SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73592; File No. SR-EDGA-2014-20)

November 13, 2014

Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing of Amendment Nos. 1 and 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, to Amend EDGA Rule 1.5 and Chapter XI Regarding Current System Functionality Including the Operation of Order Types and Order Instructions

I. Introduction

On August 1, 2014, EDGA Exchange, Inc. ("Exchange" or "EDGA") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to amend Rule 1.5 and Chapter XI of its rule book relating to the operation of order types and order instructions on the Exchange, trading sessions and openings and re-openings. The proposed rule change was published for comment in the Federal Register on August 18, 2014.[3] On September 25, 2014, the Commission extended the time period for Commission action on the proposal to November 14, 2014.[4] The Commission received no comment letters on the proposed rule change. On November 4, 2014, the Exchange filed Amendment No. 1 to the proposed rule change.[5] On

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

2 17 CFR 240.19b-4.

3 See Securities Exchange Act Release No. 72812 (August 11, 2014), 79 FR 48824 ("Notice").

4 See Securities Exchange Act Release No. 73217 (September 25, 2014), 79 FR 59336 (October 1, 2014).

5 In Amendment No. 1, the Exchange: (1) removed the proposed rule text related to Single Re-Price and Short Sale Single Re-Price pricing instruction to indicate that the Exchange will no longer offer such functionality; (2) added language to the Post Only instruction definition to provide that the highest possible rebate paid and the highest possible fee will be used to determine whether an order with a Post Only instruction will execute against orders on the EDGA Book; (3) added rationale to the statutory basis section for suspending the discretion of an order with a Hide Not Slide instruction to execute at the Locking Price when a contra-side order that equals the Locking Price is displayed by the

November 12, 2014, the Exchange filed Amendment No. 2 to the proposed rule change.[6] The Commission is publishing this Notice and Order to solicit comment on Amendment Nos. 1 and 2 and to approve the proposed rule change, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

II. Background

The proposed rule change, as described in more detail below and in the Notice, amends Rule 1.5 and Chapter XI of the EDGA rule book, relating to: (1) the Exchange's trading sessions and hours of operation; (2) the process for initial opening and re-opening after a trading halt by adding proposed Exchange Rule 11.7, Opening Process; (3) order type, order type instructions

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System on the EDGA Book in order to avoid an apparent violation of that contra-side displayed order's priority; (4) added further rationale for giving priority to Hide Not Slide orders upon the clearance of the Locking Price; (5) specified that upon return to the Exchange, an order with the Routed and Returned Re-Pricing instruction will execute against marketable contra-side liquidity displayed on the EDGA Book unless there is no marketable contra-side liquidity displayed on the EDGA book upon return and such Routed and Returned Order would be displayed at a price that would be a Locking or Crossing Quotation, in which case such order will be displayed at a price that is one Minimum Price Variation lower (higher) than the Locking Price for orders to buy (sell) and will be ranked at the mid-point of the NBBO with discretion to execute at the Locking Price (though a subsequently arriving contra-side order could suspend the Routed and Returned Order's discretion to execute at the Locking Price); and (6) made a series of non-substantive, corrective changes to the Notice and rule text, including the priority of MidPoint Peg Orders and the suspension of the ability of orders with a Hide Not Slide instruction to execute at the Locking Price due to a contra-side order that equals the Locking Price. Amendment No. 1 has been placed in the public comment file for SR-EDGA-2014-20 at http://www.sec.gov/comments/sr-edga-2014-20/edga201420.shtml (see letter from Christopher Solgan, Regulatory Counsel, DirectEdge, to Secretary, Commission, dated November 4, 2014) and also is available on the Exchange's website.

6 In Amendment No. 2, the Exchange: (1) added rationale for the priority of MidPoint Peg Orders; (2) added rationale for the suspension of the ability of orders with a Hide Not Slide Instruction to execute at the Locking Price due to a contra-side order that equals the Locking Price. Amendment No. 2 has been placed in the public comment file for SR-EDGA-2014-20 at http://www.sec.gov/comments/sr-edga-2014-20/edga201420.shtml (see letter from Christopher Solgan, Regulatory Counsel, DirectEdge, to Secretary, Commission, dated November 12, 2014) and also is available on the Exchange's website.

and System[7] functionality; (4) the execution priority of orders; and (5) organizational and conforming amendments. According to the Exchange, these changes are designed to update its rule book to reflect current system functionality and to propose four new System functionalities, as described in more detail below.[8]

III. Discussion and Commission Findings

After careful review of the proposed rule change and the comments received, the Commission finds that the proposed rule change, as modified by Amendment Nos. 1 and 2, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.[9] In particular, as described in more detail below, the Commission finds that the proposed rule change, as modified by Amendment Nos. 1 and 2, is consistent with

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7 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."

8 See also Notice, supra note 3. The four new System functionalities are as follows: (1) Proposed Rule 11.7(c). Alternatively set the price of the Opening Process for securities listed on either the New York Stock Exchange, Inc. ("NYSE") or NYSE MKT LLC ("NYSE MKT") at the midpoint of the then prevailing National Best Bid and Offer ("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; (2) 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; (3) 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; and (4) 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.

9 In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

Section 6(b)(5) of the Act,[10] which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. This order approves the proposed rule change in its entirety, although only certain more significant aspects of the proposed rules are discussed below.[11]

A. Exchange Trading Sessions and Hours of Operation

Currently, Exchange Rule 11.1(a) provides that orders may be entered, executed or routed away during Regular Trading Hours, the Pre-Opening Session, and the Post-Closing Session, but does not define those terms. The Exchange proposes to add the term "Session Indicator" to codify the manner that a User[12] may elect the trading sessions for which its orders are eligible for execution. The Exchange also proposes to describe the terms Regular Trading Hours, Pre-Opening Session and Post Closing Session as Session Indicators, and specify the time frames that orders with such indicators would be eligible for execution. Similarly, the Exchange proposes to add and describe the terms "Regular Session" and "All Sessions" as Session Indicators to codify additional options that a User may elect to establish the trading sessions and time frames that an order may be eligible for execution.

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10 15 U.S.C. 78f(b)(5).

11 The Commission notes that it recently approved a proposed rule change, submitted by EDGX Exchange, Inc. ("EDGX") relating to EDGX's: (1) trading sessions and hours of operation; (2) initial opening and reopening processes; (3) order types, order instructions and system functionality; and (4) other miscellaneous rule changes. See Securities Exchange Act Release No. 73468 (October 29, 2014); 79 FR 65450 (November 4, 2014) (File No. SR-EDGX-2014-18).

12 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).

Proposed Exchange Rule 11.1(a)(1), describing the term Session Indicator, specifies that all orders are eligible for execution during the Regular Session, and that orders not designated for a particular session or session would default to the Regular Session. The proposed rule also specifies that orders may be entered from 6:00 a.m. until 8:00 p.m. Eastern Time but are not eligible for execution until the start of the session selected by the User.

Proposed Exchange Rule 11.1(a)(1)(A) specifies that orders designated as Pre-Opening Session would be eligible for execution between 8:00 a.m. Eastern Time and 4:00 p.m. Eastern Time. Proposed Exchange Rule 11.1(a)(1)(B) specifies that orders designated as Regular Session would be eligible for execution between the completion of the Opening Process or a Contingent Open,[13] whichever occurs first, and 4:00 p.m. Eastern Time. Proposed Exchange Rule 11.1(a)(1)(C) specifies that orders designated as Post-Closing Session would be eligible for execution between the start of the Regular Session and 8:00 p.m. Eastern Time. Proposed Exchange Rule 11.1(a)(1)(D) specifies that orders designated as All Sessions would be eligible for execution between 8:00 a.m. Eastern Time and 8:00 p.m. Eastern Time.

The Commission believes that the proposed rules relating to the Exchange trading sessions and hours of trading are consistent with the Act. The proposed rule makes the operation of the Exchange more transparent which should benefit Members, Users, and the general investing public. The Commission also notes that the proposed rule is substantially similar to that of other exchanges.[14]

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13 See proposed Exchange Rule 11.7(d).

14 See Nasdaq Rules 4751(h) and 4617; see also International Securities Exchange ("ISE") Rule 2102, BATS Rules 1.5(c), (r), (w), 11.1 and 11.9(b).

B. Process for Initial Opening and Re-Opening

The Exchange's current rules make various references to, but do not describe, an Opening Process. Accordingly, the Exchange proposes Exchange Rule 11.7 to codify and describe its current Opening and Re-Opening processes, with two changes, which are described below.

Proposed Exchange Rule 11.7(a) describes the entry and cancellation of orders before the Opening Process. Specifically, prior to the Regular Session, Users may enter orders to participate in the Opening Process. All orders are eligible to participate during the Opening Process, except: (1) orders with a Stop Price[15] or Stop Limit instruction;[16] (2) Limit Orders with a Post Only,[17] Fill-or-Kill ("FOK") or Immediate or Cancel ("IOC") instruction; (3) Intermarket Sweep Orders ("ISOs"); or (4) orders cancelled before the Opening Process. Orders ineligible to participate in the Opening Process, but designated for the Regular Session, would not be accepted by the System on the EDGA Book[18] until the completion of the Opening Process or the initiation of a Contingent Open as set forth by proposed Exchange Rule 11.7.

Proposed Exchange Rule 11.7(b) describes the execution of orders during the Opening Process. Specifically, during the Opening Process the Exchange would attempt to execute all eligible orders by matching buy and sell orders, in time sequence, at the midpoint of the NBBO, and would continue until either there were no orders to be matched or there was a remaining imbalance of orders. If the Opening Process resulted in no orders being matched, or a remaining

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15 See proposed Exchange Rule 11.8(a)(1) discussed below in Section III.C.2.a.

16 See proposed Exchange Rule 11.8(b)(1) discussed below in Section III.C.2.b.

17 See proposed Exchange Rule 11.6(n)(4) discussed below in Section III.C.1.m.

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

imbalance of orders, the unexecuted orders would then be posted on the EDGA Book, canceled, executed, or routed to an away Trading Center pursuant to proposed Exchange Rule 11.11.

Proposed Exchange Rule 11.7(c) describes how the opening price is determined during the Opening Process. Specifically, for securities listed on either the NYSE or NYSE MKT, the Opening Process would set the opening price at the midpoint based on the (1) first NBBO subsequent to the first reported trade on the listing exchange after 9:30:00 a.m. Eastern Time; or (2) the 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.[19] For any other listing market, the Opening Process would be priced at the midpoint of the first NBBO disseminated after 9:30:00 a.m. Eastern Time.

Proposed Exchange Rule 11.7(d) describes the Contingent Open. A Contingent Open would result if the Opening Process did not yield an opening price by 9:45:00 a.m. Eastern Time. In such an instance, the order would be posted to the EDGA Book, routed, cancelled, or executed consistent with its order type instruction.

Proposed Exchange Rule 11.7(e) describes Re-Openings. A Re-Opening would occur after a trading halt, suspension or pause. The Re-Opening price would be the midpoint of the (1) first NBBO subsequent to the first reported trade on the listing exchange following the resumption of trading after a halt, suspension, or pause; or (ii) then prevailing NBBO when the first two-sided quotation published by the listing exchange following the resumption of trading

19 Currently for NYSE and NYSE MKT listed securities the Opening Process sets the opening price based on the midpoint of the first NBBO subsequent to the first-reported trade on the listing exchange after 9:30:00 a.m. Eastern Time.

after a halt, suspension, or pause 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.[20]

The Commission finds that the proposed rule to codify the Exchange Opening Process, Contingent Open and Re-Openings is consistent with the Act. The Commission believes that the proposed rule is reasonably designed to facilitate an orderly transition between the Pre-Opening Session and Regular Trading Hours, as well as the resumption of trading after a trading halt, suspension or pause. Finally, the Commission notes that the Exchange rule is based on ISE Rule 2106.[21]

C. Order Types, Order Type Instructions and System Functionality under Chapter XI

1. Definitions - Proposed Exchange Rule 11.6

As discussed in more detail below, proposed Exchange Rule 11.6 would relocate and reclassify various terms currently defined in the Exchange rulebook, as well as add certain other defined terms. The Exchange proposes to classify certain existing order types as "instructions" to be attached to one or more standalone order types.[22]

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20 Currently, the Re-Opening price of a security is determined by 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.

21 Unlike ISE Rule 2106, proposed Exchange Rule 11.7 provides for late openings under certain conditions and permits the opening price for securities listed on either the NYSE or NYSE MKT to be priced at the midpoint of either the first NBBO subsequent to the first reported trade on the listing exchange after 9:30:00 a.m. Eastern Time; or the 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. See Securities Exchange Act Release No. 54287 (August 8, 2006), 71 FR 46947 (August 15, 2006).

22 Under the proposal, the only standalone order types would be Market Orders, Limit Orders, ISOs, MidPoint Peg Orders, MidPoint Discretionary Orders, NBBO Offset Peg Orders, and Route Peg Orders. See infra Sections III.C.2.a - III.C.2.g, regarding proposed Exchange Rule 11.8, Order Types.

The Commission notes that several proposed modifications to existing definitions are substantively similar to the current rule text, with added specificity, including: Attributable, Non-Attributable, Crossing Quotation, Locking Quotation, Minimum Price Variation,[23] Pegged, Permitted Price, Reserve Quantity, certain routing (Destination Specified and Destination-on-Open) and time-in-force (Immediate or Cancel and Fill-or-Kill) instructions.[24] Although the Exchange did not previously define Cancel Back or Displayed, the Commission notes that these terms are consistent with existing rule text.

Certain other proposed modifications to existing Exchange definitions are consistent with the rules of other exchanges, including: Discretionary Range,[25] Non-Displayed,[26] certain routing instructions (Book Only and Post Only),[27] and units of trading (Round Lot, Odd Lot and Mixed Lot).[28] Similarly, a number of proposed new definitions/terms are consistent with the rules of exchanges, including: Locking Price,[29] Minimum Execution Quantity,[30] pegging instructions (Market Peg and Primary Peg),[31] Replenishment Amount,[32] time-in-force instruction of Good-

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23 See Notice, supra note 3, at 48828, note 27 regarding one non-substantive edit to remove the phrase indications of interest.

24 The Exchange also proposes to delete two additional time-in-force instructions, Good-'til-Cancel and Good-'til-Day, that are not currently offered by the Exchange.

25 See Nasdaq Rule 4751(f)(1), and NYSE Arca Rule 7.31(h)(2).

26 See Nasdaq Rule 4751(e)(3), and BATS Rule 11.9(c)(11); see also EDGA Rule 11.5(c)(8).

27 See BATS Rule 11.9(c)(4) (BATS Only Order), BATS-Y Rule 11.9(c)(4) (BATS Only Order), NSX Rule 11.11(c)(6) (NSX Only Order); BATS Rule 11.9(c)(6) (BATS Post Only Order) and BATS-Y 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).

28 See Nasdaq Rule 4751(g) (definition of "Order Size").

29 See, e.g., BATS Rule 11.13(a)(1).

30 See, e.g., Nasdaq Rule 4751(f)(5), and NSX Rule 11.11(c)(2)(B).

31 See, e.g., NYSE Rule 13 (defining Pegging Interest), and Nasdaq Rule 4751(f)(4).

'til-Time.[33] Finally, several proposed new definitions/terms are consistent with the definitions contained in Commission rules Regulation SHO and Regulation NMS, including: Short Sale, Short Exempt and Trading Center. Accordingly, the Commission believes that the proposed rule changes related to these definitions/terms are consistent with the Act.

a. Attributable and Non-Attributable

The Exchange currently defines the terms "Attributable Order" and "Non-Attributable Order" in Exchange Rules 11.5(c)(18) and (19). The Exchange proposes to reclassify these terms as order type instructions and relocate them to proposed Exchange Rule 11.6(a). In addition, the Exchange proposes to amend the terms to provide that: (1) unless the User elects otherwise, all orders will be automatically defaulted by the System to Non-Attributable; and (2) 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, except 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. The Exchange also proposes to provide that a User's MPID will be visible via the Exchange's Book Feed if an Attributable instruction is attached to an order and not visible if an order Non-Attributable is attached to an order.

b. Cancel Back

The Exchange proposes to add the defined term "Cancel Back" to codify the existing function where a User may opt to have the System cancel the order at the time of receipt, in lieu

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32 See, e.g., Nasdaq Rule 4751(f)(2) (Reserve Orders) and NYSE Rule 13 (Reserve Order Types).

33 See Chicago Stock Exchange, Inc. ("CHX") Rules Art. 1, Rule 2(d)(3) (Good 'Til Date), BATS Rule 11.9(b)(4) (Good 'til Day), BATS-Y Rule 11.9(b)(4) (Good 'til Day), and Nasdaq Rule 4751(h)(4) (System Hours Expire Time).

of a re-pricing instruction[34] to comply with Regulation NMS, Regulation SHO, or the National Market System Plan to address extraordinary market volatility (the "LULD Plan").[35]

c. Discretionary Range

The Exchange currently defines a "Discretionary Order" in Exchange Rule 11.5(c)(13). The Exchange proposes to reclassify this function as an order type instruction and relocate the term "Discretionary Range" to proposed Exchange Rule 11.6(d). In addition, the Exchange proposes to modify the definition of Discretionary Range to specify which order types[36] may include a Discretionary Range instruction, and how the Discretionary Range operates. Specifically, the term Discretionary Range would be defined 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.[37] The proposal also codifies 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 a resting order with a Discretionary Range instruction would execute at its least aggressive price when matched for execution against an incoming order with a Discretionary Range instruction, as permitted by the terms of both the incoming and resting order

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[34] The re-pricing instructions are defined in proposed Exchange Rule 11.6(l) discussed infra Section III.C.1.k.

[35] See Appendix A to Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012).

[36] Under proposed Exchange Rules 11.8(b)(8) and 11.8(e) , Limit Orders and Mid-Point Discretionary Orders can include a Discretionary Range instruction.

[37] The Exchange proposes to modify the existing rule text to state 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.

d. Display Options

The Exchange proposes to include definitions of "Displayed" and "Non-Displayed" in proposed Exchange Rule 11.6(e). Currently the term "Displayed" is not defined within the Exchange rules. The Exchange would codify that Displayed is the default instruction for all display-eligible orders on the EDGA Book.

Currently, the term Non-Displayed Order is defined in Exchange Rule 11.5(c)(8). The Exchange proposes to reclassify this term as an order type instruction, and relocate the amended term to proposed Exchange Rule 11.6(e). The proposed definition of Non-Displayed also differs from the current definition in that it deletes rule text regarding the priority and ranking of Non-Displayed Orders because proposed Exchange Rule 11.9 sets forth the priority and ranking of all orders.

e. Locking Price

Under current Exchange Rule 11.5(c)(4), a re-pricing instruction to comply with Regulation NMS may be triggered if an incoming order, if displayed at its limit price, would be a Locking Quotation.[38] In order to specify the price that triggers a Regulation NMS re-pricing instruction the Exchange proposes to define the term, "Locking 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."[39]

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

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

f. Locking Quotation and Crossing Quotations

Currently, Exchange Rule 11.16 defines the terms "Locking Quotation"[40] and "Crossing Quotation."[41] The Exchange proposes to relocate the amended terms, respectively, to proposed Exchange Rule 11.6(c) and (g). The amended definitions specify that the display of either a Locking or Crossing Quotation would violate Rule 610(d) of Regulation NMS and that Regulation NMS re-pricing instructions are applicable outside of Regular Trading Hours.

g. Minimum Execution Quantity

The Exchange proposes to define the term "Minimum Execution Quantity" as an order type instruction.[42] Although it is currently available, the Minimum Execution Quantity function is not currently defined by Exchange rules. The Minimum Execution Quantity would be an order type instruction, combined with a Non-Displayed instruction, which would only execute the order to the extent that a minimum quantity could be satisfied by an execution against a single order or multiple aggregated orders simultaneously. An order with a Minimum Execution Quantity instruction could partially execute if the execution size equaled or exceeded the quantity provided in the instruction. The Exchange also proposes that any shares remaining after a partial execution would continue to be executed at a size equal to or exceeding the quantity

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40 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."

41 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."

42 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).

provided with the instruction, unless the User elects otherwise. The Minimum Execution Quantity instruction would not be applicable if after a partial execution the remaining shares were less than the quantity provided in the instruction.

h. Minimum Price Variation

Exchange Rule 11.7, Price Variation, currently defines the term "Price Variation."[43] The Exchange proposes to relocate the term "Minimum Price Variation" to proposed Exchange Rule 11.6(i) and amend the term to remove the obsolete term, "indications of interest"[44]

i. Pegged

Currently the term "Pegged Order" is defined under Exchange Rule 11.5(c)(6). The Exchange proposes to reclassify the term as an instruction and relocate the term to proposed Exchange Rule 11.6(j). The amended definition of a Pegged instruction would continue to indicate that: (1) a User may specify that the order's price will peg to a price a certain amount away from the NBB or NBO (offset); (2) 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); (3) a new time stamp is created for the order each time it is automatically adjusted; and (4) orders with a Pegged instruction are not eligible for routing pursuant to proposed Exchange Rule 11.11.

[43] The Exchange's existing definition of Price Variation in Exchange Rule 11.7 sets forth that bids, offers, or orders in securities traded on the Exchange shall not be made in an increment smaller than: (1) $0.01 if those bids, offers, or orders are priced equal to or greater than $1.00 per share; or (2) $0.0001 if those bids, offers, or orders are priced less than $1.00 per share; or (3) 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. See current Exchange Rule 11.7

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

The Exchange also proposes to codify that orders with Pegged instructions would not be used to calculate the NBBO, and buy/sell orders with a Pegged instruction would be cancelled when the NBB/NBO is unavailable. In addition, the Exchange would codify the terms – Primary Peg and Market Peg.[45] Proposed Exchange Rule 11.6(j) would specify that a Pegged instruction may be a Market Peg, which would track NBB, for a sell order, or the NBO, for a buy order; or a Primary Peg, which would track the NBB, for a buy order, or the NBO, for a sell order. The Exchange would also sets forth that a buy (sell) order with a Market Peg instruction and a Displayed instruction must have an offset that is equal to or greater than one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to.[46] The amended term would also specify that if a User does not select an offset, the System would automatically include an offset that is equal to one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to. For an order with a Non-Displayed instruction, a User could, but would not be 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) to which the order is pegged.

Proposed Exchange Rule 11.6(j) also sets forth that a buy (sell) order with a Primary Peg instruction could, but would not be required to, select an offset equal to or greater than one Minimum Price Variation[47] above or below the NBB or NBO that the order is pegged to. As proposed, an order with a Primary Peg instruction would be eligible to join the Exchange's BBO if the EDGA Book was locked or crossed by another market, but if an order with a Primary Peg

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45 The Primary Peg and Market Peg order instructions are available on other exchanges. See, e.g., NYSE Rule 13 (defining Pegging Interest), and Nasdaq Rule 4751(f)(4).

46 Previously, the System permitted a displayable Market Peg instruction to include a zero-offset.

47 As discussed supra in Section III.C.1.h, the term Minimum Price Variation is defined in proposed Exchange Rule 11.6(i).

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 below/above the current NBO/NBB.[48]

j. Permitted Price

The Exchange currently defines the term "Permitted Price" in Exchange Rule 11.5(c)(4)(B).[49] The Exchange proposes to relocate the term, without amendment, to proposed Exchange Rule 11.6(k)

k. Re-Pricing Instructions

The terms "displayed price sliding"[50] and "short sale price sliding process"[51] are currently defined in Exchange Rule 11.5(c)(4)(A) and (B), respectively. However, the Exchange currently

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48 The Exchange provides examples of the operation of Limit Orders with a Pegged Instruction. See Notice, supra note 3, at 48828-29.

49 The current definition provides that a short sale order, subject to the Exchange's short sale price sliding process, will "be re-priced to display at one Minimum Price Variation above the current NBB."

50 The "displayed price sliding process" is currently described under Exchange 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."

51 The "short sale price sliding process" is currently described under Exchange 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

offers multiple re-pricing instructions designed to permit Users to comply, separately and respectively, with Rule 610(d) of Regulation NMS or Rule 201 of Regulation SHO. The Exchange proposes to replace the definitions for displayed price sliding process and the short sale price sliding process with proposed Exchange Rule 11.6(l), which would rename and codify "displayed price sliding" as Hide Not Slide and codify the two other re-pricing options for Regulation NMS (Price Adjust and Routed and Returned Re-Pricing) and the two re-pricing options for Regulation SHO (Short Sale Price Adjust and Short Sale Price Sliding), all of which are currently available on the System.[52] The Exchange also proposes to codify the re-pricing instruction for orders with a Non-Displayed instruction, which also is currently available on the System but not reflected in the current rules.

i. Re-Pricing Instructions to Comply with Rule 610(d) of Regulation NMS

Proposed Exchange Rule 11.6(l)(1)(A) would codify the Price Adjust instruction. Specifically, under the proposed rule, a User may select the Price Adjust instruction where an

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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. 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."

52 Other exchanges utilize re-pricing processes. See e.g., CHX Art. I, Rule 2(b)(1)(C), BATS Rules 11.9(c)(4), (6) and 11.9(g)(2), BATS-Y Exchange, Inc. ("BATS Y") 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). In Amendment No. 1, the Exchange removed the proposed Single Re-Price and Short Sale Single Re-Price pricing instructions. See supra note 5.

incoming order that would be a Locking Quotation or Crossing Quotation would be displayed and ranked[53] at a price that is one Minimum Price Variation lower (higher) than the Locking Price.[54] Subsequently, the order would be displayed and ranked by the System on the EDGA Book at the Locking Price if the NBBO changed 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 time-in-force ("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.[55] The order would not be subject to further re-ranking and would be displayed by the System on the EDGA Book at the Locking Price until executed or cancelled by the User. The order would receive a new time stamp at the time an order is re-ranked.[56] Pursuant to proposed Exchange Rule 11.9, all orders that are re-ranked and re-displayed pursuant to the Price Adjust instruction would retain their comparative priority based on the time of initial receipt by the System.[57]

Proposed Exchange Rule 11.6(l)(1)(B) would rename and codify the Hide Not Slide instruction. Specifically, under the proposed rule, if a User selects, or be defaulted by the

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53 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.

54 Other exchanges offer similar functionality. See Nasdaq Rule 4751(f)(7) (Price to Comply Order), BATS Rule 11.9(g)(2) (Price Adjust), BATS Rule 11.9(g)(1) (Display-Price Sliding), BATS-Y 11.9(g)(1) (Display-Price Sliding), and CHX Rule Art. I, Rule 2(b)(1)(C)(i) (NMS Price Sliding).

55 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 October 28, 2014).

56 See proposed Exchange Rule 11.9 in Section III.D, infra, for discussion on priority.

57 The Exchange provides examples of the operation of a Price Adjust Instruction with the assumption that there were no orders resting on the EDGA Book. See Notice, supra note 3, at 48830.

System to,[58] the Hide Not Slide instruction, an incoming order that would be a Locking Quotation or Crossing Quotation would be displayed at a price that is one Minimum Price Variation lower (higher) than the Locking Price and ranked/be executable at the Locking Price. However, if at the time of entry the System is displaying a contra-side order equal to the Locking Price, the order's ability to execute to the Locking Price would be suspended[59] until the contra-side displayed order equal to the Locking Price is cleared. That order, however, would be executable against other orders at its displayed price.

Proposed Exchange Rule 11.6(l)(1)(B) would state that, where the NBBO changes such that the order, if displayed at the Locking Price would not be a Locking Quotation, the System would rank and display the order at the Locking Price. Thereafter, the order would not be subject to further re-ranking and would be displayed by the System at the Locking Price until it is executed or cancelled by the User. The Exchange proposes to state that the order would only receive a new time stamp when it is ranked at the Locking Price 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. Pursuant to proposed Exchange Rule 11.9, all orders that are re-ranked and re-displayed by the System pursuant to the Hide Not Slide instruction would retain its comparative priority based upon the time of initial receipt by the System.[60]

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58 Pursuant to proposed Exchange Rule 11.8, discussed below, an order that would be a Locking Quotation or Crossing Quotation at the time of entry will be automatically defaulted by the System to the Hide Not Slide instruction, unless the User affirmatively elects: (1) the Cancel Back instruction; or (2) the Price Adjust instruction.

59 See infra note 62.

60 Orders that are re-ranked and re-displayed pursuant to the Hide Not Slide instruction maintain the same priority as orders that are re-ranked and re-displayed pursuant to the Routed and Returned Re-Pricing instruction at the same price. See proposed Exchange Rules 11.9(a)(2)(B)(ii). The Exchange provides examples of the operation of a Hide Not Slide Instruction with the assumption that there were no orders resting on the EDGA

Proposed Exchange Rule 11.6(l)(1)(B)(i) would codify the Routed and Returned Re-Pricing instruction. Specifically, under the proposed rule, if a Limit Order was routed away but not fully executed, the returning remainder of the order, if it would be a Locking Quotation or Crossing Quotation of a quotation displayed by another Trading Center upon re-entry to the System, would default to a Routed and Returned Re-Pricing instruction, unless the User selected either the Cancel Back, Price Adjust or Hide Not Slide instruction.[61] The Routed and Returned Re-Pricing instruction would cause the returning order, that would otherwise be a Locking Quotation or Crossing Quotation based on an away market, to re-price one Minimum Price Variation away from the Locking Price, be ranked/be executable at the Locking Price. However, if a contra-side order with a Post Only instruction that equals the Locking Price is subsequently entered, the order subject to the Routed and Returned Re-Pricing instruction's ability to execute at the Locking Price would be suspended until there is no contra-side order displayed by the System equals the Locking Price.[62] That order, however, would be executable against other orders at its displayed price.

Book. See Notice, supra note 3, at 48830-31. See also Amendment No. 1, supra note 5, for corrections to Example Nos. 1 and 4.

61 See Amendment No. 1, supra note 5. See also Amendment No. 2, supra note 6.

62 Id. See Amendment No. 1, supra note 5. In Amendment No. 1, the Exchange stated it was reasonable to grant priority to a Limit Order subject to the Hide Not Slide instruction ahead of a Limit Order subject to the Price Adjust instruction even where the Limit Order subject to the Hide Not Slide instruction's ability to execute at the Locking Price was previously suspended. Id. The Exchange noted that Hide Not Slide orders are typically ranked at more aggressive prices and the Exchange seeks to encourage aggressively priced orders that could provide price improvement. Id. The Exchange also noted its current fee structure would cause the orders to remove liquidity upon entry, so this situation would only occur in the event that the Exchange changed its fee structure. Id. The Exchange noted: (1) a User submitting a Limit Order subject to a Hide Not Slide instruction cannot control whether its ability to execute at the Locking Price will be suspended; (2) that User does not know and cannot control whether the contra-side order at the Locking Price will be cancelled or executed at the same time as all other Locking Quotations are cleared; and (3) that User does not know and cannot control whether the

Proposed Exchange Rule 11.6(l)(1)(B)(i) would state that, thereafter, in response to changes in the NBBO, an order subject to the Routed and Returned Re-Pricing instruction would be adjusted and displayed by the System at one Minimum Price Variation below (above) the NBO (NBB) and ranked at the Locking Price with the ability to execute at the Locking Price until the price of such order reached its limit price; at which point the order would be displayed at the limit price by the System without further adjustment. Upon return to the EDGA Book after being routed away, the order will execute against any marketable contra-side liquidity on the EDGA Book and any remainder will be subject to the Routed and Returned Re-Pricing instruction.[63] The order would receive a new time stamp upon returning to the EDGA Book and upon each subsequently re-ranking. Pursuant to proposed Exchange Rule 11.9, all orders that are re-ranked and re-displayed pursuant to the Routed and Returned Re-Pricing instruction would retain their comparative time priority at a price level based upon the time of initial re-entry to the System.[64]

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contra-side order at the Locking Price will be cancelled or executed at the same time as all other Locking Quotations are cleared. Id. Lastly, the Exchange noted that a Limit Order will be automatically defaulted by the System to the Hide Not Slide instruction. As a result, a User must proactively elect the Price Adjust instruction resulting in their order being granted priority behind an order subject to the Hide Not Slide instruction in such circumstances. Id. See also Amendment No. 2, supra note 6.

63 Id.

64 Orders that are re-ranked and re-displayed pursuant to the Routed and Returned Re-Pricing instruction maintain the same priority as orders that are re-ranked and re-displayed pursuant to the Hide Not Slide instruction at the same price. See proposed Exchange Rules 11.9(a)(2)(B)(ii). The Exchange provides an example of the operation of a Routed and Returned Re-Pricing Instruction with the assumption that there were no orders resting on the EDGA Book. See Notice, supra note 3, at 48831. See also Amendment No. 1, supra note 5.

The Commission finds that the proposed rules related to Regulation NMS re-pricing are consistent with Section 6(b)(5) of the Act,[65] and the rules and regulation thereunder, including Rule 610 of Regulation NMS."[66] The operation of Price Adjust, Hide Not Slide and Routed and Returned Re-Pricing are consistent with Rule 610(d) of Regulation NMS as they should prevent members from displaying orders that lock or cross any protected quotation in an NMS stock.[67] In addition, the Commission notes that other exchanges offer price-sliding functionality to comply with Regulation NMS.[68]

ii. 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: (1) Short Sale Price Adjust and (2) Short Sale Price Sliding. Under the proposal, a Limit Order to sell with a Short Sale instruction that cannot display or execute at its limit price at the time of entry because of a short sale price restriction pursuant to Rule 201 of Regulation SHO ("Short Sale Circuit Breaker"),[69] would automatically default to the Short Sale Price Adjust instruction, unless the

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65 15 U.S.C. 78f(b)(5).

66 17 CFR 242.610.

67 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." See 17 CFR 242.610(d).

68 See Nasdaq Rule 4751(f)(7) (Price to Comply Order), BATS Rule 11.9(g)(2) (Price Adjust), BATS Rule 11.9(g)(1) (Display-Price Sliding), BATS-Y 11.9(g)(1) (Display-Price Sliding), CHX Rule Art. I, Rule 2(b)(1)(C)(i) (NMS Price Sliding).

69 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 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

User affirmatively elects: (1) the Cancel Back instruction; or (2) the Short Sale Price Sliding instruction. Like current Exchange Rule 11.5(c)(4)(E), orders to sell with both a Short Sale and a Short Exempt instruction would not be eligible for any of the Regulation SHO re-pricing instructions and instead would execute, display and/or route without regard to whether the order is at a Permitted Price or if a Short Sale Circuit Breaker in effect. In addition, when a Short Sale Circuit Breaker is in effect and the incoming order has a Short Sale instruction, Regulation SHO re-pricing instructions would supersede Regulation NMS re-pricing instructions.

Proposed Exchange Rule 11.6(l)(2)(A) would codify the Short Sale Price Adjust instruction. If selected by a User and a Short Sale Circuit Breaker was in effect, the sell order with a Short Sale instruction would be ranked and displayed at the Permitted Price.[70] Following the initial ranking, the order, to the extent the NBB declines, would continue to be re-ranked and displayed at the Permitted Price down to the order's limit price. The order would receive a new time stamp each time it is re-ranked. All orders with Short Sale Price Adjust instructions that are re-ranked and re-displayed by the System would retain their comparative time priority based on their initial receipt by the System.[71]

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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, http://www.sec.gov/divisions/marketreg/rule201faq.htm.

70 Other exchanges offer similar functionality. See Nasdaq Rule 4763(e) (Re-Pricing of Orders During Short Sale Period), BATS Rule 11.9(g)(2) (Short Sale Price Sliding), BATS-Y 11.9(g)(2) (Short Sale Price Sliding), and CHX Rule Art. I, Rule 2(b)(1)(C)(ii) (Short Sale Price Sliding).

71 The Exchange provides an example of the operation of a Short Sale Price Adjust instruction with the assumption that there were no orders resting on the EDGA Book. See Notice, supra note 3, at 48832.

Proposed Exchange Rule 11.6(l)(2)(B) would codify the Short Sale Price Sliding instruction. If selected by a User and a Short Sale Circuit Breaker was in effect, the sell order with a Short Sale instruction would be displayed at the Permitted Price and ranked at the midpoint of the NBBO. Following the initial ranking, the order would, to the extent the NBB declined, be re-ranked and re-displayed with a new time stamp one additional time at a price equal to the NBB at the time of the order's original entry.[72]

The Commission finds that the proposed rules related to Regulation SHO re-pricing are consistent with Section 6(b)(5) of the Act,[73] as well as Rule 201 of Regulation SHO.[74] Rule 201 of Regulation SHO 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 when a Short Sale Circuit Breaker is in effect, subject to certain exceptions.[75] Pursuant to the Exchange's rules relating to Short Sale Price Adjust and Short Sale Price Sliding, sell orders with a Short Sale instruction that cannot be executed or displayed in compliance with Rule 201 of Regulation SHO would be displayed at the Permitted Price (i.e., above the current NBB). In addition, the Commission notes that Short Sale Price Adjust[76] and Short Sale Price Sliding[77] operate in a manner that is substantially similar to other exchanges.

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72 The Exchange provides an example of the operation of a Short Sale Price Sliding instruction with the assumption that there were no orders resting on the EDGA Book. See Notice, supra note 3, at 48832.

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

74 17 CFR 242.201.

75 17 CFR 242.201.

76 See BATS Rule 11.9(g)(2), BATS-Y Rule 11.9(g)(2) and Nasdaq Rule 4763(e).

77 See BATS Rule 11.9(g)(2) and BATS-Y Rule 11.9(g)(2)

The Commission notes that Short Sale Price Sliding permits sell orders with a Short Sale instruction to be ranked at the midpoint of the NBBO and displayed at the Permitted Price. The Commission finds that Regulation SHO re-pricing to permit an order with a Short Sale instruction to be executed at the midpoint of the NBBO, and displayed above the NBB, is consistent with Rule 201 of Regulation SHO.[78]

iii. Re-Pricing of Orders with a Non-Displayed Instruction

Proposed Exchange Rule 11.6(l)(3) would codify the re-pricing of non-routable orders with a Non-Displayed instruction to specify that an order with a Non-Displayed instruction that would be a Crossing Quotation of an external market, would 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.[79]

l. Reserve Quantity and Replenishment Amounts

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 proposes to reclassify this function as an order type instruction and relocate the term "Reserve Quantity" to proposed Exchange Rule

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78 17 CFR 242.201.

79 The Exchange provides an example of the operation of the re-pricing of Orders with a Non-Displayed Instruction. See Notice, supra note 3, at 48833.

11.6(m). The term Reserve Quantity would be defined 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 also would specify 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 also specifies that where the displayed quantity of an order is reduced to less than a Round Lot, the System, in accordance with the replenishment instruction selected by the User, would replenish the displayed quantity from the Reserve Quantity by at least a single Round Lot. A new time stamp would be created for the displayed portion of the order each time it is replenished from the Reserve Quantity, and the Reserve Quantity would retains its original time stamp of its original entry.[80] In addition, the Exchange states that where the combined amount of the displayed quantity and Reserve Quantity of an order is less than one Round Lot, the order would be treated as an order with a Displayed instruction for purposes of execution priority under proposed Exchange Rule 11.9.

Proposed Exchange Rule 11.6(m) also codifies the two replenishment instructions[81] currently offered by the Exchange: (1) Fixed Replenishment; and (2) Random Replenishment. The Fixed Replenishment instruction sets forth that the displayed quantity of an order would be replenished by a fixed quantity designated by the User. The Fixed Replenishment quantity for the order would equal the initial displayed quantity designated by the User. The displayed replenishment quantity selected by the System could not be less than a single Round Lot or

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80 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).

81 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).

greater than the remaining Reserve Quantity. Under proposed Exchange Rule 11.8(b)(5), the System would 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, the displayed quantity, both initial and replenished, would be randomly determined by the System within a replenishment range and replenishment value established by the User. The System would randomly select random display in Round Lots based on: (1) the quantity around which the replenishment range is established minus the replenishment value; and (2) the quantity around which the replenishment range is established plus the replenishment value. The displayed replenishment quantity could not: (1) exceed the remaining Reserve Quantity of the order; (2) be less than a single Round Lot; or (3) greater than the remaining Reserve Quantity.[82]

m. Routing/Posting Instructions

In proposed Exchange Rule 11.6(n), the Exchange proposes to define the following routing and posting instructions that a User may select, depending on the order type: (1) Aggressive or Super Aggressive; (2) Book Only; (3) Post Only; (4) Destination Specified; and (5) Destination-on-Open.

The Exchange proposes to codify the terms 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.

[82] The Exchange provides examples of the operation of orders with replenishment amounts. See Notice, supra note 3, at 48834.

Current Exchange Rule 11.5(c)(4) defines the term EDGA Only Order.[83] The Exchange proposes to reclassify this function as an order type instruction and relocate the amended definition and term "Book Only" to proposed Exchange Rule 11.6(n)(3). The proposed definition of Book Only would specify that it is: "[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."[84] References to the Exchange's "display price sliding process and short sale price sliding process" would be removed from the amended Book Only definition because, as noted above, proposed Exchange Rule 11.6(l) is proposed to now describe re-pricing instructions for Regulation NMS and Regulation SHO compliance.

Current Exchange Rule 11.5(c)(5) defines the term "Post Only Order."[85] The Exchange proposes to reclassify this function as an order type instruction and relocate the amended definition and term "Post Only" to proposed Exchange Rule 11.6(n)(4). Currently, the Post Only definition specifies that order would not remove liquidity from the EDGA Book unless "the User enters an instruction to the contrary." The Exchange proposes amend the definition to specify that an order with a Post Only instruction may remove contra-side liquidity from the EDGA

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[83] Currently, the term EDGA Only Order is defined as "[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."

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

[85] Currently, the term Post Only Order is defined as "[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, 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 …."

Book when combined with a Hide Not Slide or a Price Adjust instruction if the order is for a security priced below $1.00 or the value of such execution, including any fees charged or rebates provided, equals or exceeds the value of such execution if the order instead posted and provided liquidity.[86] In addition, the Exchange proposes to remove references to Exchange's "display price sliding process and short sale price sliding process" from the amended Post Only definition because, as noted above, proposed Exchange Rule 11.6(l) is proposed to describe re-pricing instructions for Regulation NMS and Regulation SHO compliance.

Exchange Rule 11.5(c)(9) currently defines the term "Destination Specific Order."[87] The Exchange proposes to reclassify this function as an order type instruction and relocate the amended definition and term "Destination Specified" to proposed Exchange Rule 11.6(n)(4). The amended definition would provide that an order with a Destination Specified instruction may be processed as described in proposed Exchange Rule 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.

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86 The Exchange notes that an order with a Post Only instruction will, in all cases, remove contra-side 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. See Amendment No. 1, supra note 5. Therefore, in all cases, the 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. Id. See also e.g., proposed Exchange Rule 11.6(n)(4). The Exchange further states that to determine at the time of a potential execution whether 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, the Exchange will use the highest possible rebate paid and highest possible fee charged for such executions on the Exchange. See Amendment No. 1, supra note 5.

87 Currently, the term "Destination Specified Order" is defined 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."

Exchange Rule 11.5(c)(10) currently defines the term "Destination-on-Open Order." The Exchange proposes to reclassify this function as an order type instruction and relocate the amended definition and term "Destination-on-Open" to proposed Exchange Rule 11.6(n)(6). The amended definition would state that a Destination-on-Open instruction may be appended to a Market or a Limit Order and that an unfilled portion of an order with a Destination-on-Open instruction may be cancelled or re-routed.

n. Short Sale and Short Exempt

Currently, certain current Exchange rules refer to the terms "short sale order" and "short exempt,"[88] but neither term is specifically defined. Proposed Exchange Rules 11.6(o) and 11.6(p) would respectively provide definition for the terms "Short Sale" and "Short Exempt." The proposed definitions for Short Sale instruction and Short Exempt instruction would be consistent with Rules 200(a) and 201 of Regulation SHO.[89]

o. Time-In-Force

Current Exchange Rule 11.5(b)(1)-(3) defines the terms "IOC Order," "Day Order" and "Fill-or-Kill Order."[90] The Exchange proposes to reclassify these terms as time-in-force order type instructions and relocate the definitions, IOC, Day, FOK and Good-'til Time ("GTT"), to proposed Exchange Rule 11.6(n)(4). The proposed rule specifies 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.

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

89 See 17 CFR 242.200 et seq.

90 Current Exchange Rule 11.5(b) includes two 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 proposes to include a new TIF instruction, GTT, which could be appended to an order in any trading session with instructions to cancel at a specified time of day. The proposed rule also sets forth that an order with a GTT instruction would not be eligible for execution over multiples days[91] and that any unexecuted portion of such order with a GTT would be cancelled at: (1) the expiration of the User's specified time; (2) at the end of the User's specified trading session(s); or (3) the end of the trading day, as instructed by the User. As proposed, order with a GTT instruction would not be eligible for execution over multiple trading days.

p. Trading Center

The Exchange proposes to add the term "Trading Center" to proposed Exchange Rule 11.6(r) to be defined as "[o]ther securities exchanges, facilities of securities exchanges, automated trading systems, electronic communications networks or other brokers or dealers."[92] The term would be consistent with the Trading Center definition of in Rule 600(a)(78) of Regulation NMS.[93]

q. Units of Trading

Current Exchange Rule 11.6 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

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

92 The term Trading Center is defined in Exchange Rule 2.11(a) and appears within Chapter XI.

93 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).

than 100 shares that is not a multiple of a round lot shall constitute a 'mixed lot.'" The Exchange proposes to relocate the definition of "Units of Trading" to proposed Exchange Rule 11.6(s). The relocated and amended definition would provide 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. Similarly, in proposed Exchange Rule 11.9(a)(6), the Exchange proposes a conforming change to replace the term "99 shares or fewer" with "less than a Round Lot." Proposed Exchange Rule 11.6(s) would also state that Round Lots are eligible to be Protected Quotations.

Current Exchange Rule 11.5(c)(2) defines the term an "Odd Lot Order" as "[a]n order to buy or sell an odd lot." The Exchange proposes to revise and relocate the term to proposed Exchange Rule 11.6(s)(2). The definition would be amended to indicate that an Odd Lot is "[a]ny amount less than a Round Lot," and that orders of Odd Lot size are only eligible to be Protected Quotations if aggregated to form a Round Lot.

Current Exchange Rule 11.5(c)(3) defines the term a "Mixed Lot Order." The Exchange proposes to revise and relocate the term to proposed Exchange Rule 11.6(s)(3). The definition would be amended to indicate that "[a]ny amount greater than a Round Lot that is not an integer multiple of a Round Lot," and that the Odd Lot portions of an order of Mixed Lot size are only eligible to be Protected Quotations if aggregated to form a Round Lot.[94]

2. Order Types - Proposed Exchange Rule 11.8

The Exchange has determined that the majority of the existing individual order types should be reclassified as order type instructions to be attached to specific, standalone order types.[95] Accordingly, the Exchange proposes to delete and replace current Exchange Rule 11.5

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[94] The proposed definitions are similar to Nasdaq Rule 4751(g) (definition of "Order Size").

[95] See Notice, supra note 3, at 48836.

with proposed Exchange Rule 11.8, Order Types,[96] which would outline the characteristics of the seven order types that would be accepted by the System: (1) Market Orders, (2) Limit Orders, (3) ISOs, (4) MidPoint Peg Orders, (5) MidPoint Discretionary Orders: (6) NBBO Offset Peg Orders, and (7) Route Peg Orders.

The Commission finds that the proposed rules relating to the definitions and descriptions of order types are consistent with the Act. The Commission notes that the definitions and operations of Market Order, Limit Order, ISO, MidPoint Peg Order, and MidPoint Discretionary Order are substantively similar to the current rule text, with added specificity related to the operation of the standalone order type and the order type instructions that may be attached thereto. The NBBO Offset Peg Order and Route Peg Order are currently offered by the Exchange, and the related rule text has been relocated and reformatted to conform to the reorganization of the Exchange rule book without substantive amendment. Accordingly, the Commission believes that these proposed rule changes are consistent with the Act.

a. Market Order

Current Exchange Rule 11.5(a)(2) defines the term "Market Order." The Exchange proposed to relocate the term to proposed Exchange Rule 11.8(a), and revise it to include additional language describing the operation of the order type and the order type instructions that may be attached thereto.

Specifically, proposed Exchange 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." The proposed rule also specifies that Market Orders are eligible to execute during the Regular Session; ineligible to execute during the Pre-Opening or

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96 See id.

the Post-Closing Trading Sessions; may be an Odd Lot, Round Lot, or Mixed Lot; and may include a Stop Price instruction. Proposed Exchange Rule 11.8(a)(2) would specify that a Market Order would default to a TIF instruction of Day, unless otherwise instructed by the User; and that in addition to Day, a User could append a Market Order with an IOC or FOK instruction. The proposed rule also sets forth that a Market Order with a FOK instruction would cancel if not executed in full portion immediately after entry and that a Market Order with an IOC instruction would cancel any unexecuted portion of the order after checking the System for available shares, and, if applicable, upon return to the System after being routed to an away Trading Center. The proposed rule also specifies that a Market Order that does not include a Book Only, IOC or FOK instruction and cannot be executed in accordance with proposed Exchange Rule 11.10(a)(4) would be eligible for routing pursuant to proposed Exchange Rule 11.11.[97]

Under the proposed rules, a Market Order would post to the book in certain instances. Under proposed Exchange Rule 11.10(a)(3)(A), where the NBO/NBB is greater/lesser than the Upper/Lower Price Band, an incoming non-routable buy/sell Market Order would post to the EDGA Book at a price equal to the Upper (Lower) Price Band, unless appended with a TIF instruction of IOC or FOK or a Cancel Back instruction.[98] Under Proposed Exchange Rule 11.8(a)(4), a Market Order appended with both a Day and a Short Sale instruction that could not

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[97] The Exchange provides examples of the operation of Market Orders. See Notice, supra note 3, at 48837-38.

[98] 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 (1) the order is an IOC Order, in which case it will be cancelled if not executed, or (2) the User has entered instructions to cancel the order." See also Securities Exchange Act Release No. 69002 (February 27, 2013), 78 FR 14394 (March 5, 2013) (SR-EDGA-2013-08).

execute because of a Short Sale Restriction, would display pursuant to the Short Sale Price Sliding instruction.[99]

Under the proposed rules, there are also certain instances when a Market Order would cancel instead of execute. The proposed rule specifies that if a Market Order with a Book Only instruction is re-priced when the NBO/NBB is greater/less than the Upper/Lower Price Band, the order would be cancelled pursuant to proposed Exchange Rule 11.10(a)(4). The Exchange also specifies that, except for a Market Order that include 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 five 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, would be cancelled.

b. Limit Order

Current 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 (Bid) for the security." The term would be relocated to proposed Exchange Rule 11.8(b), and be amended to include additional language describing the operation of the order type and the order type instructions that may be attached thereto. The proposed rule specifies that a Limit Order is eligible for execution during the Pre-Opening Session, Regular Session, and the Post-Closing Session, and could be an Odd Lot, Round Lot or Mixed Lot. A Limit Order could also be appended with the applicable combination of the following order type instructions:[100] IOC, FOK, Day, GTT, Displayed, Non-Displayed, Attributable, Non-Attributable, Post Only, Book Only, Discretionary Range, Reserve Quantity, Pegged, Minimum Execution Quantity, Stop

[99] See proposed Exchange Rule 11.6(l)(2), supra Section III.C.1.k.ii.

[100] See discussion of Order Type Instructions, supra Section III.C.1.

Limit, Destination Specified, Destination-on-Open instruction, Aggressive or Super Aggressive.[101]

Proposed Exchange Rule 11.8(b)(7) specifies that a marketable Limit Order would be eligible to be routed pursuant to proposed Exchange Rule 11.11, unless it was appended with a Post Only, Book Only or Pegged instruction.[102]

c. Intermarket Sweep Order

Current Exchange Rule 11.5(d)(1), specifies that the System accepts incoming ISOs (as such term is defined in Regulation NMS) and that to be eligible for treatment as an ISO, the order must be: (1) a Limit Order; (2) marked ISO; and (3) 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). The term would be relocated to proposed Exchange Rule 11.8(c), and amended to include additional language describing the operation of the order type and the order type instructions that may be attached thereto.

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101 A Limit Order that includes both a Post Only instruction and Non-Displayed Instruction will be rejected by the System. See proposed Exchange Rule 11.8(b)(4).

102 In the Notice, the Exchange provides order handling examples of Limit Orders with various order type instructions under various book conditions. See Notice, supra note 3, at 48839-41. See also Amendment No. 1, supra note 5, for a discussion regarding: (1) the Exchange joining the NBO; (2) Displayed limit orders with Post Only or Book Only instructions; (3) order handling examples that previously included the Single Re-Price instruction; (4) circumstances where, if the Exchange were to change its fee structure to a maker-taker pricing model, an order with a Post Only instruction would not remove liquidity from the EDGA Book because the value of the execution would not provide price improvement; and (5) revisions concerning orders with Routed and Returned Re-Pricing instructions.

Proposed Exchange Rule 11.8(c) would continue to instruct Members that the Exchange relies on, and it is the Member's responsibility, to properly mark ISOs, to satisfy the compliance requirements of Regulation NMS.[103] The proposed Rule also specifies that a User entering an ISO with a Day instruction is representing that it has simultaneously routed one or more additional ISOs, 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.[104]

Proposed Exchange Rule 11.8(c)(4) would also specify that incoming ISOs may be submitted during the Pre-Opening Session, Regular Session, and Post-Closing Session. Proposed Exchange 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. The proposed Rule also sets forth that an incoming ISO with a Post Only and TIF instruction of GTT or Day, but without a Price Adjust or Hide Not Slide instruction, would be rejected if, marketable against a resting order with a Displayed instruction. Any unfilled portion of an ISO with a TIF instruction of GTT or Day would be posted at the ISO's limit price on the EDGA Book.

Proposed Exchange Rule 11.8(c) would specify that an ISO with a Post Only instruction and TIF instruction of GTT or Day may also be appended with Regulation NMS or Regulation SHO re-pricing instructions.

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103 See Notice, supra note 3, at 48841.

104 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.

Proposed Exchange Rule 11.8(c)(7) would permit a User to attach an instruction to an outbound ISO in order to permit that ISO to be immediately routed to an away Trading Center.[105] However, pursuant to proposed Exchange Rule 11.11, inbound ISOs would not be eligible for routing under any circumstances.

d. MidPoint Peg Order

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 term would be relocated to proposed Exchange Rule 11.8(d), and amended to include additional language describing the operation of the order type and the order type instructions that may be attached thereto. The MidPoint Peg Order definition would be amended to specify that it could be a Market Order or a Limit Order, as well as to indicate that 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, but when its limit price is less aggressive than the midpoint of the NBBO, it may only execute at its limit price or better. Where its limit price is equal to or more aggressive than the midpoint of the NBBO, a MidPoint Peg Order will be ranked at the midpoint of the NBBO, but it will be ranked at its limit price where its limit price is less aggressive than the midpoint of the NBBO.[106] The proposed rule would also set forth that notwithstanding the co-designation as a Market or Limit Order, the operation of the MidPoint Peg Order would be governed by proposed Exchange Rule 11.8(d).

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105 This Directed Intermarket Sweep Order functionality is currently provided pursuant to Exchange Rule 11.5(d)(2). See Notice, supra note 3, at 48841.

106 See Notice, supra note 3, at 48842.

Proposed Exchange Rule 11.8(d)(1) would also specify that a MidPoint Peg Order could be appended with a TIF instruction of Day, FOK, IOC, or GTT. Proposed Exchange Rule 11.8(d)(2) specifies that a MidPoint Peg Order could include a Minimum Execution Quantity instruction. Proposed Exchange Rule 11.8(d)(3) specifies that MidPoint Peg Orders would default to a Non-Displayed instruction and are not eligible to include a Displayed instruction. Proposed Exchange Rule 11.8(d)(5) specifies that, pursuant to proposed Exchange Rule 11.11, MidPoint Peg Orders are ineligible for routing unless routed utilizing the RMPT[107] routing strategy as defined in renumbered Rule 11.11(g)(20).

Pursuant to the proposed rule, MidPoint Peg Orders may only be executed during the Regular Session, and any unexecuted portion of a resting MidPoint Peg Order with a Day or GTT instruction would receive a new time stamp each time it is re-priced in response to changes to the midpoint of the NBBO. However, an incoming or resting MidPoint Peg Order would be ineligible for execution if there was a Locking Quotation or Crossing Quotation. The ability of the resting or incoming MidPoint Peg Order to execute would resume when the locked/crossed condition was resolved and a new midpoint relative to the NBBO was established. Similarly, MidPoint Peg Orders would be ineligible to execute at a price below the Lower Price Band or above the Upper Price Band. Pursuant to proposed Exchange Rule 11.9, all MidPoint Peg Orders would retain their comparative priority based upon order's initial receipt and ranking.

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107 RMPT is a routing option under which a MidPoint Peg Order checks the System for available shares and any remaining shares are then sent to destinations on the System routing table that support midpoint eligible orders. If any shares remain unexecuted after routing, they are posted on the EDGA book as a MidPoint Peg Order, unless otherwise instructed by the User. See proposed Exchange Rule 11.11(g)(20), which is being relocated from current Exchange Rule 11.9(b)(2)(t).

e. MidPoint Discretionary Order

Exchange Rule 11.5(c)(17) currently defines a MidPoint Discretionary Order ("MDO").[108] The term would be relocated to proposed Exchange Rule 11(e) and reformatted, without substantive amendment. The MDO would continue to be defined in a manner similar to its current definition – an 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. The MDO definition would be amended to specify that it is a Limit Order, as well as to indicate that a MDO's displayed price and discretionary range are bound by its limit price. A MDO 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 MDOs are derived from the NBB or NBO, and cannot independently establish the NBB or NBO. The proposed rule would specify that notwithstanding its co-designation as a Market Order or Limit Order, the operation and available modifiers of an MDO would be governed by and limited to Exchange Rule 11.8(e).[109]

Proposed Exchange Rule 11.8(e)(1) would also specify that an MDO could be appended with a TIF instruction of Day or GTT. Proposed Exchange Rule 11.8(e)(2) would also specify that an MDO may be entered as a Round Lot or Mixed Lot only. A new time stamp is created for a MDO each time its displayed price is automatically adjusted based on a change in the NBB or NBO, respectively. Proposed Exchange Rule 11.8(e)(4) would specify that, pursuant to proposed Exchange Rule 11.11, MidPoint Peg Orders are ineligible for routing.

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108 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).

109 See Amendment No. 1, supra note 5.

Pursuant to the proposed rule, MDOs may only be submitted during the Regular Trading Hours. When the EDGA Book is locked or crossed by another market, an MDO will be eligible to join the Exchange BBO when the Exchange BBO equals the NBBO. If an MDO displayed on the Exchange would create a Locking Quotation or Crossing Quotation, the price of the order will be automatically adjusted by the System by one MPV with no discretion to execute to the midpoint of the NBBO. Similarly, MDOs would only execute at their displayed prices and not within their discretionary ranges when: (1) the price of the Upper Price Band equals or moves below an existing Protected Bid; or (2) the price of the Lower Price Band equals or moves above an existing Protected Offer.

f. NBBO Offset Peg Order

Exchange Rule 11.5(c)(15) currently defines the NBBO Offset Peg Order. The term would be relocated to proposed Exchange Rule 11.8(f) and reformatted, without substantive amendment. 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[110] away from the current NBB/NBO for a buy/sell order, or if there is no NBB/NBO, at the Designated Percentage away from the last reported sale from the responsible single plan processor. The proposed rule would specify that notwithstanding its co-designation as a Limit Order, the operation of an NBBO Offset Peg Order would be governed by proposed Exchange Rule 11.8(f).

The proposed rule also sets forth that the price of an NBBO Offset Peg Order bid or offer would automatically adjust to the Designated Percentage away from the current NBB/NBO; or if there is no current NBB/NBO, to the Designated Percentage away from the last reported sale

110 See proposed Exchange Rule 11.20(d)(2)(D).

from the responsible single plan processor, upon reaching the Defined Limit.[111] The proposed rule also sets forth that if an NBBO Offset Peg Order moves a specified number of percentage points away from the Designated Percentage toward the current NBB/NBO, the price of such bid/offer would automatically adjust the Designated Percentage away from the current NBB/NBO; or if there is no current NBB/NBO, the order would automatically adjust to the Designated Percentage away from the last reported sale from the responsible single plan processor. Pursuant to the proposed rule, cancellation or rejection would result if the order exceeded its limit price due to an NBBO Offset Peg Order being priced at the Designated Percentage away from the current NBB/NBO; or, if there is no current NBB/NBO, to the Designated Percentage away from the last reported sale from the responsible single plan processor. As proposed, the absence of a current NBB/NBO and last sale reported by the responsible single plan processor would also cause the order to be cancelled or rejected.

Under the proposed rule, if a resident NBBO Offset Peg Order was priced based on the last sale reported by the responsible single plan processor and such NBBO Offset Peg Order is established as the NBB/NBO, the NBBO Offset Peg Order would not adjust until either new last sale reported by the responsible single plan processor, or a new NBB/NBO was established by a national securities exchange. However, if a Crossing Quotation existed, the NBBO Peg Offset Order would automatically price at the Designated Percentage[112] (away from the current NBO/NBB for a buy/sell order).

The proposed rule sets forth that NBBO Offset Peg Orders may only include a TIF instruction of Day; may only be Round Lots or Mixed Lots; are defaulted by the System to a Displayed instruction and are not eligible to include a Non-Displayed instruction; and may be

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[111] See proposed Exchange Rule 11.20(d)(2)(F).

[112] See proposed Exchange Rule 11.20(d)(2)(D).

submitted at the beginning of the Pre-Opening Session, but 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. In addition the rule sets forth that NBBO Offset Peg Orders would receive a new time stamp each time it re-prices in response to changes in the NBB, NBO, or last reported sale; would be ineligible for routing pursuant to proposed Exchange Rule 11.11; and would expire at the end of the Regular Session. Finally, pursuant to Exchange Rule 11.20(d), irrespective of the NBBO Offset Peg Order, and consistent with its obligations, Market Makers would continue to be responsible for entering, monitoring, and re-submitting, as applicable, quotations.

g. Route Peg Order

Exchange Rule 11.5(c)(14) currently defines the term Route Peg Order. The term would be relocated to proposed Exchange Rule 11.8(g) and reformatted to conform to other rule changes, without substantive amendment. The Route Peg Order is a passive, resting order that does not remove liquidity or execute at a price inferior to a Protected Quotation. 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. The proposed rule would specify that notwithstanding its co-designation as a Limit Order, the operation of a Route Offset Peg Order would be governed by proposed Exchange Rule 11.8(g).

The proposed rule would also set forth that Route Peg Orders may only have a TIF instruction of GTT or Day and would be ineligible to include a TIF instruction of IOC or FOK; may only be Round Lots or Mixed Lots; would default to, and could be appended with a Non-

Displayed instruction; but not with the Displayed instruction. In addition, the proposed rule sets forth that the Route Peg Order could include a Minimum Execution Quantity but is ineligible for routing pursuant to proposed Exchange Rule 11.11.

The proposed rule also set forth that Route Peg Orders may be entered, cancelled, and cancelled/replaced prior to and during the Regular Session and all unexecuted portions thereof are cancelled at the end of the Regular Session. Route Peg Orders would only be eligible for execution in a given security during the Regular Session, except during the Opening Session and until orders in a given security can be posted on the EDGA Book during the Regular Session. Route Peg Orders would also be ineligible for execution if a Locking Quotation or Crossing Quotation existed; however the ability of the Route Peg Order to execute would resume once the locked/crossed condition was cleared.

D. Execution Priority of Orders

1. Priority - Proposed Exchange Rule 11.9

Current Exchange Rule 11.8 sets forth the priority of order executions. The Exchange proposes to relocate the provision to proposed Exchange Rule 11.9 and to amend it to codify and state the following: (1) the priority of orders at certain price points; (2) the priority of Limit Orders with a Reserve Quantity; and (3) certain other conforming and clarifying changes. The Exchange states that its proposed amendments outline current System functionality in the Exchange's Rules.

Under Exchange 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 Exchange Rule 11.9 to specify how orders with certain order type instructions are ranked by the System.[113] The Exchange also proposes to provide that, for purposes of priority under Exchange Rule 11.9(a)(2)(A): (1) an ISO,[114] the displayed price of a MidPoint Discretionary Order,[115] and NBBO Offset Peg Orders[116] are to be treated as Limit Orders;[117] and (2) orders subject to a re-pricing instruction to comply with Rule 201 of Regulation SHO under proposed Exchange Rule 11.6(l)(2), including Market Orders that are displayed on the EDGA Book pursuant to proposed Exchange Rule 11.8(a)(4) and proposed Exchange Rule 11.10(a)(3)(A), maintain the same priority as Limit Orders at that price.

2. General Priority

Current Exchange Rule 11.8(a)(2) states, in sum, that the System shall execute equally priced trading interest in time priority in the following order: (1) Displayed size of limit orders; (2) Non-displayed limit orders and reserve orders; (3) Discretionary ranges of Discretionary Orders and of Mid-Point Discretionary Orders as set forth in current Exchange Rules 11.5(c)(13) and (c)(17), respectively; and (4) Route Peg Orders as set forth in current Exchange Rule 11.5(c)(14). 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.[118] As amended, proposed Exchange Rule 11.9(a)(2)(A) would state that the System will execute equally priced trading interest within the System other than where

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113 For purposes of priority under proposed Exchange 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.

114 See proposed Exchange Rule 11.8(c), discussed above in Section III.C.2.c.

115 See proposed Exchange Rule 11.8(e), discussed above in Section III.C.2.e.

116 See proposed Exchange Rule 11.8(f), discussed above in Section III.C.2.f.

117 See proposed Exchange Rule 11.8(b), discussed above in Section III.C.2.b.

118 The Exchange also proposes to amend the description of order types under proposed Exchange Rules 11.9(a)(2)(A)(i)-(iv) to be consistent with proposed Exchange Rule 11.8, Order Types.

orders are re-ranked at the Locking Price after a Locking Quotation clears in time priority in the following order: (1) the portion of a Limit Order with a Displayed instruction; (2) Limit Orders with a Non-Displayed instruction, the Reserve Quantity of Limit Orders and MidPoint Peg Orders;[119] (3) MidPoint Discretionary Orders executed within their Discretionary Range and Limit Orders executed within their Discretionary Range; and (4) Route Peg Orders.[120]

3. Orders Re-Ranked upon Clearance of a Locking Quotation

The Exchange also proposes to outline a priority of orders for orders that utilize instructions that result in their being re-ranked upon clearance of a Locking Quotation. In such case, the System re-ranks and displays such orders at the Locking Price. The Exchange proposes to include proposed Exchange Rule 11.9(a)(2)(B), which would state that, where 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: (1) ISO with a TIF instruction of Day that establishes a new NBBO at the Locked Price; (2) Limit Orders to which the Hide Not Slide or Routed and Returned Re-Pricing instruction has been applied; (3) Limit Orders to which the Price Adjust instruction has been applied; and (4) orders with a Pegged instruction.[121] Orders not executed and remaining on the EDGA Book after being re-ranked

119 See Amendment No. 1, supra note 5. See also Amendment No. 2, supra note 6. The Exchange noted that MidPoint Peg Orders are covered by Rule 11.8(a)(2) category as "non-displayed limit orders", and their priority is not changing. Id. However, the Exchange believes that identifying MidPoint Peg Orders in proposed Rule 11.9(a)(2)(A) will eliminate any potential confusion. Id.

120 See proposed Exchange Rule 11.9(a)(2)(A). See also Notice, supra note 3, at48844 for an example illustrating the operation of these priority provisions.

121 See proposed Exchange Rule 11.9(a)(2)(B). See also Notice, supra note 3, at 48844-45 for an example with two scenarios illustrating the operation of priority for orders re-ranked upon clearance of a locking quotation. See also Amendment No. 1, supra note 5, which, in the example, replaces the order with a Single Re-Price instruction with an order with a Price Adjust instruction.

upon clearance of the Locking Quotation will be executed in time priority under proposed Exchange Rule 11.9(a)(2)(A) described above.

4. Reserve Quantity Priority

The Exchange proposes to amend Exchange 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 rules under proposed Exchange 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 Exchange 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 in Section III.C.1.l, proposed Exchange 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.[122]

The Commission finds that proposed Exchange Rule 11.9 relating to priority is consistent with Section 6(b)(5) of the Act,[123] in that 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. The proposed rule change codifies the order handling and execution

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122 See proposed Exchange Rule 11.9(a)(6). See also Notice, supra note 3, at 48845 for an example illustrating the operation of priority for an order with a Reserve Quantity.

123 15 U.S.C. 78f(b)(5).

priority of orders on the EDGA Book which in turn provides greater transparency for, and thereby benefit, Members, Users and the general investing public.

IV. Accelerated Approval

The Commission finds goods cause, pursuant to Section 19(b)(2) of the Exchange Act,[124] for approving the proposed rule change, as modified by Amendment Nos. 1 and 2 thereto, prior to the 30th day after publication of notice of the filing of Amendment Nos. 1 and 2 in the Federal Register. Amendment No. 1 removes proposed rule text relating to the Single Re-Price and Short Sale Single Re-Price pricing instructions to indicate that the Exchange will no longer offer such functionality; adds language to the Post Only instruction definition to provide that the highest possible rebate paid and the highest possible fee will be used to determine whether the order with a Post Only instruction will execute against orders on the EDGA Book upon arrival; adds rationale to the statutory basis section for suspending the discretion of an order with a Hide Not Slide instruction to execute at the Locking Price when a contra-side order that equals the Locking Price is displayed by the System on the EDGA Book in order to avoid an apparent violation of that contra-side displayed order's priority; adds further rationale for giving priority to Hide Not Slide orders upon the clearance of the Locking Price;[125] clarifies the operation of the Routed and Returned Re-Pricing instruction; and makes a series of non-substantive, corrective changes to the Notice and rule text, including the priority of MidPoint Peg Orders and the suspension of the ability of orders with a Hide Not Slide instruction to execute at the Locking Price due to a contra-side order that equals the Locking Price. According to the Exchange, Amendment No. 1 reflects the Exchange's efforts to simplify its proposal and streamline System functionality, thereby benefiting Members, Users and the investing public by making the rules

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124 15 U.S.C. 78s(b)(2).

125 See supra note 62 for a summary of the rationale.

and functionality easier to understand. In Amendment No. 2, the Exchange: (1) added rationale for the priority of MidPoint Peg Orders; (2) added rationale for the suspension of the ability of orders with a Hide Not Slide Instruction to execute at the Locking Price due to a contra-side order that equals the Locking Price. According to the Exchange, Amendment No. 2 adds additional justification for a change that was included in Amendment No. 1 and otherwise provides a corrective change.

Accordingly, the Commission does not believe that Amendment Nos. 1 and 2 raise any novel regulatory issues and therefore finds that good cause exists to approve the proposal, as modified by Amendment Nos. 1 and 2, on an accelerated basis.

V. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether Amendment Nos. 1 and 2 to 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 Brent J. Fields, 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]

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[126] that the proposed rule change (SR-EDGA-2014-20), as modified by Amendment Nos. 1 and 2, be, and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[127]

Kevin M. O'Neill
Deputy Secretary

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126 15 U.S.C. 78s(b)(2).

127 17 CFR 200.30-3(a)(12).