SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-66762; File No. SR-EDGX-2012-12)

April 6, 2012

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on March 30, 2012 the EDGX Exchange, Inc. (the "Exchange" or the "EDGX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its fees and rebates applicable to Members[3] of the Exchange pursuant to EDGX Rule 15.1(a) and (c). All of the changes described herein are applicable to EDGX Members. The text of the proposed rule change is available on the Exchange's Internet website at http://www.directedge.com, at the Exchange's principal office, and at the Public Reference Room of the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and 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

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

2 17 CFR 240.19b-4.

3 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to make a technical amendment to the description of the Mega and Mini Tape B Tiers in footnote 1 to clarify that these rebates ($0.0034 per share and $0.0030 per share, respectively) are provided for liquidity added on EDGX in Tape B Securities only.

Flag E represents a customer internalization[4] charge per side if a Member inadvertently matches with itself. In order to provide additional transparency to Members, Flag E is proposed to be bifurcated into two flags and re-named to state "Internalization" instead of "Customer Internalization": Flag EA (internalization on the adding liquidity side) and Flag ER (internalization on the removing liquidity side). No change is proposed to the standard rate of $0.00035 per share. A conforming amendment is proposed to be made to the first sentence of footnote 11 to make clear that either Flag EA or ER could be yielded for internalization. In addition, the last sentence of footnote 11 on the fee schedule provides that "if a Member internalizes more than 4% of their ADV on EDGX (added, removed, and routed liquidity) and the Member, at a minimum, meets the criteria for the Mega Tier rebate of $0.0032 per share in footnote 1, then the Member's receives a rebate of $0.00015 per share." This tier is proposed to be amended to state that in the latter situation, a Member would receive the applicable rebate in

[4] This occurs when two orders presented to the Exchange from the same Member (i.e., MPID) are presented separately and not in a paired manner, but nonetheless inadvertently match with one another. Members are advised to consult Rule 12.2 respecting fictitious trading.

footnote 1 of the fee schedule for adding liquidity or would be charged the applicable removal rate in footnote 1 or 12. This enables the Member to ascertain if they are on the "adding liquidity side" or "removing liquidity side" for purposes of internalization

The Exchange proposes to add footnote 13 to its fee schedule to establish a new Investor Tier under which a Member can qualify for a rebate of $0.0030 per share if they meet the following criteria: (i) on a daily basis, measured monthly, posts an ADV of at least 8 million shares on EDGX, where added flags are defined as B, HA, V, Y, MM, 3, or 4 (ii) have an "added liquidity" to "removed liquidity" ratio of at least 70% where added flags are defined as B, HA, V, Y, MM, 3, or 4[5] and removal flags are defined as MT, N, W, PI, or 6; and (iii) have a message- to- trade ratio of less than 4:1. The Exchange notes that the message-to-trade ratio is calculated by including total messages as the numerator (orders, cancels, and cancel/replace messages) and dividing it by total executions.[6] The Exchange also notes that any cancel/replace message, regardless of whether it is a partial cancel, is considered a new order.

The Exchange proposes to amend the description of Flag K in reference to orders routed to the PSX to include the ROUE[7] routing strategy in addition to the ROUC routing strategy. The Exchange proposes to continue to assess a charge of $0.0025 per share.

Similarly, the Exchange proposes to amend the description of Flag BY in reference to orders routed to the BATS BYX Exchange to include the ROUE routing strategy in addition to

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5 The Exchange notes that the vast majority of posted liquidity is displayed liquidity (Flags B, V, Y, 3, or 4) and the volume posted from hidden liquidity (Flags HA and MM) is incidental.

6 The Exchange notes that it counts only the first partial or complete execution resulting from an order if it is filled in parts. So, if a 1,000 share order results in three partial executions of 400 shares, 300 shares, and 300 shares, it counts only the first execution of 400 shares toward the denominator. Thus, the Exchange counts all fills against an order as one trade for purposes of "total executions."

7 See Exchange Rule 11.9(b)(3).

the ROUC and ROBY routing strategies. The Exchange proposes to continue to offer a rebate of $0.0002 per share.

The Exchange proposes to make technical amendments to the fee schedule to: (i) substitute the phrase "are defined as" for "include" in footnote 12; (ii) replace Flag H with Flag HA in footnote 12 since Flag HA replaced Flag H effective March 1, 2012;[8] and (iii) remove the word "customer" in the description of Flags 5 and footnote 11 so that it now would read "Internalization."

The Exchange proposes to implement these amendments to its fee schedule on April 1, 2012.

2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,[9] in general, and furthers the objectives of Section 6(b)(4),[10] in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities.

The Exchange believes that the proposed technical amendment to the Mini and Mega Tape B Tiers adds additional transparency to its fee schedule for investors as it clarifies that the tiered rate is only applicable as to Tape B securities. The Exchange believes that the proposed technical amendment to delete Flag E and replace it with Flags EA and ER promotes market transparency and improves investor protection by adding additional transparency to its fee schedule by more precisely delineating for Members whether they are "adders of liquidity" or

8 See Securities Exchange Act Release No. 66558 (March 9, 2012), 77 FR 15432 (March 15, 2012) (SR-EDGX-2012-06).

9 15 U.S.C. 78f.

10 15 U.S.C. 78f(b)(4).

"removers of liquidity" for purposes of paying the internalization fee. The Exchange also believes that the proposal is non-discriminatory because it applies to all Members.

Finally, the internalization rebate is equitable in that it is in line with the EDGX fee structure[11] which currently has a maker/taker spread of $0.0006 per share (the standard rebate to add liquidity on EDGX is $0.0023 per share, while the standard fee to remove liquidity is $0.0029 per share). EDGX also has a variety of tiered rebates ranging from $0.0023- $0.0034 per share, which makes its maker/taker spreads range from $.0006 (standard add – standard removal rate), -$.0001 (standard removal rate -Super Tier rebate), -$0.0002, (standard removal rate – Ultra Tier rebate), -$0.0003 (standard removal rate - Mega Tier rebate of $0.0032), and -$.0005 (standard removal rate - Mega Tier rebate of $0.0034 per share). As a result of the internalization rebate, Members who internalized and met the criteria to satisfy the Mega Tier and the volume threshold of 4% of their ADV on EDGX would be rebated $0.00032 per share per side of an execution (the applicable rebate in footnote 1 for adding liquidity) and be charged $0.0029 per share per side (the applicable removal rate in footnote 1, in this case). This make the total net rebate equal $0.0003 per share, which would be an internalization rate that is no more favorable the prevailing maker/taker spread by satisfying the Mega Tier rebate of $0.0032 ($-0.0003).

The Exchange believes that the Investor Tier is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities as it rewards Members with order flow characteristics that contribute meaningfully to price discovery on the Exchange. In other words, Members that primarily post liquidity and

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11 In SR-EDGX-2011-13 (April 29, 2011), the Exchange represented that it "will work promptly to ensure that the internalization fee is no more favorable than each prevailing maker/taker spread."

provide longer duration orders are more valuable Members to the Exchange and the marketplace in terms of liquidity provision. The EDGX Investor Tier also encourages Members to primarily add liquidity in order to satisfy the "added liquidity" to "removed liquidity" ratio of at least 70%. Such increased volume increases potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of higher rebates. The increased liquidity also benefits all investors by deepening EDGX's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Volume-based rebates such as the ones proposed herein have been widely adopted in the cash equities markets, and are equitable because they are open to all Members on an equal basis and provide discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes.

In addition, the rebate is also reasonable in that other exchanges likewise employ similar pricing mechanisms. For example, NASDAQ[12] and NYSE Arca[13] offer investor support

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12 See NASDAQ Rule 7014. Similarly, NASDAQ established an Investor Support Program ("ISP") targeting retail and institutional investor orders where firms receive a higher rebate if they meet all of the following criteria: 1) Add at least 10 million shares of liquidity per day via ISP-designated ports; 2) Maintain a ratio of orders-to-orders executed of less than 10 to 1 (counting only liquidity-providing orders and excluding certain order types) on ISP-designated ports; 3) Exceed the firm's August 2010/2011 "baseline" volume of liquidity added across all the firm's ports. For a detailed description of the Investor Support Program as originally implemented, see Securities Exchange Act Release No. 63270 (November 8, 2010), 75 FR 69489 (November 12, 2010) (NASDAQ-2010-141) (notice of filing and immediate effectiveness) (the "ISP Filing"). See also Securities Exchange Act Release Nos. 63414 (December 2, 2010), 75

programs and investor tiers, respectively. Such programs reward liquidity provision attributes, encourage price discovery and market transparency by encouraging growth in liquidity over a defined baseline, and encourage a low cancellation rate on liquidity-providing orders. EDGX's Investor Tier is similar to NASDAQ's/NYSE Arca's programs in they both encourage efficient liquidity provision. It is similar to NASDAQ's Investor Support Program in that for NASDAQ members to qualify, among a firm's liquidity-providing orders, it must maintain a ratio of "orders" to "orders executed" of less than ten to one (i.e., at least one out of every ten liquidity-providing orders submitted must be executed rather than cancelled). Similarly, NYSE Arca's investor tiers require its members to maintain a ratio of cancelled orders to total orders of less than 30% and maintain a ratio of executed liquidity adding volume to total volume of greater than 80%, among other criteria. EDGX's Investor Tier is similar to NYSE Arca's investor tiers in that like NYSE Arca's investor tiers, the Exchange's goal is incentivize Members to maintain

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FR 76505 (December 8, 2010) (NASDAQ-2010-153) (notice of filing and immediate effectiveness); 63628 (January 3, 2011), 76 FR 1201 (January 7, 2011) (NASDAQ-2010-154) (notice of filing and immediate effectiveness); 63891 (February 11, 2011), 76 FR 9384 (February 17, 2011) (NASDAQ-2011-022) (notice of filing and immediate effectiveness); and 64050 (March 8, 2011), 76 FR 13694 March 14, 2011) (SR-NASDAQ-2011-034). See also Securities Exchange Act Release No. 65717 (November 9, 2011), 76 FR 70784 (November 15, 2011) (SR-NASDAQ-2011-150).

[13] NYSE Arca also implemented investor tiers where they allow Members to earn a credit of $ 0.0032 per share for executed orders that provide liquidity to the Book for Tape A, Tape B and Tape C securities when they meet all of the following criteria on a monthly basis: 1) Maintain a ratio of cancelled orders to total orders of less than 30%; 2) Maintain a ratio of executed liquidity adding volume to total volume of greater than 80%; and 3) Firms must add liquidity that represents 0.45% or more of the total US average daily consolidated share volume ("ADV") per month (volume on days when the market closes early is excluded from the calculation of ADV). See Securities Exchange Act Release No. 64593 (June 3, 2011), 76 FR 33380 (June 8, 2011) (SR-NYSEArca-2011-34); Securities Exchange Act Release No. 66115 (January 6, 2012), 77 FR 1969 (January 12, 2012) (SR-NYSEArca-2011-101) (notice of filing and immediate effectiveness of a proposed rule change replacing numerical thresholds with percentage thresholds for the Investor Tiers' volume requirements). See also Securities Exchange Act Release No. 66378 (February 10, 2012), 77 FR 9278 (February 16, 2012) (SR-NYSEArca-2012-13).

low cancellation rates and provide liquidity that supports the quality of price discovery and promotes market transparency. In addition, similar to the investor tiers of NYSE Arca, EDGX's Investor Tier "reward[s] providers whose orders stay on the [b]ook and do not rapidly cancel a large portion of their orders placed, which makes the price discovery process more efficient and results in higher fill rates, greater depth and lower volatility. It serves to encourage Members to post orders that are more likely to be executed."[14]

The Exchange proposes to amend the description of Flag K in reference to orders routed to the PSX to include the ROUE routing strategy in addition to the ROUC routing strategy. The Exchange proposes to continue to assess a charge of $0.0025 per share. The Exchange believes that by including the ROUE routing strategy in the description of Flag K, the Exchange is providing additional transparency to the fee schedule by broadening that flag's applicability to several routing strategies. This encourages Members to utilize the Exchange to route to various destinations, which results in a lower overall routed rate for Members and allows the Exchange to pass on the savings it receives to the Exchange's Members. The Exchange believes that the proposed rebate is non-discriminatory in that it applies uniformly to all Members.

Similarly, the Exchange proposes to amend the description of Flag BY in reference to orders routed to the BATS BYX Exchange to include the ROUE routing strategy in addition to the ROUC and ROBY routing strategies. The Exchange proposes to continue to offer a rebate of $0.0002 per share. The Exchange believes that by including the ROUE routing strategy in the description of Flag BY the Exchange is providing additional transparency to the fee schedule by broadening that flag's applicability to several routing strategies. This encourages Members to utilize the Exchange to route to various destinations, which results in a lower overall routed rate

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14 See Securities Exchange Act Release No. 64593 (June 3, 2011), 76 FR 33380 (June 8, 2011) (SR-NYSEArca-2011-34).

for Members and allows the Exchange to pass on the savings it receives to the Exchange's Members. 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 and non-discriminatory 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) of the Act[15] and Rule 19b-4(f)(2)[16] thereunder. At any time within 60 days of the filing of such proposed rule

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

[16] 17 CFR 19b-4(f)(2) [sic].

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

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-EDGX-2012-12 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-EDGX-2012-12. 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-EDGX-2012-12 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[17]

Kevin M. O'Neill
Deputy Secretary

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