted based on a change in the NBB or NBO, respectively. MidPoint Discretionary Orders are not eligible for routing pursuant to Rule 11.11.

Pursuant to proposed Rule 11.10(a)(3), a MidPoint Discretionary Order to buy will be re-priced to the Upper Price Band where the price of the Upper Price Band moves below an existing Protected Bid. A MidPoint Discretionary Order to sell will be re-priced to the Lower Price Band where the price of the Lower Price Band moves above an existing Protected Offer. MidPoint Discretionary Orders will only execute at their displayed prices and not within their discretionary ranges when: (i) the price of the Upper Price Band equals or moves below an existing Protected

Bid; or (ii) the price of the Lower Price Band equals or moves above an existing Protected Offer. When the conditions in (i) or (ii) of the preceding sentence no longer exist, MidPoint Discretionary Orders will resume trading against other orders in their discretionary range and being displayed at and pegged to the NBBO.

NBBO Offset Peg Order (Rule 11.8(f)).

The Exchange currently defines and explains the functionality of the NBBO Peg Offset Order in Rule 11.5(c)(15).[64] The Exchange proposes to renumber current Rule 11.15(c)(15) as proposed Rule 11.8(e) but does not propose to amend the functionality of the NBBO Offset Peg Order. However, the Rule will be reformatted to be consistent with the Exchange's description of other order types to clearly delineate the various aspects of the NBBO Offset Peg Order. The NBBO Offset Peg Order would continue to be defined as "[a] Limit Order that, upon entry, is automatically priced by the System at the Designated Percentage (as defined in Rule 11.21(d)(2)(D) (proposed to be renumbered as Rule 11.20(d)(2)(D)) away from the then current NBB (in the case of an order to buy) or NBO (in the case of an order to sell), or if there is no NBB or NBO at such time, at the Designated Percentage away from the last reported sale from the responsible single plan processor." Notwithstanding that a NBBO Offset Peg Order is also considered a Limit Order, as set forth in proposed Rule 11.8(b), its operation and available instructions would be limited to those contained in proposed Rule 11.8(e); proposed Rule 11.8(b) regarding Limit Orders would not apply to NBBO Offset Peg Orders.

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64 See Securities Exchange Act Release No. 67960 (October 2, 2012), 77 FR 61463 (October 9, 2012) (SR-EDGA-2012-44) (notice of filing and immediate effectiveness of the proposal to adopt the NBBO Offset Peg Order) ("EDGA Adopting Release").; Securities Exchange Act Release No. 68595 (January 7, 2013), 78 FR 2475 (January 11, 2013) (SR-EDGA-2012-47) (notice of filing and immediate effectiveness to amend the NBBO Offset Peg Order); and Securities Exchange Act Release No. 69876 (June 27, 2013), 78 FR 40257 (July 3, 2013) (SR-EDGA-2013-17) (notice of filing and immediate effectiveness to amend the NBBO Offset Peg Order).

Upon reaching the Defined Limit (as defined in Rule 11.21(d)(2)(F) (proposed to be renumbered as Rule 11.20(d)(2)(F)), the price of an NBBO Offset Peg Order bid or offer will be automatically adjusted by the System to the Designated Percentage away from the then current NBB or NBO, respectively, or if there is no NBB or NBO at such time, to the Designated Percentage away from the last reported sale from the responsible single plan processor. If an NBBO Offset Peg Order bid or offer moves a specified number of percentage points away from the Designated Percentage toward the then current NBB or NBO, the price of such bid or offer will be automatically adjusted by the System to the Designated Percentage away from the then current NBB or NBO. If there is no NBB or NBO at such time, the order will be automatically adjusted by the System to the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that pricing an NBBO Offset Peg Order at the Designated Percentage away from the then current NBB or NBO, or, if there is no NBB or NBO, to the Designated Percentage away from the last reported sale from the responsible single plan processor, would result in the order exceeding its limit price, the order will be cancelled or rejected.

In the absence of an NBB or NBO and last sale reported by the responsible single plan processor, the order will be cancelled or rejected. If, after entry into the System, the NBBO Offset Peg Order is priced based on the last sale reported by the responsible single plan processor and such NBBO Offset Peg Order is established as the NBB or NBO, the NBBO Offset Peg Order will not be subsequently adjusted in accordance with this rule until either there is a new last sale reported by the responsible single plan processor, or a new NBB or new NBO is established by a national securities exchange. NBBO Offset Peg Orders may only include a TIF instruction of Day. NBBO Offset Peg Orders may only be entered as a Round Lot or Mixed Lot.

NBBO Offset Peg Orders are defaulted by the System to a Displayed instruction. NBBO Offset Peg Orders are not eligible to include a Non-Displayed instruction. Users may submit NBBO Offset Peg Orders to the Exchange starting at the beginning of the Pre-Opening Session, but such orders are not executable or automatically priced until after the first regular way last sale on the relevant listing exchange for the security, as reported by the responsible single plan processor. The order expires at the end of the Regular Session.

NBBO Offset Peg Orders are not eligible for routing pursuant to Rule 11.9(b) (proposed to be renumbered as Rule 11.11). When a Crossing Quotation exists, an NBBO Peg Offset Order will be automatically priced by the System at the Designated Percentage (as defined in Rule 11.21(d)(2)(D) (proposed to be renumbered as Rule 11.20(d)(2)(D)) away from the then current NBO (in the case of an order to buy) or NBB (in the case of an order to sell). Notwithstanding the availability of the NBBO Offset Peg Order functionality, a User acting as a Market Maker remains responsible for entering, monitoring, and re-submitting, as applicable, quotations that meet the requirements of Rule 11.21(d) (proposed to be renumbered as Rule 11.20(d)). An NBBO Offset Peg Order will receive a new time stamp each time it is re-priced in response to changes in the NBB, NBO, or last reported sale.

Route Peg Order (Rule 11.8(g)).

The Exchange currently defines and explains the functionality of the Route Peg Order under Rule 11.5(c)(14).[65] The Exchange proposes to renumber Rule 11.15(c)(14) as Rule 11.8(g) but does not propose to amend the functionality of the Route Peg Order. However, the Rule would be reformatted to be consistent with the Exchange's description of other order types

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65 See Securities Exchange Act Release No. 67726 (August 24, 2012), 77 FR 52771 (August 30, 2012) (SR-EDGA-2012-28) (Order Approving Proposed Rule Change to Amend EDGA Rules to Add the Route Peg Order).

to clearly delineate the various aspects of the Route Peg Order. The Route Peg Order would be defined as a non-displayed Limit Order that is eligible for execution at the NBB for a buy order and NBO for a sell order against an order that is in the process of being routed to away Trading Centers with an order size equal to or less than the aggregate size of the Route Peg Order interest available at that price. Route Peg Orders are passive, resting orders on the EDGA Book and do not remove liquidity. A Route Peg Order does not execute at a price that is inferior to a Protected Quotation. Notwithstanding that a Route Peg Order is also Limit Order, as set forth in proposed Rule 11.8(b), its operation and available instructions would be limited to those contained in proposed Rule 11.8(f).

Proposed Rule 11.8(g) would delineate various aspects of the Route Peg Order. Rule 11.8(g) would make clear that a Route Peg Order may only have a TIF instruction of GTT or Day. Route Peg Orders are not eligible to include a TIF instruction of IOC or FOK. Route Peg Orders may only be entered as Round Lots or Mixed Lots. Route Peg Orders are defaulted by the System to a Non-Displayed instruction. Route Peg Orders are not eligible to include a Displayed instruction. A User may specify a Minimum Execution Quantity instruction for a Route Peg Order. Route Peg Orders may be entered, cancelled, and cancelled/replaced prior to and during the Regular Session. Route Peg Orders are only eligible for execution in a given security during the Regular Session, except that, even after the commencement of the Regular Session, Route Peg Orders are not eligible for execution: (i) in the Opening Session; and (ii) until such time that orders in that security during the Regular Session can be posted by the System to the EDGA Book. Any and all remaining, unexecuted Route Peg Orders are cancelled at the conclusion of the Regular Session. Route Peg Orders are not eligible for routing pursuant to Rule 11.9(b)(2) (proposed to be renumbered as Rule 11.11). A Route Peg Order is not eligible for execution when a Locking Quotation or Crossing Quotation exists. In such case, a Route Peg Order would rest on the EDGA Book and would not be eligible for execution in the System until a Locking Quotation or Crossing Quotation no longer exists.

PROPOSED RULE 11.9, PRIORITY

The Exchange proposes to renumber current Rule 11.8, Priority as proposed Rule 11.9 and amend it to: (i) outline the priority of orders at certain price points; (ii) clarify the priority of Limit Orders with a Reserve Quantity; and (iii) make certain non-substantive, conforming and clarifying changes. The Exchange does not propose to modify the current priority of orders at the same price or the operation of the System. The Exchange simply seeks to further outline current System functionality within the Exchange's Rules. The Exchange believes the proposed amendments will provide Members, Users, and the investing public with greater transparency regarding how the System operates.

Under Rule 11.9(a), orders of Users are first ranked and maintained by the System on the EDGA Book according to their price. Orders at the same price and of the same type are then ranked by the System depending on the time they were entered into the System. The Exchange proposes to amend Rule 11.9 to delineate, consistent with current System functionality, how orders with certain instructions are to be ranked by the System as well as how orders may be re-ranked when such orders utilize instructions that cause them to be ranked by the System upon clearance of a Locking Quotation.[66] The Exchange also proposes to clarify that, for purposes of priority under Rule 11.9(a)(2)(A) : (i) an ISO,[67] the displayed price of a MidPoint Discretionary

66 For purposes of priority under proposed Rule 11.9(a)(2)(A) and (B), the Exchange notes that orders of Odd Lot, Round Lot, or Mixed Lot size are treated equally.

67 See proposed Rule 11.8(c).

Order,[68] and NBBO Offset Peg Orders[69] are to be treated as a Limit Order;[70] and (ii) orders subject to a re-pricing instruction to comply with Rule 201 of Regulation SHO under proposed Rule 11.6(l)(2), including Market Orders that are displayed on the EDGA Book pursuant to proposed Rule 11.8(a)(4)) and proposed re-numbered Rule 11.10(a)(3)(A), maintain the same priority as Limit Orders at that price.

General Priority

Current Rule 11.8(a)(2) states, in sum, that the System shall execute equally priced trading interest in time priority in the following order: (i) Displayed size of limit orders; (ii) Non-displayed limit orders and reserve orders; (iv)[sic] MidPoint Discretionary Orders as set forth in Rule 11.5(c)(17) and the Discretionary range of Discretionary Orders as set forth in current Rule 11.5(c)(13); and (v)[sic] Route Peg Orders as set forth in current Rule 11.5(c)(14).

68 See proposed Rule 11.8(e).

69 See proposed Rule 11.8(f).

70 See proposed Rule 11.8(b).

The Exchange proposes to amend the above priority to state that it applies to equally priced trading interest other than where orders are re-ranked at the Locking Price after a Locking Quotation clears. The Exchange also proposes to amend the description of order types under proposed Rules 11.9(a)(2)(A)(i)-(iv) to be consistent with proposed Rule 11.8, Order Types. As amended, proposed Rule 11.9(a)(2)(A) would state that the System will execute equally priced trading interest within the System other than where orders are re-ranked at the Locking Price after a Locking Quotation clears in time priority in the following order: (i) the portion of a Limit order with a Displayed instruction; (ii) Limit Orders with a Non-Displayed instruction and the Reserve Quantity of Limit Orders; (iii) MidPoint Discretionary Orders executed within their Discretionary Range and Limit Orders executed within their Discretionary Range; and (iv) Route Peg Orders.

Operation of General Priority

<u>Example</u>. Assume the NBBO is $10.01 x $10.02 and the Exchange BBO is $10.01 x $10.02. Also, assume that the displayed and Reserve Quantity of each order have the same time stamp. The EDGA Book contains the following buy orders, ranked in time order:

Buyer One: $10.01 x 100 shares displayed/Reserve Quantity of 500

Buyer Two: $10.01 x 100 shares non-displayed

Buyer Three: $10.01 x 100 shares displayed/Reserve Quantity of 500

Seller One enters into the System a Limit Order to sell 1,000 shares at $10.01. Seller One's order first executes 100 shares against the displayed quantity of Buyer One's order at $10.01, then executes 100 shares against the displayed quantity of Buyer Three's order at $10.01, then executes 500 shares against the Reserve Quantity of Buyer One's order at $10.01 (thus completely filling Buyer One's order), then executes 100 shares against Buyer Two's order at

$10.01 (thus completely filling Buyer Two's order), and lastly, executes 200 shares against the Reserve Quantity of Buyer Three's order at $10.01. Seller One's order would be completely filled at this point, leaving 300 shares in Reserve Quantity for Buyer Three, which would be replenished and displayed in accordance with Buyer Three's instructions.

Orders Re-Ranked upon Clearance of a Locking Quotation

Order priority also differs where buy (sell) orders utilize instructions that result in their being re-ranked upon clearance of a Locking Quotation. In such case, the System will re-rank and display such orders at the Locking Price. The Exchange proposes to include proposed Rule 11.9(a)(2)(C), which would state that, where such an order is re-ranked to the Locking Price after a Locking Quotation clears, the System will re-rank and display such orders at the Locking Price in time priority in the following order: (i) ISO with a TIF instruction of Day that establishes a new NBBO at the Locking Price; (ii) Limit Orders to which the Hide Not Slide or Routed and Returned Re-Pricing instruction has been applied; (iii) Limit Orders to which the Price Adjust instruction has been applied; and (iv) orders with a Pegged instruction. Orders not executed and remaining on the EDGA Book after being re-ranked upon clearance of the Locking Quotation will be executed in time priority under proposed Rule 11.9(a)(2)(A) described above.

Operation of Priority for Orders Re-Ranked upon Clearance of a Locking Quotation

Example. Assume the NBBO is 10.01 x 10.02 and the Exchange BBO is 10.01 x 10.03. The EDGA Book contains the following buy orders, ranked in time order:

Buyer One: $10.05 x 100 shares Primary Pegged instruction/displayed and ranked at $10.01

Buyer Two: $10.02 x 100 shares Book Only/Price Adjust instruction/displayed and ranked at $10.01

Buyer Three: $10.02 x 100 shares Book Only/Single Re-Price instruction/displayed and ranked at $10.01

Buyer Four: $10.02 x 100 shares Book Only/Hide Not Slide instruction/displayed at $10.01 and ranked at $10.02

Buyer Five: $10.03 x 100 shares MidPoint Peg/non-displayed at $10.015, the midpoint of the NBBO

Scenario No. 1. Assume the NBO of $10.02 on an away Trading Center is executed or cancelled. As a result, the Exchange is at the NBBO of $10.01 x $10.03.

Upon clearance of the Locking Quotation, Buyer Four's order is displayed by the System on the EDGA Book at $10.02. The Exchange established the new NBBO of $10.02 x $10.03. Buyer Two's order is displayed by the System on the EDGA Book at $10.02 and given a new time stamp behind Buyer Four's order. Buyer One's order is displayed by the System on the EDGA Book at $10.02 and given a new time stamp behind Buyers Four and Two. Buyer Five's order remains non-displayed by the System on the EDGA Book and is ranked at $10.025, the new midpoint of the NBBO, and is provided a new time stamp. Buyer Three's order remains displayed by the System on the EDGA Book at $10.01.

Seller One enters into the System a Limit Order to sell 500 shares at $10.01. Seller One's order is executed as follows: 100 shares against Buyer Five's order at $10.025; 100 shares against Buyer Four's order at $10.02; 100 shares against Buyer Two's order at $10.02; 100 shares against Buyer One's order at $10.02; and 100 shares against Buyer Three's order at $10.01.

Scenario No. 2. Buyer Six enters into the System an ISO buy order with a limit price of $10.02 and a TIF instruction of Day. Buyer Six's order is displayed by the System on the

EDGA Book at $10.02 and locks the NBBO. The Exchange's BBO is now $10.02 x $10.03 and the buy orders will be ranked by the System as follows:

Buyer Four's order is now displayed by the System on the EDGA Book at $10.02, receives a new time stamp and is ranked behind Buyer Six. Buyer Two's order is displayed by the System on the EDGA Book at $10.02, receives a new time stamp and is ranked behind Buyers Six and Four. Buyer One's order is displayed by the System on the EDGA book at $10.02, receives a new time stamp and is ranked behind Buyers Six, Four, and Two. The NBBO is updated to $10.02 x $10.02 resulting in a locked market.

Buyer Two's order remains displayed by the System on the EDGA Book at $10.01.

Buyer Five's order is not executable because the NBBO is locked and MidPoint Peg Orders are not eligible for execution during a locked market.

Seller One enters into the System a Limit Order to sell 500 shares at $10.01 and it is executed as follows: 100 shares against Buyer Six's order at $10.02; 100 shares against Buyer Four's order at $10.02; 100 shares against Buyer Two's order at $10.02; 100 shares against Buyer One's order at $10.02; and 100 shares against Buyer Three's order at $10.01.

Reserve Quantity Priority.

The Exchange proposes to amend Rule 11.9(a)(6) to modify the description of the priority of an order with a Reserve Quantity and to amend certain terms to be consistent with the order type clarification under proposed Rules 11.6 and 11.8.

For both the Fixed Replenishment and Random Replenishment instruction, the displayed quantity receives a new time stamp each time it is replenished from the Reserve Quantity. The Reserve Quantity retains the time stamp of its original entry. Current Rule 11.8(a)(6) discusses the priority of the Reserve Quantity of an order and states that “[a] new time stamp is created both for the refreshed and reserved portion of the order each time it is refreshed from reserve.” The Exchange proposes to amend this description to state that a new time stamp is created only for the displayed quantity of the order each time it is replenished from Reserve Quantity. In addition, as discussed above, proposed Rule 11.8(m)(1) states that a new time stamp is created for the portion of the order with a Displayed instruction each time it is replenished from the Reserve Quantity, while the Reserve Quantity retains the time-stamp of its original entry.

Example. Assume a Limit Order to buy 2,000 shares at $100 is entered with a Displayed instruction for a quantity of 500 shares. The order defaults to a Fixed Replenishment instruction of 500 shares, equal to its initial displayed quantity. An inbound Market Order to sell arrives for 490 shares and executes against the displayed quantity of 500 shares. As per the Fixed Replenishment instructions, 500 shares are deducted from the Reserve Quantity and added to the displayed quantity of 10 shares. The now displayed 500 shares and remaining 10 shares are both given a new identical time stamp as of the time of replenishment and displayed as a single order for 510 shares on the EDGA Book.

Additional Clarifications.

The Exchange also proposes to make additional clarifying and conforming changes to proposed Rule 11.9. First, the Exchange proposes to add titles to Rules 11.9(a)(3)-(8). These titles are not intended to alter the meaning of these subsections; they simply seek to assist the reader in identifying the topic each subsection is to address. Second, the Exchange proposes to replace the term, “Market participants” under Rule 11.9(a)(3) with the term “Users.” Lastly, the Exchange proposes to update the cross-reference in Rule 11.9(a)(4) from Rule 11.5(e), Cancel/Replace Messages, to proposed Rule 11.10(e), Cancel Replace Messages. As discussed below, the Exchange proposes to relocate the text of Rule 11.5(e) and renumber it as Rule 11.10(e).

ORGANIZATIONAL AND MINISTERIAL CHANGES TO RULE 1.5, RULE 8.15, AND CHAPTER XI

The Exchange also proposes to make a series of organizational, conforming changes to internal references, and clarifying changes to Rule 1.5, Rule 8.15, and Chapter XI. These changes are:

- Rules 1.5 and 8.15, update internal cross-references to rules in Chapter XI to reflect the renumbering of certain rules;
- Rule 11.5(e), Cancel/Replace Messages, would be renumbered and relocated to proposed Rule 11.10(e);[71]
- The content of Rule 11.6, Units of Trading, would be amended (described above) and included as a set of defined terms in proposed Rule 11.6, Definitions, as Rule 11.6(s);
- The content of Rule 11.7, Price Variations, would be relocated and included as a set of defined terms in proposed Rule 11.6, Definitions, as Rule 11.6(i) (described above);
- Current Rule 11.8, Priority of Orders is to be amended and renumbered as Rule 11.9 (described above).
    - Exchange Rule 1.5(dd) defines "Top of Book" as "the best-ranked order to buy (or sell) in the EDGA Book as ranked pursuant to Rule 11.8." As a result of Rule 11.8 being renumbered to Rule 11.9, the Exchange proposes to amend the cross reference to Rule 11.8 in Rule 1.5(dd) to reflect Rule 11.9;

[71] The Exchange also proposed to amend paragraph (e)(1) of proposed renumbered Rule 11.10 to state that orders may only be cancelled or replaced if the order has a TIF instruction other than IOC and FOK and if the order has not yet been executed in its entirety.

- Rule 11.9, Order Execution, would be renumbered as Rule 11.10;
- Rule 11.9(b), Routing, and 11.9(c), Priority of Routed Orders, would be removed in their entirety from Rule 11.9 and relocated to form a new standalone Rule 11.11, Routing to Away Trading Centers;
- Rules 11.9(d), Display of Automated Quotations, would be renumbered as Rule 11.10(b);
- Rule 11.9(e), Self-Help, would be renumbered as Rule 11.10(c);
- Rule 11.9(f), Anti-Internalization Qualifier ("AIQ"), would be renumbered as Rule 11.10(d) and renamed "EdgeRisk Self Trade Prevention ("ERSTP"). All referenced to "AIQ" would be replaced with "ERSTP";
- Rule 11.9(g), Market Access, would be relocated and renumbered as Rule 11.11(i);
- Rule 11.10, Trade Execution and Reporting, would be renumbered and renamed as Rule 11.12, Trade Reporting. The Exchange believes this name change more accurately reflects to the requirements of the rule;
- Rule 11.11, Clearance and Settlement; Anonymity, would be renumbered as Rule 11.13;
- Rule 11.12, Limitation of Liability, would be renumbered as Rule 11.14;
- Rule 11.13, Clearly Erroneous Executions, would be renumbered at Rule 11.15;
- Rule 11.14, Trading Halts Due to Extraordinary Market Volatility, would be renumbered as Rule 11.16;
- Rule 11.15, Short Sales, would be renumbered and relocated as Rule 11.10(a)(5);
- The content of Rule 11.16(a), Locking or Crossing Quotations in NMS Stocks, would be relocated to Rule 11.6, Definitions. The content of Rule 11.16(b), (c), and (d) would be relocated and renumbered as Rule 11.10(f), Locking and Crossing Quotations in NMS Stocks;

- Rule 11.17, Reserved, would be deleted;
- Rule 11.18, Registration of Market Makers, would be renumbered as Rule 11.17;
- Rule 11.19, Obligations of Market Maker Authorized Traders, would be renumbered at Rule 11.18;
- Rule 11.20, Registration of Market Makers in a Security, would be renumbered as Rule 11.19;
- Rule 11.21, Obligations of Market Makers, would be renumbered at Rule 11.20. Rule 11.21 would be entitled, "Retail Orders" as described below; and
- Rule 11.22, Input of Accurate Information would be relocated and renumbered as Rule. 11.5.

Order Execution (renumbered Rule 11.10).

The Exchange also proposes to make a series of ministerial changes to proposed Rule 11.10, Order Execution. First, the Exchange proposes to amend Rule 11.10(a)(3)(A) to clarify that it includes orders with a TIF instruction of FOK. Currently, proposed Rule 11.10(a)(3)(A) states "where a non-routable buy (sell) order is entered into the System at a price less (greater) than or equal to the Upper (Lower) Price Band, such order will be posted to the EDGA Book or executed, unless (i) the order that is an IOC Order, in which case it will be cancelled if not executed, or (ii) the User has entered instructions to cancel the order." As amended, subsection (i) of Rule 11.10(a)(3)(A) would state that an order with a TIF of IOC or FOK will be cancelled and not posted to the EDGA Book in such circumstances.

Second, the Exchange proposes to amend proposed Rule 11.10(a)(4) to clarify the treatment of orders upon receipt by the System. Proposed Rule 11.9(a)(4) currently states that "[a]n incoming order shall first attempt to be matched for execution against orders in the EDGA

Book." The Exchange proposes to revise this language to state that the order will be matched for execution against orders on the EDGA Book unless the User instructs the System to bypass the EDGA Book and route the order to an away Trading Center in accordance with Exchange Rules. This amendment allows a User to specify instructions: (i) to route to an away Trading Center; or (ii) for the order to be posted to the EDGA Book and not immediately execute against resting liquidity upon receipt by the System.

Third, the Exchange proposes to amend current Rule 11.9(a)(2) (renumbered as Rule 11.10(a)(2) to clarify the treatment of orders entered during the Pre-Opening Session or Post-Closing Session. Current Rule 11.9(a)(2) states that for any execution to occur during Regular Trading Hours, the price must be equal to or better than the Protected NBBO, unless the order is marked ISO or unless the execution falls within another exception set forth in Rule 611(b) of Regulation NMS. Current Rule 11.9(a)(2) also states that for any execution to occur during the Pre-Opening Session or the Post-Closing Session, the price must be equal to or better than the highest bid or lowest offer. The Exchange proposes to clarify that an execution will occur during the Pre-Opening Session or the Post-Closing Session at a price equal to or better than the highest bid or lowest offer on the EDGA Book or disseminated by the responsible single plan processor, unless the order is marked ISO. Thus, the proposed text will make clear that the System accepts orders marked ISO during the Pre-Opening Session and Post-Closing Session, and will execute orders marked ISO regardless of the highest bid or lowest offer.

Fourth, current Exchange Rule 11.9(d) (renumbered as Rule 11.10(b)), Display of Automated Quotations, states that the Exchange shall communicate to Users its procedures concerning a change from automated to "manual quotations" (as defined in Regulation NMS) when the System is incapable of displaying automated quotations. The Exchange proposes to amend this rule to clarify that that when a system malfunction renders the System incapable of displaying automated quotations, the System will be disabled by the Exchange and will be unable to accept any orders. The Exchange also proposes to amend the rule to clarify that the Exchange shall promptly communicate to Users the unavailability of the System.

Lastly, as described more fully above, the Exchange proposes to update various rule cross-references to reflect the proposed re-numbering of certain rules within Chapter XI.

Rule 11.9(b), Routing (Proposed Rule 11.11).

The Exchange proposes to amend Rule 11.9(b)(2) (renumbered as Rule 11.11(a)) to describe which re-pricing instructions to comply with Rule 201 of Regulation SHO may apply to the unexecuted portion of an order routed to an away Trading Center when a Short Sale Circuit Breaker is in place. The rule currently provides, in part, that "[f]or any other order ineligible for routing due to a short sale price test restriction, the Exchange will post the unfilled balance of the order to the EDGA Book, treat the order as if it was an EDGA Only Order, and subject it to the short sale price sliding process, as described in [current] Rule 11.5(c)(4)." The Exchange proposes a conforming amendment to this rule to reflect that the default process is the Short Sale Price Adjust instruction, rather than the Short Sale Price Sliding instruction, unless the User has elected to use an alternative process as described in proposed Rule 11.6(l) or to have the ordered Cancel Back as described in Rule 11.6(b). The Exchange also proposes to remove the reference to the EDGA Only Order because it is no longer classified as a standalone order type.

The Exchange also proposes to amend Exchange Rule 11.9(b)(1)(C), Routing of Market Orders (renumbered as Rule 11.11(e)) to be consistent with current System functionality. Currently, Rule 11.9(b)(1)(C) states, in part, that where a Market Order is routed to an away Trading Center for execution, any unexecuted portion returned to the Exchange will be treated as follows:

> Depending on parameters set by the User when the incoming order was originally entered, the System will either: (i) process the unfilled balance of an order as a EDGA Only Order pursuant to Rule 11.5(c)(4), or (ii) repeat the process described in paragraph (a)(4) above and this paragraph (b)(1)(C) by executing against the EDGA Book and/or routing orders to other market centers until the original, incoming order is executed in its entirety.

The Exchange proposes to delete this language from Rule 11.9(b)(1)(C) and to add new language to proposed renumbered Rule 11.11(e) to reflect that any unexecuted portion of a Market Order that is returned to the System will be cancelled back to the User. This language reflects current System functionality.

2. Statutory Basis

The Exchange believes that its proposal to amend and reorganize its rules to provide additional specificity regarding the functionality of the Exchange's System, including the operation of its order types and order instructions, is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.[72] In particular, the proposal is consistent with Section 6(b)(5) of the Act, [73] because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest. The proposed rule change also is designed to support the principles of Section 11A(a)(1)[74] of the

72 15 U.S.C. 78f(b).

73 15 U.S.C. 78f(b)(5).

74 15 U.S. C. 78k-1(a)(1).

Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the reorganized and enhanced descriptions of the Exchange's order types, order instructions, and System functionality would promote just and equitable principles of trade and remove impediments to a free and open market by providing greater transparency concerning the operation of the Exchange. The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to understand. Moreover, the Exchange believes that the additional clarity, transparency and readability of the proposed rule change would promote the efficient execution of investor transactions, and thus strengthen investor confidence in the market. In addition, the Exchange believes that additional specificity in its rules will lead to a better understanding of the Exchange's operation, thereby facilitating fair competition among brokers and dealers and among exchange markets. In particular, the Exchange believes that the revised descriptions of the Exchange's order types, order instructions, and System functionality will provide Members, Users, and the investing public further clarification about how the Exchange operates.

Opening Process

The newly added description of the Opening Process in Rule 11.7 is designed to promote just and equitable principles of trade and remove impediments to, and perfect the mechanism of, a free and open market system because it would describe: (i) which orders may participate in the process; (ii) how the price of the Opening Transaction is determined; and (iii) the process for late openings and re-openings.

The Exchange believes setting the price of the Opening Process at the midpoint of the first NBBO disseminated after 9:30:00 a.m. Eastern Time will promote just and equitable principles of trade, removes impediments to, and perfect the mechanism of, a free and open market and a national market system because it enables the System to execute the Opening Process at a price that is objectively established by the market for the security. In addition, the Exchange believes that it is reasonable to set the price of the Opening Process for securities listed on either the NYSE or NYSE MKT at the midpoint of the: (i) first NBBO subsequent to the first reported trade on the listing exchange after 9:30:00 a.m. Eastern Time; or (ii) then prevailing NBBO when the first two-sided quotation published by the listing exchange after 9:30:00 a.m. Eastern Time, but before 9:45:00 a.m. Eastern Time if no first trade is reported within one second of publication of the first two-sided quotation by the listing exchange. The Exchange believes it is reasonable to require a first reported trade or two-sided quotation for securities listed on the NYSE or NYSE MKT because those markets do not operate a pre-market trading session during which Members, Users, and the investing public may discover the market price for a security. Therefore, the Exchange believes utilizing the first NBBO subsequent to the first reported trade or then prevailing NBBO when the first two-sided quotation is published promotes just and equitable principles of trade because it ensures a midpoint price that the Exchange believes accurately reflects the market for the security. The Exchange also believes it is reasonable to set the price of the Opening Process for NYSE and NYSE MKT securities at the then prevailing NBBO when the first two-sided quotation is published by the listing exchange when no first trade is reported within one second of publication of the first two-sided quotation. At times, no first trade is reported immediately following the publication of the first two-sided quotation. This is common in less liquid securities. Setting the price of the Opening Process at the then prevailing midpoint in such circumstances would permit the System to open the security in a timely manner at a price that is objectively determined by the market for the security.

In addition, the Exchange believes the Opening Process following a halt, suspension, or pause is designed to promote just and equitable principles of trade. Under proposed Rule 11.7(e), re-openings will occur at the midpoint of the: (i) first NBBO subsequent to the first reported trade on the listing exchange following a halt, suspension, or pause; or (ii) then prevailing NBBO when the first two-sided quotation is published by the listing exchange following the resumption of trading after a halt, suspension, or pause if no first trade is reported within one second of publication of the first two-sided quotation by the listing exchange. Like when pricing the Opening Process for securities listed on the NYSE and NYSE MKT discussed above, the Exchange also believes it is reasonable to require a first reported trade or two-sided quotation prior to opening a security because no trading occurs during a halt, suspension or pause during which Members, Users, and the investing public may gauge the market for a security. Therefore, the Exchange believes calculating a midpoint price at which to re-open a security following a halt, suspension, or pause as described above promotes just and equitable principles of trade because it ensures a midpoint price that accurately reflects the market for the security.

The operation of the Contingent Open under proposed Rule 11.7 is designed to promote just and equitable principles of trade and remove impediments to, and perfect the mechanism of, and free and open market system because it would enable the System to transition to the Regular Session in a timely manner where a security has not opened on the relevant listing exchange. In the Exchange's experience, most securities are open by 9:45:00 a.m. Eastern Time. However, at times, a security may not open by 9:45:00 a.m. This is common in less liquid securities. The Exchange notes that other exchanges that do not employ an opening process may begin trading the security at 9:30:00 a.m. Eastern Time despite the security not being open on the relevant listing exchange.[75] The Exchange believes it is reasonable to transition to the Regular Session pursuant to the Contingent Open process under proposed Rule 11.7 so that orders may be placed by the System on the EDGA Book, cancelled, executed, or routed to away Trading Centers in accordance with proposed renumbered Rule 11.11.

Lastly, proposed Exchange Rule 11.7 is similar to, and based on, ISE Rule 2106. Unlike, ISE Rule 2106, Exchange Rule 11.7(d) contains provisions for late openings if the conditions in proposed Rules 11.7(c)(1) and (2) are not satisfied.[76] Also unlike ISE Rule 2106, proposed Rule 11.7 permits the Exchange to alternatively set the price of the Opening Process for securities listed on either the NYSE or NYSE MKT at the midpoint of the then prevailing NBBO when the first two-sided quotation published by the relevant listing exchange after 9:30:00 a.m. Eastern Time, but before 9:45:00 a.m. Eastern Time if no first trade is reported by the listing exchange within one second of publication of the first two-sided quotation by the listing exchange.

Order Types and Order Instructions

Similarly, the Exchange believes that the proposed changes to its rulebook related to order types and order instructions provide further clarification to Members, Users, and the investing public regarding the operation of the Exchange's order types and order instructions. Unless otherwise stated, the Exchange is not proposing to substantively modify the operation of any of the current defined order types or instructions or the operation of the System. The Exchange believes the proposed amendments will provide greater transparency regarding the Exchange's order types, order instructions, and System functionality.

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75 NSX Rule 1.5(R) defining "Regular Trading Hours" as "the time between 9:30 a.m. and 4:00 p.m. Eastern Time." NSX Rules do not account for an opening process. CHX Article 20, Rule 1 stating that the regular trading session begins at 8:30 Central Time. Like the NSX, CHX Rules do not account for an opening process.

76 See Securities Exchange Act Release No. 54287 (August 8, 2006), 71 FR 46947(August 15, 2006) (SR-ISE-2006-48).

Re-Pricing

The Exchange believes that the proposed clarification of its re-pricing instructions are consistent with Section 6(b)(5) of the Act,[77] as well as Rule 610 of Regulation NMS[78] and Rule 201 of Regulation SHO.[79] The Exchange is not modifying the overall existing functionality of its re-pricing instructions, which, to avoid becoming a Locking Quotation or Crossing Quotation or to comply with Rule 201 of Regulation SHO, displays orders at permissible prices while in some cases retaining a different non-displayed, ranked price at which the User is willing to buy or sell. Instead, the Exchange proposes to describe the re-pricing instructions currently available to Users by renaming displayed price sliding under current Rule 11.5(c)(4) as Hide Not Slide and introducing and defining three new instructions in proposed Rule 11.6(l) with regard to Regulation NMS compliance – Price Adjust, Single Re-Price,[80] and Routed and Returned Re-Pricing, and three new instructions with regard to Regulation SHO compliance – Short Sale Price Adjust, Short Sale Price Sliding, and Short Sale Single Re-Price.[81] The Exchange also proposes to describe in its rules the re-pricing instruction for orders with a Non-Displayed instruction. The Exchange believes these further clarifications of its re-pricing instructions will provide increased transparency to Members, Users, and the investing public regarding how orders with a

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77 Id.

78 17 CFR 242.610.

79 17 CFR 242.201.

80 The Exchange notes that other exchanges offer similar functionality. See Nasdaq Rule 4751(f)(7) (Price to Comply Order), BZX Rule 11.9(g)(1) (Display-Price Sliding), BYX 11.9(g)(1) (Display-Price Sliding), and CHX Rule Art. I, Rule 2(b)(1)(C)(i) (NMS Price Sliding).

81 Other exchanges utilize similar re-pricing processes. See e.g., CHX Art. I, Rule 2(b)(1)(C), BZX Rules 11.9(c)(4), (6) and 11.9(g)(2), BYX Rules 11.9(c)(4), (6) and 11.9(g)(2), and Nasdaq's "Re-pricing of Orders during Short Sale Period" described in Nasdaq Rule 4763(e).

re-pricing instruction are to be handled and displayed by the System.

Rule 610(d) of Regulation NMS requires exchanges to establish, maintain, and enforce rules that require members reasonably to avoid "[d]isplaying quotations that lock or cross any protected quotation in an NMS stock."[82] Such rules must be "reasonably designed to assure the reconciliation of locked or crossed quotations in an NMS stock," and must "prohibit … members from engaging in a pattern or practice of displaying quotations that lock or cross any quotation in an NMS stock."[83] Similarly, Rule 201 of Regulation SHO[84] requires trading centers to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution or display of a short sale order at a price at or below the current NBB under certain circumstances. Thus, the re-pricing instructions offered by the Exchange are designed to comply with Rule 610(d) and Rule 201 by assisting Users in displaying and executing orders at permissible prices. In addition, as described in further detail below, the Exchange notes that other exchanges offer similar functionality.[85]

The Exchange notes that an order that, if displayed at its limit price, would be a Locking Quotation or Crossing Quotation, would be automatically defaulted by the System to the Hide Not Slide instruction, unless the User affirmatively elects an alternative instruction: (i) the Cancel Back instruction; (ii) the Price Adjust instruction; or (iii) the Single Re-Price instruction. Users who do not prefer the defaulted re-pricing instruction are free to select another re-pricing

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82 17 CFR 242.610(d).

83 Id.

84 17 CFR 242.201.

85 See Nasdaq Rule 4751(f)(7) (Price to Comply Order), BZX Rule 11.9(g)(1) (Display-Price Sliding), BYX 11.9(g)(1) (Display-Price Sliding), and CHX Rule Art. I, Rule 2(b)(1)(C)(i) (NMS Price Sliding). See also CHX Art. I, Rule 2(b)(1)(C), BZX Rules 11.9(c)(4), (6) and 11.9(g)(2), BYX Rules 11.9(c)(4), (6) and 11.9(g)(2), and Nasdaq's "Re-pricing of Orders during Short Sale Period" described in Nasdaq Rule 4763(e).

instruction or to select the Cancel Back instruction. The Exchange believes it is reasonable to default orders to the Hide Not Slide instruction because an order with the Hide Not Slide instruction ranks the order at the most aggressive price as possible, the Locking Price, thereby providing an increased probability of an execution at the order's limit price as compared to other re-pricing instructions. Because EDGA is currently a taker-maker market that charges liquidity providers, the Exchange believes that Users utilizing re-pricing functionality on EDGA would prefer a more aggressive re-pricing option that would increase the likelihood of execution, because such Users are expecting to pay a fee when acting as a liquidity provider. Therefore, the Exchange believes defaulting to the Hide Not Slide instruction is designed to promote just and equitable principles of trade because it is designed to assist a market participant in utilizing a re-pricing instruction most closely aligned with the User's intent to achieve an execution at the most aggressive price as possible.

The displayed price sliding process under current Rule 11.5(c)(4)(A) is essentially the same as the Hide Not Slide Process under proposed Rule 11.6(l)(1)(B). The only difference is that current Rule 11.5(c)(4)(A) incorrectly states that an order subject to the displayed price sliding process would receive a new time stamp where the NBBO changes such that the order would no longer lock or cross the market and is displayed at the Locking Price. Under Hide Not Slide, the Exchange proposes to correctly state that the order would retain its time stamp where the NBBO changes such that the order, if displayed by the System on the EDGA Book at the Locking Price would not be a Locking Quotation or Crossing Quotation, will be ranked and displayed by the System at the Locking Price. Under Hide Not Slide, the order retains its original time stamp because it remains ranked at the Locking Price. An order subject to the Hide Not Slide instruction will only receive a new time stamp when it is re-ranked by the System upon clearance of a Locking Quotation due to the receipt of an ISO with a TIF instruction of Day that establishes a new NBBO at the Locked Price in accordance with proposed Rule 11.9(a)(2)(B) described above. All other aspects of displayed price sliding and Hide Not Slide are similar.[86]

The Exchange also believes that ranking orders with a Non-Displayed instruction at the Locking Price where such order would trade through a Protected Quotation displayed on an external market is designed to promote just and equitable principles of trade and remove impediments to, and perfect the mechanism of, and free and open market system. Ranking to the Locking Price in such cases would enable the System to avoid trading though a Protected Quotation in compliance with Rule 611 of Regulation NMS. Therefore, the Exchange believes the proposed rule change will promote just and equitable principles of trade, removes impediments to, and perfects the mechanism of, a free and open market and a national market system.

The Exchange also believes that its proposed Routed and Returned Re-Pricing instruction promotes just and equitable principles of trade because it is designed to permit routed orders returned to the EDGA Book that, if displayed, would be a Locking Quotation or Crossing Quotation, to be displayed and re-displayed up to their limit price in response to changes in the NBBO. The Exchange believes that it is reasonable and appropriate to default an order returning to the EDGA Book after having routed to away destinations to the Routed and Returned Re-Pricing instruction because it can be presumed that such orders are aggressive price takers. The Routed and Returned Re-Pricing instruction provides such orders the ability to execute at the previously locked prices on the way to it being ranked to its limit price. The Exchange notes that Users who do not prefer the defaulted re-pricing instruction are free to select another re-pricing

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86 See supra section entitled "Hide Not Slide (Rule 11.6(l)(1)(B))".

instruction or to select the Cancel Back instruction.

Likewise, the Exchange also believes it is reasonable to default Short Sale Orders to the Short Sale Price Adjust instruction because it would enable Short Sale Orders to be continuously re-ranked and displayed up to their limit price in response to declines in the NBB. An order subject to the Short Sale Price Adjust instruction would be re-ranked and displayed at the Permitted Price, which is one Minimum Price Variation above the current NBB. Following the initial re-ranking, the order will, to the extent the NBB declines, continue to be re-ranked and displayed at the Permitted Price down to the order's limit price. Orders subject to the Short Sale Price Sliding instruction are only re-ranked once following the initial ranking. Under the Short Sale Single Re-Price instruction, the Short Sale Order would not be adjusted further to reflect a decline in the NBB following its initial ranking. Therefore, the Exchange believes automatically defaulting Short Sale Orders to the Short Sale Price Adjust instruction promotes just and equitable principles of trade because it would enable the order to be displayed and re-displayed up to its limit price by being continuously re-priced in response to declines in the NBB. The Exchange notes that Users who do not prefer the defaulted re-pricing instruction are free to select another re-pricing instruction or to select the Cancel Back instruction.

In addition, the Exchange notes that other exchanges offer functionality similar to that proposed by this filing. The Price Adjust instruction under proposed Rule 11.6(l)(1)(A) and Hide Not Slide instruction under proposed Rule 11.6(l)(1)(B) are similar to Nasdaq's Price to Comply under Nasdaq Rule 4751(f)(7). Under Nasdaq Rule 4751(f)(7), a Price to Comply order is an order that, if, at the time of entry, would lock or cross the quotation of an external market, the order will be priced to the current low offer (for bids) or to the current best bid (for offers) and, like the Exchange's proposed Price Adjust instruction, displayed at a price one minimum price increment lower than the offer (for bids) or higher than the bid (for offers). Like Nasdaq's Price to Comply Order, under the Hide Not Slide instruction described in proposed Rule 11.6(l)(1)(B), a buy (sell) order that, if displayed by the System on the EDGA Book at the time of entry, would be a Locking Quotation or Crossing Quotation will also be displayed at a price that is one Minimum Price Variation lower (higher) than the Locking Price and ranked at the Locking Price. Unlike Nasdaq's Price to Comply order, a buy (sell) order subject to the Price Adjust instruction would also be ranked one Minimum Price Variation lower (higher) than the Locking Price.

The Price Adjust instruction under proposed Rule 11.6(l)(1)(A) and Hide Not Slide instruction under proposed Rule 11.6(l)(1)(B) are similar to the display-price sliding functionality set forth in BZX Rule 11.9(g) and BYX Rule 11.9(g). Like the functionality offered by BZX and BYX, under both the Price Adjust instruction and the Hide Not Slide instruction an order will be displayed at one Minimum Price Variation below the NBO (for bids) or above the NBB (for offers) and displayed at the Locking Price when that price no longer locks the Protected Quotation. Similar to BZX and BYX functionality, an order subject to the Hide Not Slide instruction is ranked at the Locking Price. The differences are as follows: BZX and BYX offers multiple price sliding, while the Exchange does not. Also, under the Price Adjust instruction, an order is ranked at its displayed price, whereas an order subject to display-price sliding is ranked at the Locking Price for BZX and BYX.

The Single Re-price instruction under proposed Rule 11.6(l)(1)(C) is similar to Nasdaq's Price to Comply Post Only under Nasdaq Rule 4751(f)(8). Like an order subject to the Exchange's Single Re-Price instruction, a Price to Comply Post Only Order that, "at the time of entry, would create a violation of Rule 610(d) of Regulation NMS under the Act by locking or crossing the protected quotation of an external market or would cause a violation of Rule 611 of Regulation NMS under the Act, the order will also be re-priced and displayed by the System to one minimum price increment (i.e., $0.01 or $0.0001) below the current NBO (for bids) or to one penny above the current NBB (for offers)."

The Exchange's Short Sale Price Adjust instruction in Rule 11.6(l)(2) is functionally similar to BZX and BYX Short Sale Price Sliding in BZX Rule 11.9(g)(2) and BYX Rule 11.9(g)(2) and Nasdaq's "Re-pricing of Orders during Short Sale Period" described in Nasdaq Rule 4763(e). Under both the Exchange's Short Sale Price Adjust instruction and Nasdaq's Re-pricing of Orders during Short Sale Period, orders that cannot be executed or displayed in compliance with Rule 201 of Regulation SHO will be re-priced at one minimum price variation above the current NBB. The order will continue to be re-priced to reflect declines in the NBB down to the order's original limit price. BZX and BYX's Short Sale Price Sliding under BZX Rule 11.9(g)(2) and BYX Rule 11.9(g)(2) operate in a similar manner but with one non-material difference: members must elect that their order continue to be re-priced to reflect declines in the NBB down to the order's original limit price.

Priority

The Exchange also believes its further clarifications under proposed Rule 11.9 to reflect the priority of orders promotes just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system by providing Members, Users, and the investing public with greater transparency regarding how the System operates. The Exchange does not propose to modify the priority of orders at the same price or the operation of the System. The proposed rule change clearly delineates the three order priority scenarios that the Exchange utilizes, thereby providing valuable, clear information to Members, Users, and the investing public on how their orders would be executed. Specifically, proposed Rule 11.9 would describe execution priority for orders as well as how orders may be re-ranked when such orders utilize instructions that cause them to be ranked by the System upon clearance of a Locking Quotation. Furthermore, the Exchange believes that the proposed rule changes regarding order priority will provide greater transparency and further clarity on how the various order types will be assigned priority under various scenarios, thereby assisting Members, Users and the investing public in understanding the manner in which the System may execute their orders.

The first category of order priority is set forth under proposed Rule 11.9(a)(2)(A), which outlines the general priority of orders. The Exchange notes that the priority under proposed Rule 11.9(a)(2)(A) is substantively consistent with current Exchange Rule 11.8(a)(2). The Exchange is simply modifying the language to amend the description of order types under proposed Rules 11.9(a)(2)(A)(i)-(iv) to be consistent with proposed Rule 11.8, Order Types. As amended, proposed Rule 11.9(a)(2)(A) would state that the System will execute equally priced trading interest within the System in time priority in the following order: (i) the portion of a Limit Order with a Displayed instruction; (ii) Limit Orders with a Non-Displayed instruction and the Reserve Quantity of Limit Orders; (iii) MidPoint Discretionary Orders executed within their Discretionary Range and Limit Orders executed within their Discretionary Range; and (iv) Route Peg Orders. The priority scheme outlined in proposed Rule 11.9(a)(2)(A) does not modify the Exchange's existing functionality; it merely seeks to state that it applies to equally priced trading interest at prices other than the NBBO. Furthermore, the order priority set forth under Rule 11.9(a)(2)(A) is similar to the rules of other exchanges.[87]

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[87] See BZX Rule 11.12(a)(2); NYSE Arca Rule 7.36(a)(1); and Nasdaq Rule 4757.

The order priority set forth under proposed Rule 11.9(a)(2)(B) clarifies the priority of orders that utilize instructions that result in their being re-priced contingent upon a Locking Quotation or Crossing Quotation no longer existing. In such case, the System would re-price such orders to the Locking Price. Proposed Rule 11.9(a)(2)(C) would state that where an order is re-priced to the Locking Price after the Locking Quotation or Crossing Quotation no longer exists, the System will re-rank and display such orders at the Locking Price in time priority in the following order: (i) ISO with a TIF instruction of Day that establishes a new NBBO at the Locking Price; (ii) Limit Orders to which the Hide Not Slide or Routed and Returned instruction has been applied; (iii) Limit Orders to which the Price Adjust instruction has been applied; and (iv) orders with a Pegged instruction. The Exchange believes it is reasonable and appropriate to grant first priority in such circumstances to ISOs with a TIF instruction of Day because such orders cause the Locking Price to clear resulting in a new NBBO. The Exchange also believes that granting second priority to Limit Orders subject to the Hide Not Slide instruction is also appropriate because prior to the Locking Quotation or Crossing Quotation existing, these orders were eligible to be executed, Non-Displayed, at the Locking Price. In addition, Limit Orders subject to the Hide Not Slide instruction are more aggressively priced when a Locking Quotation or Crossing Quotation does not exist than orders subject to the Price Adjust instruction. Therefore, the Exchange believes the above priority promotes just and equitable principles of trade because it is designed to grant priority to orders that are the first to establish a new price point, thereby contributing to the price discovery process, and appropriately awards priority to orders based on the aggressiveness of their pricing.

The Exchange also believes that proposed Rule 11.9(a)(2)(D) furthers the objectives of

Section 6(b)(5) of the Act,[88] because it is designed 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. Proposed Rule 11.9(a)(2(D) further clarifies current order priority of orders that are displayed on the EDGA Book due in certain circumstances. Specifically, proposed Rule 11.9(a)(2)(D) clarifies that, for purposes of priority under proposed Rule 11.9(a)(2)(A) and (B): (i) ISOs and NBBO Offset Peg Order are to be treated as Limit Orders; (ii) orders subject to a re-pricing instruction to comply with Rule 201 of Regulation SHO under proposed Rule 11.6(l)(2), including Market Orders that are displayed on the EDGA Book pursuant to proposed Rule 11.8(a)(4), maintain the same priority as Limit Orders with a Displayed instruction; and (iii) non-routable Market Orders that are posted by the System to the EDGA Book at the price of the Upper or Lower Price Band in accordance with proposed Rule 11.8(a)(4) and proposed re-numbered Rule 11.10(a)(3)(A) will maintain the same priority as a Limit Order with a Displayed Instruction at that price. The Exchange believes that the proposed Rule 11.9(a)(2)(D) provides greater transparency and further clarity on how the various orders are assigned priority equal to a Limit Order with a Displayed instruction under various scenarios, thereby assisting Members, Users and the investing public in understanding the manner in which the System may execute their orders.

<u>Miscellaneous</u>

The Exchange notes that several rules proposed by this filing and described above are based on or similar to the approved rules of other exchanges, as set forth below.

Discretionary Range under Exchange Rule 11.6(d) is similar to Nasdaq Rule 4751(f)(1), Discretionary Order. However, unlike Exchange Rule 11.6(d), Nasdaq Rule 4751(f)(1) states

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88 15 U.S.C. 78f(b)(5).

"[t]he non-displayed trading interest is not entered into the System book but is, along with the displayed size, converted to an IOC buy (sell) order priced at the highest (lowest) price in the discretionary price range when displayed shares become available or an execution takes place at any price within the discretionary price range. The generation of this IOC order is triggered by the cancellation of the open shares of the Discretionary Order. If more than one Discretionary Order is available for conversion to an IOC order, the system will convert all such orders at the same time and priority will be given to the first IOC order(s) that reaches the trading interest on the other side of the market. If an IOC order is not executed in full, the unexecuted portion of the order is automatically re-posted and displayed in the System book with a new time stamp, at its original displayed price, and with its non-displayed discretionary price range." Also unlike Nasdaq Rule 4751, Exchange Rule 11.6(d) would state that the Discretionary Range of an order to buy (sell) cannot be more than $0.99 higher (lower) than the order's displayed price and that an order with a Discretionary Range instruction resting on the EDGA Book will execute at its least aggressive price when matched for execution against an incoming order that also contains a Discretionary Range instruction, as permitted by the terms of both the incoming and resting order.

The term, "Locking Price" under proposed Rule 11.6(f) is similarly defined in the BZX Rule 11.13(a)(1), which defines "locking price" as ". . . prices equal to displayed orders on the other side of the market."

Minimum Execution Quantity under proposed Rule 11.6(h) is similar to Nasdaq Rule 4751(f)(5) and NSX Rule 11.11(c)(2)(B). Proposed Exchange Rule 11.6(h) does differ from Nasdaq Rule 4751(f)(5) and NSX Rule 11.11(c)(2)(B) by providing additional specificity regarding the operation of an order with a Minimum Execution Quantity, partial executions, and when a Minimum Execution Quantity may no longer apply.

The Primary Peg and Market Peg instructions under proposed Rule 11.6(j) are similar to Nasdaq Rule 4751(f)(4). Under Nasdaq Rule 4751(f)(4), Pegged Orders are orders that, after entry, have their price automatically adjusted by the System in response to changes in the NBBO. Like the Primary Peg and Market Peg instructions under proposed Rule 11.6(j), the Nasdaq's Pegged Order under Nasdaq Rule 4751(f)(4) can "specify that its price will equal the inside quote on the same side of the market ('Primary Peg'), or the opposite side of the market ('Market Peg')." Like under proposed Exchange Rule 11.6(j), NYSE's Pegged Order may have a limit price beyond which the order shall not be executed and NYSE's Primary Peg and Market Peg Orders may also include an offset. Proposed Exchange Rule 11.6(j) does differ from NYSE Rule 13 by providing additional specificity regarding the operation of an offset, the order's functionality during a locked or crossed market, and where an order that contains both a Pegged and Non-Displayed instruction may be re-priced.

The replenishing of the displayed portion of an order from a Reserve Quantity under proposed Rule 11.6(m) is similar to, but contains more specificity than Nasdaq Rule 4751(f)(2) (Reserve Orders) and NYSE Rule 13 (Reserve Order Types). Under Exchange Rule 11.6(m), Nasdaq Rule 4751(f)(2), and NYSE Rule 13, the displayed portion is given a new time stamp when it is replenished while the non-displayed portion retains its original time stamp.

The proposed definition of Post Only under proposed Rule 11.6(n) is similar to the BATS Post Only Order under BZX Rule 11.9(c)(6) and BYX Rule 11.9(c)(6). Like proposed Rule 11.6(n), BZX Rule 11.9(c)(6), BYX Rule 11.9(c)(6) permit an execution where the price improvement associated with such execution equals or exceeds the sum of fees charged for such execution and the value of any rebate that would be provided if the order posted to the BATS

Book and subsequently provided liquidity.

TIF instruction of GTT under proposed Rule 11.6(q) is similar to CHX Rules Art. 1, Rule 2(d)(3) (Good 'Til Date), BZX Rule 11.9(b)(4) (Good 'til Day), BYX Rule 11.9(b)(4) (Good 'til Day), and Nasdaq Rule 4751(h)(4) (System Hours Expire Time).

The operation of an ISO with a TIF instruction of Day is similar to the Post ISO order on the NSX under NSX Rule 11.11(c)(8)(ii), but for the NSX stating that is will reject a Post ISO if it is immediately marketable against a displayed order on the NSX Book, while the Exchange retains such orders where they include Price Adjust, Hide Not Slide, or the Single Re-Price instruction.

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. Unless otherwise stated,[89] the Exchange does not propose to substantively modify the operation of any of the current defined order types or terms or the operation of the System; rather, it intends to enhance the clarity of the descriptions of what is currently provided in or implied by the rules regarding its current System functionality. The proposed rule change is not designed to address and competitive issues, but rather provide additional specificity and transparency to Members, Users, and the investing public regarding the Exchange's order types and system functionality, and to organize its rules in a more intuitive and less complex manner. Since the Exchange does not propose to substantively modify the operation of order types or system functionality, the proposed changes will not impose any burden on competition.

[89] See supra note 4.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be 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 Number SR-EDGA-2014-20 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-EDGA-2014-20. 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 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-2014-20 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.[90]

Kevin M. O'Neill
Deputy Secretary

[90] 17 CFR 200.30-3(a)(12).