

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-64675; File No. SR-EDGA-2011-18)

June 15, 2011

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 3, 2011, the EDGA Exchange, Inc. (the "Exchange" or the "EDGA") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its fees and rebates applicable to Members<sup>3</sup> of the Exchange pursuant to EDGA Rule 15.1(a) and (c). All of the changes described herein are applicable to EDGA Members. The text of the proposed rule change is available on the Exchange's Internet website at <http://www.directedge.com>.

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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

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

Purpose

In SR-EDGA-2011-16,<sup>4</sup> the Exchange filed for immediate effectiveness a rule filing to amend Rule 11.9 to introduce three additional routing strategies to the rule. These routing strategies included ROBB and ROCO, which were added to Rules 11.9(b)(3)(c)(vi)-(vii), respectively, and SWPC, which was added to Rule 11.9(b)(3)(q).

ROBB/ROCO are routing options whereby orders check the System for available shares and then are sent to destinations on the System routing table. If shares remain unexecuted after routing, they are posted on the book, unless otherwise instructed by the User.<sup>5</sup> The difference between the latter two routing strategies lies in the difference in the System routing tables for the ROBB/ROCO strategies.

SWPC is a routing option under which an order checks the System for available shares and then is sent to only Protected Quotations and only for displayed size. To the extent that any portion of the order is unexecuted, the remainder is posted on the book at the order's limit price. The entire SWPC order will not be cancelled back to the User immediately if at the time of entry there is an insufficient share quantity in the SWPC order to fulfill the displayed size of all Protected Quotations. This routing option is similar to the strategies set forth in NASDAQ Rule

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<sup>4</sup> See SR-EDGA-2011-16 (May 5, 2011).

<sup>5</sup> As defined in Rule 1.5(cc).

4758(a)(1)(A)(vi) (“NASDAQ’s “MOPP” strategy) and BATS Exchange, Inc. Rule 11.13(a)(3)(D) (“Parallel T”).<sup>6</sup>

The Exchange proposes to add the ROBB and ROCO strategies to the description of Flag BY and assign it a rebate of \$0.0004 per share (i.e, routed to BATS BYX Exchange, removes liquidity) since they are additional strategies that route orders to the BATS BYX Exchange (“BYX”) for the purpose of removing liquidity.

In addition, the Exchange also proposes to add the ROCO routing strategy to the description of Flag MT and assign it a fee of \$0.00012 per share since it routes orders to EDGX Mid-Point Match (“MPM”).

Additionally, the Exchange proposes to add the SWPC routing strategy to Flag SW and assign it a fee of \$0.0031 per share for removal of liquidity from all market centers except from the New York Stock Exchange (NYSE). For any orders that use the SWPC strategy that remove liquidity from the NYSE, the Exchange will continue to assign them a Flag D and charge a fee of \$0.0023 per share. This is further clarified in footnote 8 to the EDGA fee schedule.

Finally, the Exchange proposes to add the ROOC routing strategy, as defined in EDGA Rule 11.9(b)(3)(n),<sup>7</sup> to the description of the RT flag so that the ROOC strategy yields the RT flag and is assessed a rate of \$0.0025 per share for any routed executions other than executions adding liquidity at the opening or closing sessions. In addition, the Exchange proposes to add

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<sup>6</sup> See, e.g., NASDAQ Rule 4758, BATS Rule 11.13(a)(3)(D).

<sup>7</sup> Rule 11.9(b)(3)(n) defines a ROOC as a routing option for orders that the entering firm wishes to designate for participation in the opening or closing process of a primary listing market (NYSE, Nasdaq, NYSE Amex, or NYSE Arca) if received before the opening/closing time of such market. If shares remain unexecuted after attempting to execute in the opening or closing process, they are either posted to the book, executed, or routed like a ROUT routing option, as defined in Rule 11.9(b)(3)(c).

clarifying language to footnote 10 of the fee schedule to clarify that footnote 10 only applies to the ROUT routing strategy and not to the ROOC routing strategy.

The Exchange proposes to implement these amendments to its fee schedule on June 6, 2011.

### Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Exchange Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>9</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities. The fee of \$0.0012 per share for the MT Flag for orders that are routing using the ROCO routing strategy represents a pass through of the EDGX fee for removing liquidity from MPM, as indicated in the EDGX fee schedule for Flag MT. The \$0.0012 per share is competitive and superior to comparable exchange standard removal rates of \$0.0030 per share (Nasdaq), \$0.0030 per share (NYSE Arca), \$0.0023 per share (NYSE), and \$0.0028 per share (BATS BZX). The fee is also equitable as it is competitive with other fees assessed for similar routing strategies to ROCO that access low cost destinations, such as ROUZ, as defined in Rule 11.9(b)(3)(c)(v) (yields Flag Z , \$0.0010 per share) and ROUD/ROUE, as defined in Rules 11.9(b)(3)(b) and 11.9(b)(3)(c)(i) (Flag T, \$0.0012 per share). The Exchange believes that the proposed fee is non-discriminatory in that it applies uniformly to all Members.

The Exchange believes that the rebate of \$0.0004 per share for routing to BYX and removing liquidity using routing strategies ROBB/ROCO is an equitable allocation of reasonable

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<sup>8</sup> 15 U.S.C. 78f.

<sup>9</sup> 15 U.S.C. 78f(b)(4).

dues, fees, and other charges among its members and other person using its facilities. When EDGA routes to BYX and removes liquidity, BYX rebates EDGA \$0.0003 per share. If a member uses EDGA to route to BYX using one of the listed routing strategies (including ROBB/ROCO, as proposed), EDGA provides a \$0.0001 discount per share. The Exchange believes that this discounted rate would incentivize Members to first route through EDGA to reach BYX and would thereby increase liquidity on EDGA. This type of rate is also similar to other rates that EDGA charges, such as “one-under” pricing for routing to Nasdaq using the INET routing strategy and is consistent with the processing of similar routing strategies by EDGA’s competitors.<sup>10</sup> The Exchange believes that the proposed rebate is non-discriminatory in that it applies uniformly to all Members.

The fee of \$0.0031 per share for the SWPC routing strategy is an equitable allocation of reasonable dues, fees, and other charges in that the SWPC routing strategy is limited in its interaction with other Member orders as it only executes to the extent a Member order is at the Protected Quotation. As a result, compared to other routing strategies that always sweep the EDGA book before routing out, such as ROBA (fee of \$0.0025 per share), the SWPC fee is higher. Secondly, the fee is equitable when compared to other similar type strategies of EDGA’s competitors. As noted in SR-EDGA-2011-16 (May 5, 2011), the SWPC routing strategy is based on Nasdaq’s MOPP strategy and BATS BZX/BYX Exchange Parallel T routing strategy.<sup>11</sup> Specifically, Nasdaq charges \$0.0035 per share for the MOPP strategy and BATS charges

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<sup>10</sup> See footnote 7 of the EDGA fee schedule. See also BATS BZX fee schedule: Discounted Destination Specific Routing (“One Under”) to NYSE, NYSE ARCA and NASDAQ. See Securities Exchange Act Release No. 62858, 75 FR 55838 (September 14, 2010) (SR-BATS-2010-023) (modifying the BATS fee schedule in order to amend the fees for its BATS + NYSE Arca destination specific routing option to continue to offer a “one under” pricing model).

<sup>11</sup> See, e.g., NASDAQ Rule 4758 and BATS Rule 11.13.

\$0.0033 per share for the Parallel T strategy. EDGA's rate is even more competitive than these. Finally, the SWPC routing strategy is similar in functionality to SWPA/SWPB, both of which are charged \$0.0031 per share.<sup>12</sup> The lower fee charged for removing liquidity from the NYSE (\$0.0023 per share) is consistent with the processing of similar routing strategies by EDGA's competitors. Secondly, of the major market centers, the NYSE fees for removing liquidity itself are lower, and EDGA is thus able to pass back such lower rates to its Members.

The Exchange believes that assessing a fee of \$0.0025 per share for Members using the ROOC routing strategy, as defined in EDGA Rule 11.9(b)(3)(n), for any routed executions other than executions adding liquidity at the opening or closing sessions of primary listing markets, is an equitable allocation of reasonable dues, fees, and other charges among its members and other person using its facilities. The rate represents a flat, low cost routing rate for EDGA members. The flat-rate provides simplicity for customers instead of passing through the actual rates that EDGA receives from various destinations on its schedule. This type of rate is similar to other rates that EDGA charges, such as the flat rates for the ROUT routing strategy (yielding Flag RT and priced at \$.0025 per share) and for Flag 7 executions (\$0.0027 per share). In this rate, EDGA takes into account the rates that it is charged or rebated when routing to other destinations. It is also consistent with the processing of similar routing strategies by EDGA's competitors, such as Nasdaq's DOTM routing strategy<sup>13</sup> for which Nasdaq charges \$0.0030 per share.

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<sup>12</sup> See Securities Exchange Act Release No. 63820, 76 FR 7608 (February 10, 2011) (SR-EDGA-2011-02).

<sup>13</sup> Nasdaq's DOTM routing strategy posts on a primary listing market for the open and then acts like Nasdaq's STGY routing strategy for the rest of the trading session. See NASDAQ Rule 4758. [sic]

The rate is also equitable in that for any routed executions other than adding liquidity at the opening or closing sessions of primary listing markets, the ROOC routing strategy acts like an ROUT routing strategy, as defined in Rule 11.9(b)(3)(c). As a result, it is assessed an identical fee to the ROUT routing strategy. The Exchange believes that the proposed rebate is non-discriminatory in that it applies uniformly to all Members.

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

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

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

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3) [sic] of the Act<sup>14</sup> and Rule 19b-4(f)(2)<sup>15</sup> thereunder. At any time within 60 days of the filing of such

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### IV. Solicitation of Comments

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

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an E-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-EDGA-2011-18 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-EDGA-2011-18 This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be

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<sup>15</sup> 17 CFR 19b-4(f)(2).



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-2011-18 and should be submitted on or before [insert date 21 days after publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>16</sup>

Cathy H. Ahn  
Deputy Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).