SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69042; File No. SR-EDGX-2013-10)

March 5, 2013

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 February 28, 2013, EDGX Exchange, Inc. (the "Exchange" or "EDGX") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of 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 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

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

2 17 CFR 240.19b-4.

3 As defined in Exchange Rule 1.5(n).

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

Securities Priced below $1.00

The Exchange's default[4] rates for securities priced below $1.00 that add, remove or route liquidity are listed on the Exchange's fee schedule. Under "Liquidity Flags and Associated Fees," the Exchange proposes to modify the title of the existing column from "Fee/(Rebate)" to "Fee/(Rebate) Securities at or above $1.00." The Exchanges also proposes to insert a column titled "Fee/(Rebate) Securities below $1.00" to list the rate that corresponds to each liquidity flag for securities priced below $1.00 in order to increase the transparency of the Exchange's fee schedule, as described in greater detail below. In addition, the Exchange proposes to delete the text under "Liquidity Flags and Associated Fees" that states "unless otherwise noted, the following rebates and fees apply to orders in securities priced $1 and over" because this text is no longer accurate given the Exchange's proposed changes.

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4 Where "default" refers to the standard rate that the Exchange charges its Members for orders that add, remove, or route liquidity from the Exchange absent Members qualifying for additional volume tiered pricing. The Exchange maintains default rates for securities at or above $1.00 and securities priced below $1.00 for orders that add, remove, and route liquidity. The Exchange notes that a Member may qualify for a higher rebate if the Member satisfies the volume tier requirements outlined in Footnotes 1, 2, 6, 11 and 13 of the fee schedule for securities priced at or above $1.00. The Exchange notes that the volume from securities priced below $1.00 contributes toward volume tiered requirements for securities priced at or above $1.00 as outlined in Footnotes 1, 2, 6, 11 and 13 of the fee schedule. Unless otherwise stated in the fee schedule, the Exchange does not offer volume tiered pricing for securities priced below $1.00.

The Exchange's fee schedule states that it offers Members the default rebate of $0.00003 per share for orders that add liquidity in securities priced below $1.00. The Exchange proposes to amend its fee schedule to list the rebate of $0.00003 in the column "Fee/(Rebate) Securities below $1.00" for Flags B, V, Y, 3, 4, HA, MM, RP, and ZA. The Exchange notes that this proposal does not modify the current rates it charges its Members for orders that yield Flags B, V, Y, 3, 4, HA, MM, RP, and ZA for securities priced below $1.00 that add liquidity to the Exchange.

The Exchange's fee schedule states that it charges Members the default rate of 0.30% of the dollar value of the transaction for orders that remove liquidity in securities priced below $1.00.[5] The Exchange proposes to amend its fee schedule to list the rate of 0.30% of the dollar value of the transaction in the column "Fee/(Rebate) Securities below $1.00" for Flags N, W, 6, BB, MT, PI, PR, and ZR. The Exchange notes that this proposal does not modify the current rates it charges its Members for orders that yield Flags N, W, 6, BB, MT, PI, PR, and ZR for securities priced below $1.00 that remove liquidity from the Exchange.

The Exchange's fee schedule states that it charges Members the default rate of 0.30% of the dollar value of the transaction for orders that route to away trading destinations in securities priced below $1.00. The Exchange proposes to amend its fee schedule to list the rate of 0.30% of the dollar value of the transaction in the column "Fee/(Rebate) Securities below $1.00" for Flags D, G, I, J, K, L, O, Q, R, S, T, U, X, Z, 2, 7, CL, RQ, RR, RT, RX, and SW. The Exchange notes that this proposal does not modify the current rates it charges its Members for orders that yield Flags D, G, I, J, K, L, O, Q, R, S, T, U, X, Z, 2, 7, CL, RQ, RR, RT, RX, and SW for securities priced below $1.00 that route to away trading destinations and remove

[5] This fee is consistent with the limitations of Regulation NMS, SEC Rule 610(c), for securities priced below $1.00.

liquidity. In addition, the Exchange proposes to amend the title of the routing liquidity category to "Routing and Removing Liquidity" in order to increase the transparency of the Exchange's fee schedule. Regarding the flags' descriptions contained on the fee schedule, the Exchange proposes to delete references to removing liquidity for Flags D, G, J, L, U, 2, RR, RT and RX because the Exchange's references to "route" imply that the flags route and remove liquidity. In addition, the Exchange proposes to make conforming changes to the description of Flag U in order to make the descriptions for all flags that route and remove liquidity consistent.

The Exchange's fee schedule does not clearly disclose its pricing for Members' orders that route to some away trading destinations[6] and add liquidity in securities priced below $1.00. The Exchange currently assesses no charge to Members for orders that route to these away trading destinations and add liquidity because these away trading destinations pass through no charge to Direct Edge ECN LLC (d/b/a DE Route) ("DE Route"), the Exchange's affiliated routing broker dealer, for adding liquidity in securities priced below $1.00. The Exchange proposes to amend its fee schedule to assess no charge for Flags A, F, M, 8, 9, 10, RA, RB, RS, RW, RY, and RZ. The Exchange notes that its proposal conforms to an existing practice and does not modify the rates that the Exchange has been charging its Members for orders that yield Flags A, F, M, 8, 9, 10, RA, RB, RS, RW, RY, and RZ for securities priced below $1.00 that route to away trading destinations and add liquidity. In addition, the Exchange proposes to make conforming changes to Flag M's description in order to make the descriptions for all flags that

[6] The Exchange currently assess no charge for Members' orders that route to the following away trading destinations and add liquidity: NYSE Arca, Inc. ("NYSE Arca"), New York Stock Exchange LLC ("NYSE"), The NASDAQ Stock Market LLC ("NASDAQ"), LavaFlow ECN, NASDAQ OMX BX, Inc.'s ("NASDAQ BX"), CBOE Stock Exchange, Inc. ("CBSX"), BATS Y-Exchange, Inc. ("BATS BYX"), BATS Exchange, Inc. ("BATS BZX"), EDGA Exchange, Inc. ("EDGA"), NASDAQ OMX PSX, Inc. ("NASDAQ PSX"), and NYSE MKT LLC (formerly NYSE Amex).

route to these away trading destinations and add liquidity consistent and to revise Flag 8 to replace the entity formerly known as NYSE Amex with NYSE MKT LLC.

The Exchange's fee schedule displays a rebate of $0.00003 per share as the default rate for Members orders that add liquidity and a charge of 0.30% of the dollar value of the transaction as the default rate for Members orders that remove liquidity for securities priced below $1.00. However, in practice, the Exchange assesses no charge for Members' orders that that yield Flag OO in securities priced below $1.00, which represents Member's orders that are matched at the "Direct Edge Opening" and either add or remove liquidity. The Exchange proposes to amend its fee schedule to assess no charge for Flag OO. The Exchange notes that its proposal conforms to an existing practice and does not modify the rate that the Exchange has been charging its Members for orders that yield Flag OO for securities priced below $1.00 that are matched at the Direct Edge Opening.

The Exchange's fee schedule does not clearly disclose its pricing for Members' orders that yield Flag RC in securities priced below $1.00. The Exchange currently assesses no charge for Members' orders that yield Flag RC, which route to the National Stock Exchange, Inc. (the "NSX") and add liquidity. The Exchange proposes to amend its fee schedule to assess no charge for Flag RC. The Exchange notes that its proposal conforms to an existing practice and does not modify the rate that the Exchange has been charging its Members for orders that yield Flag RC for securities priced below $1.00 that route to the NSX and add liquidity.

As provided in Footnote 3 of the fee schedule, the Exchange currently assesses a charge of 0.10% of the dollar value of the transaction for Members' orders that yield Flag C, which route to NASDAQ BX and remove liquidity in securities priced below $1.00. The Exchange proposes to amend its fee schedule to list a charge of 0.10% of the dollar value of the transaction in the column “Fee/(Rebate) Securities below $1.00” for Flag C. The Exchange notes that this proposal does not modify the current rate it charges its Members for orders that yield Flag C for securities priced below $1.00 that route to NASDAQ BX and add liquidity. In addition, the Exchange proposes to delete “removes liquidity” in Flag C’s description because the Exchange’s reference to “routed” implies that Flag C routes and removes liquidity. The Exchange proposes to delete the text of Footnote 3 and its associated annotations on the default rate for routing and removing liquidity at the top of the fee schedule in addition to Flags C, D, J, L, and 2 on the Exchange’s fee schedule because the Exchange proposes to list these rates in the column “Fee/(Rebate) Securities below $1.00” on the Exchange’s fee schedule. The Exchange proposes to insert “intentionally omitted” in Footnote 3 in place of the deleted text.

The Exchange notes that Footnote 10 on the fee schedule incorrectly lists a flat rate of $0.0010 per share for Members’ orders that yield Flag BY in securities priced below $1.00. However, in practice, the Exchange charges Members 0.10% of the dollar value of the transaction for Members’ orders that yield Flag BY, which routes to BATS BYX and removes liquidity using routing strategies ROUC, ROUE or ROBY.[7] This rate represents a pass through of the rate that BATS BYX charges DE Route. Accordingly, the Exchange proposes to amend its fee schedule to assess a charge of 0.10% of the dollar value of the transaction for Flag BY. The Exchange notes that its proposal conforms to an existing practice and does not modify the rate that the Exchange has been charging its Members for orders that yield Flag BY for securities priced below $1.00 that route to BATS BYX and remove liquidity using routing strategies ROUC, ROUE or ROBY. In addition, the Exchange proposes to delete the text of Footnote 10 and its associated annotation on Flag BY on the fee schedule because the Exchange proposes to

[7] As defined in Exchange Rule 11.9(b)(3).

list this rate in the column “Fee/(Rebate) Securities below $1.00.” The Exchange proposes to insert “intentionally omitted” in Footnote 10 in place of the deleted text. In addition, the Exchange proposes to delete “removes liquidity” in Flag BY’s description because the Exchange’s reference to “routed” implies that Flag BY routes and removes liquidity.

Customer internalization generally occurs when one Member presents two orders to the Exchange from the same Member Participant Identifier (“MPID”) separately, rather than in a paired manner, and the two orders inadvertently match with one another.[8] As provided in Footnote 11 of the fee schedule, the Exchange currently assesses a charge of 0.15% of the dollar value of the transaction per side for Members’ orders in securities priced below $1.00 that yield Flags 5, EA and ER, which are the flags associated with customer internalization. The Exchange proposes to amend its fee schedule to list the rate of 0.15% of the dollar value of the transaction per side in the column “Fee/(Rebate) Securities below $1.00” for Flags 5, EA and ER. The Exchange notes that this proposal does not modify the current rates charged for Members’ orders that yield Flags 5, EA and ER for securities priced below $1.00 that are associated with customer internalization. The Exchange also notes that the internalization fee is no more favorable than the prevailing maker/taker spread of 0.30% of the dollar value of the transaction.[9] In addition, the Exchange proposes to delete the text of Footnote 11 on the Exchange’s fee schedule that states, “for stocks priced below $1, the internalization rate is 0.15% of the dollar value of the transaction per share per side” because the Exchange proposes to list these rates in the column

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8 Members are advised to consult Exchange Rule 12.2 regarding fictitious trading.

9 See Securities Exchange Release No. 64452 (May 10, 2011), 76 FR 28110, 28111 (May 13, 2011) (SR-EDGX-2011-13), where the Exchange represented that it “will work promptly to ensure that the internalization fee is no more favorable than each prevailing maker/taker spread.”

"Fee/(Rebate) Securities below $1.00" on the Exchange's fee schedule because this text is no longer necessary given the Exchange's proposed changes.

Rate changes for Flag AA

The Exchange currently assesses no charge for Members' orders that yield Flag AA for securities priced at or above $1.00 at this time. The Exchange proposes to increase the rate it charges for Flag AA in securities priced at or above $1.00 from no charge to $0.0012 per share per side for Members' orders that inadvertently match with themselves at the Midpoint Match[10] in the same MPID. Therefore, the Exchange's proposed internalization fee will be no more favorable than the current spread of $0.0012 per share per side for Members' orders that add liquidity at the Midpoint Match and yield Flag MM and Members' orders that remove liquidity at the Midpoint Match and yield Flag MT. The Exchange notes that this proposed internalization fee will discourage Members from engaging in potential wash sales.

In conjunction with the Exchange's proposal to amend the rate for Members' orders that yield Flag AA in securities priced at or above $1.00 as described above, the Exchange proposes to amend the rate it charges Members for orders that yield Flag AA in securities priced below $1.00. The Exchange currently assesses no charge for Members' orders that inadvertently match with themselves at the Midpoint Match in the same MPID. The Exchange proposes to charge Members 0.15% of the dollar value of the transaction per side for securities priced below $1.00 so the internalization fee is no more favorable than the spread per side for Members' orders in securities priced below $1.00 that add liquidity at the Midpoint Match and yield Flag MM, and Members' orders that remove liquidity at the Midpoint Match and yield Flag MT.[11] The

10 As defined in Exchange Rule 11.5(c)(7).

11 The rate of 0.15% of the dollar value of the transaction per side is derived from calculating the spread between adding and removing liquidity in securities priced below

Exchange notes that this proposed internalization fee will discourage Members from engaging in potential wash sales.

The Exchange proposes to implement these amendments to its fee schedule on March 1, 2013.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,[12] in general, and furthers the objectives of Section 6(b)(4),[13] 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.

Securities Priced below $1.00

The Exchange believes that its proposal to revise its fee schedule to list the default rate that corresponds to each liquidity flag for securities priced below $1.00 that add liquidity on the Exchange's fee schedule represents an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. Specifically, for Members' orders that add liquidity, the Exchange proposes to list the default rebate of $0.00003 per share next to Flags B, V, Y, 3, 4, HA, MM, RP, and ZA. The Exchange's proposal to revise the corresponding text on the fee schedule, as described above, will increase the level of transparency of the Exchange's fee schedule and improve the Exchange's ability to effectively convey the rates for securities priced below $1.00 to Members. In addition, the Exchange

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$1.00 for Flags MM and MT. The Exchange assumes a security is priced at $0.99 and dividing that result by two (2) to account for each side of the transaction: (0.30% x 1 share x $0.99) – (rebate of $0.00003 per share) = $0.00294/2 =$.00147 per share/ $0.99 x 100 = approx. 0.15% of the dollar value of the transaction.

12 15 U.S.C. 78f.

13 15 U.S.C. 78f(b)(4).

believes it is equitable and reasonable to offer Members a default rebate of $0.00003 per share for orders that add liquidity in securities priced below $1.00 because it will incentivize Members to add liquidity to the Exchange by offering them a rebate and offering rebates to Members that add liquidity is consistent with the Exchange's maker/taker model. The Exchange notes that its proposal does not modify the current rates it charges its Members for orders that yield Flags B, V, Y, 3, 4, HA, MM, RP, and ZA for securities priced below $1.00 that add liquidity from the Exchange. Lastly, the Exchange also believes that these proposed amendments are non-discriminatory because they apply uniformly to all Members.

The Exchange believes that its proposal to revise its fee schedule to list the default rate that corresponds to each liquidity flag for securities priced below $1.00 that remove liquidity on the Exchange's fee schedule represents an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. Specifically, for Members' orders that remove liquidity, the Exchange proposes to list the default removal rate of 0.30% of the dollar value of the transaction next to Flags N, W, 6, BB, MT, PI, PR, and ZR. The Exchange's proposal to revise the corresponding text on the fee schedule, as described above, will increase the level of transparency of the Exchange's fee schedule and improve the Exchange's ability to effectively convey the rates for securities priced below $1.00 to Members. In addition, the Exchange believes it is equitable and reasonable to charge Members a default removal rate of 0.30% of the dollar value of the transaction because these fees allow the Exchange to offset its administrative, clearing, and other operating costs incurred in executing such trades. The Exchange notes that its proposal does not modify the current rates it charges its Members for orders that yield Flags N, W, 6, BB, MT, PI, PR, and ZR for securities priced below $1.00 that remove liquidity from the Exchange. Lastly, the Exchange also believes that these proposed amendments are non-discriminatory because they apply uniformly to all Members.

The Exchange believes that its proposal to revise its fee schedule to list the default rate that corresponds to each liquidity flag for securities priced below $1.00 that route and remove liquidity on the Exchange's fee schedule represents an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. Specifically, for Members' orders that route and remove liquidity, the Exchange proposes to list the default rate of 0.30% of the dollar value of the transaction next to Flags D, G, I, J, K, L, O, Q, R, S, T, U, X, Z, 2, 7, CL, RQ, RR, RT, RX, and SW. The Exchange's proposal to revise the corresponding text on the fee schedule, as described above, will increase the level of transparency of the Exchange's fee schedule and improve the Exchange's ability to effectively convey the rates for securities priced below $1.00 to Members. In addition, the Exchange believes it is equitable and reasonable to charge Members a default routing and removal rate of 0.30% of the dollar value of the transaction because these fees allow the Exchange to offset its administrative, clearing, and other operating costs incurred in executing such trades. The Exchange also notes that routing through DE Route is voluntary. The Exchange notes that its proposal does not modify the current rates it charges its Members for orders that yield Flags D, G, I, J, K, L, O, Q, R, S, T, U, X, Z, 2, 7, CL, RQ, RR, RT, RX, and SW for securities priced below $1.00 that route to away trading destinations and remove liquidity. Lastly, the Exchange also believes that these proposed amendments are non-discriminatory because they apply uniformly to all Members.

The Exchange believes that its proposal to pass through no charge for securities priced below $1.00 that route to some away trading destinations and add liquidity represents an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to these away trading destinations through DE Route. The Exchange's fee schedule does not clearly disclose its pricing for Members' orders that route to these away trading destinations and add liquidity in securities priced below $1.00. Currently, the away trading destinations assess no charge to DE Route for orders that route to those destinations and add liquidity, and DE Route passes through no charge to the Exchange and the Exchange passes through no charge to its Members.[14] Therefore, since DE Route is not charged a fee by the away trading destination for routing orders that add liquidity to its trading center in securities priced below $1.00, the Exchange believes it is equitable and reasonable to not charge its Members for orders that yield Flags A, F, M, 8, 9, 10, RA, RB, RS, RW, RY, and RZ. The Exchange's proposal allows the Exchange to continue to charge its Members a pass-through rate for orders that are routed to some away trading destinations and add liquidity through DE Route.

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14 NYSE Arca, NYSE, NYSE MKT LLC, BATS BZX, BATS BYX, CBSX, NASDAQ, NASDAQ BX, NASDAQ PSX, LavaFlow ECN, and EDGA assess customers no charge for orders that add liquidity on their respective exchanges in securities priced below $1.00. See NYSE Arca, NYSE Arca Trading Fees, http://usequities.nyx.com/markets/nyse-arca-equities/trading-fees; NYSE, NYSE Trading Fees, http://usequities.nyx.com/markets/nyse-equities/trading-fees; NYSE MKT LLC, NYSE MKT Trading Fees, http://usequities.nyx.com/markets/nyse-mkt-equities/trading-fees; BATS, BATS BZX and BYX Exchange Fee Schedules, http://cdn.batstrading.com/resources/regulation/rule_book/BATS-Exchanges_Fee_Schedules.pdf; Chicago Board Options Exchange, CBOE Stock Exchange Fees Schedule, http://www.cboe.com/publish/cbsxfeeschedule/cbsxfeeschedule.pdf; NASDAQ, Price List – Trading and Connectivity, http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2; NASDAQ OMX BX, Inc., NASDAQ OMX BX Price List – Trading and Connectivity, http://www.nasdaqtrader.com/Trader.aspx?id=bx_pricing; NASDAQ OMX PSX, Inc., NASDAQ OMX PSX Price List – Trading and Connectivity, http://www.nasdaqtrader.com/Trader.aspx?id=PSX_Pricing; LavaFlow ECN, LavaFlow Pricing, https://www.lavatrading.com/solutions/pricing.php; and EDGA Exchange, Inc., EDGA Exchange Fee Schedule, http://www.directedge.com/Membership/FeeSchedule/EDGAFeeSchedule.aspx.

The Exchange notes that its proposal conforms to an existing practice and does not modify the rates that the Exchange has been charging its Members for orders that yield Flags A, F, M, 8, 9, 10, RA, RB, RS, RW, RY, and RZ for securities priced below $1.00 that route to these away trading destinations and add liquidity. The Exchange notes that routing through DE Route is voluntary. The Exchange's proposal to revise the corresponding text on the fee schedule, as described above, will increase the level of transparency of the Exchange's fee schedule and improve the Exchange's ability to effectively convey the rates for securities priced below $1.00 to Members. Lastly, the Exchange also believes that these proposed amendments are non-discriminatory because they apply uniformly to all Members.

The Exchange believes that its proposal to assess no charge for securities priced below $1.00 that yield Flag OO represents an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. Members will yield Flag OO when their orders are matched at the Direct Edge Opening on EDGX, whether the Member's order adds or removes liquidity. The Exchange's fee schedule displays a rebate of $0.00003 per share as the default rate for Members orders that add liquidity and a charge of 0.30% of the dollar value of the transaction as the default rate for Members orders that remove liquidity for securities priced below $1.00. However, in practice, the Exchange assesses no charge for Members' orders that that yield Flag OO in securities priced below $1.00, which represents Members' orders that are matched at the "Direct Edge Opening" and either add or remove liquidity. Because the Exchange is not a primary listing market, Flag OO generates low volume; therefore, the Exchange believes its proposal to assess no charge is equitable and reasonable given that the Exchange incurs only nominal administrative, clearing, and other operating costs in executing trades. The Exchange notes that its proposal conforms an existing practice and does not modify the rate that the Exchange has been charging its Members for orders that yield Flag OO for securities priced below $1.00 that are matched at the Direct Edge Opening. The Exchange's proposal to revise the corresponding text on the fee schedule, as described above, will increase the level of transparency of the Exchange's fee schedule and improve the Exchange's ability to effectively convey the rates for securities priced below $1.00 to Members. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

The Exchange believes that its proposal to assess no charge for securities priced below $1.00 that yield Flag RC represents an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. Members will yield Flag RC when their orders route to the NSX and add liquidity. The Exchange's fee schedule does not clearly disclose its pricing for Members' orders that yield Flag RC in securities priced below $1.00. The Exchange notes that the NSX offers a rebate to DE Route for Members' orders that yield Flag RC. The Exchange also notes that Flag RC generates low volume and nominal revenue to the Exchange. Therefore, the Exchange believes its proposal to assess no charge is equitable and reasonable because the rebate paid by NSX to DE Route and DE Route to the Exchange does not offset the administrative, clearing, and other operating costs associated with passing through the NSX rebate to Members. The Exchange notes that routing through DE Route is voluntary. The Exchange also notes that its proposal conforms to an existing practice and does not modify the rate that the Exchange has been charging its Members for orders that yield Flag RC for securities priced below $1.00. The Exchange's proposal to revise the corresponding text on the fee schedule, as described above, will increase the level of transparency of the Exchange's fee schedule and improve the Exchange's ability to effectively convey the rates for securities priced below $1.00 to Members. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

The Exchange believes that its proposal to revise its fee schedule to list the rate of 0.10% of the dollar value of the transaction for Members' orders that yield Flag C for securities priced below $1.00 represents an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities because it is a pass-through rate and the Exchange does not levy additional fees or offer additional rebates for orders that it routes to NASDAQ BX through DE Route. Therefore, since DE Route is charged a fee by NASDAQ BX for routing orders that remove liquidity to its trading center in securities priced below $1.00, the Exchange believes it is equitable and reasonable to charge its Members for orders that yield Flag C. The Exchange's proposal allows the Exchange to continue to charge its Members a pass-through rate for orders that are routed to NASDAQ BX and remove liquidity through DE Route. The Exchange notes that routing through DE Route is voluntary. The Exchange notes that its proposal does not modify the current rate it charges its Members for orders that yield Flag C for securities priced below $1.00. The Exchange's proposal to revise the corresponding text on the fee schedule, as described above and deleting the text of Footnote 3 and its associated annotations on Flags C, D, J, L, and 2, will increase the level of transparency of the Exchange's fee schedule and improve the Exchange's ability to effectively convey the rates for securities priced below $1.00 to Members. Lastly, the Exchange also believes that this proposed amendment is non-discriminatory because it applies uniformly to all Members.

The Exchange believes that its proposal to pass through 0.10% of the dollar value of the transaction for Members' orders that yield Flag BY for securities priced below $1.00 represents an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to BATS BYX through DE Route. The Exchange notes that Footnote 10 on the fee schedule incorrectly lists a flat rate of $0.0010 per share for Members' orders that yield Flag BY in securities priced below $1.00. In practice, the Exchange charges Members 0.10% of the dollar value of the transaction for Members' orders that yield Flag BY. Since DE Route is charged a fee by BATS BYX for routing orders that remove liquidity using routing strategies ROUC, ROUE or ROBY to its trading center in securities priced below $1.00, the Exchange believes it is equitable and reasonable to charge its Members for orders that yield Flag BY. The Exchange's proposal allows the Exchange to continue to charge its Members a pass-through rate for orders that are routed to BATS BYX and remove liquidity through DE Route. The Exchange notes that its proposal conforms to an existing practice and does not modify the rate that the Exchange has been charging its Members for orders that yield Flag BY for securities priced below $1.00. The Exchange notes that routing through DE Route is voluntary. The Exchange's proposal to revise the corresponding text on the fee schedule, as described above and deleting the text of Footnote 10 and its associated annotation on Flag BY, will increase the level of transparency of the Exchange's fee schedule and improve the Exchange's ability to effectively convey the rates for securities priced below $1.00 to Members. Lastly, the Exchange also believes that this proposed amendment is non-discriminatory because it applies uniformly to all Members.

The Exchange believes that its proposal revise its fee schedule to list a charge of 0.15% of the dollar value of the transaction per side for Members' orders in securities priced below $1.00 that yield Flags 5, EA and ER, which are associated with customer internalization, represents an equitable allocation of reasonable dues, fees and other charges. The Exchange's rate of 0.15% of the dollar value of the transaction per side for customer internalization is equitable because the rate is consistent with the Exchange's proposed maker/taker spread for securities priced below $1.00. Therefore, in each case, the internalization fee of 0.15% of the dollar value of the transaction per side is no more favorable to the Member than the proposed maker/taker spread. Since the spread for customer internalization equals the Exchange's maker/taker spread, the Exchange's proposal continues to discourage Members from engaging in potential wash sales. The Exchange notes that its proposal does not modify the current rates it charges its Members for orders that yield Flags 5, EA or ER for securities priced below $1.00. The Exchange's proposal to revise the corresponding text on the fee schedule, as described above and deleting the applicable text of Footnote 11, will increase the level of transparency of the Exchange's fee schedule and improve the Exchange's ability to effectively convey the rates for securities priced below $1.00 to Members. Lastly, the Exchange believes that these proposed rates are non-discriminatory in that they apply uniformly to all Members.

As described in Section 3, the Exchange proposes to make conforming and non-substantive revisions to the fee schedule in general and the description of certain flags in particular in order to increase the level of transparency of the Exchange's fee schedule, promote consistent descriptions and applications, and improve the Exchange's ability to effectively convey the rates for securities priced below $1.00 to Members.

<u>Rate changes for Flag AA</u>

The Exchange believes that its proposal to increase the rate it charges Members for customer internalization from no charge per share per side to $0.0012 per share per side for Members' orders that yield Flag AA in securities priced at or above $1.00 is an equitable allocation of reasonable dues, fees and other charges. The Exchange's proposed rate of $0.0012 per side per share for Members' orders that inadvertently match with themselves at the Midpoint Match in the same MPID is equitable because the rate is consistent with the Exchange's proposed maker/taker spread of $0.0012 per share, where the rate to add liquidity at the Midpoint Match and yield Flag MM is $0.0012 per share and the rate to remove liquidity at the Midpoint Match and yield Flag MT is $0.0012 per share. Therefore, in each case, the proposed internalization fee of $0.0012 per side per share, equaling a total cost of $0.0024 per share for Flag AA, is no more favorable to the Member than the proposed maker/taker spread for Midpoint Match. Since the spread for customer internalization and the Exchange's maker/taker spread for Midpoint Match will equal $0.0012 per share, the Exchange's proposal discourages Members from engaging in potential wash sales. Lastly, the Exchange believes that the proposed rate is non-discriminatory in that it applies uniformly to all Members.

The Exchange believes that its proposal to charge Members 0.15% of the dollar value of the transaction per side for customer internalization for orders that yield Flag AA in securities priced below $1.00 is an equitable allocation of reasonable dues, fees and other charges. The Exchange's proposed rate of 0.15% of the dollar value of the transaction per side for Members' orders that inadvertently match with themselves at the Midpoint Match in the same MPID is equitable because the rate is consistent with the Exchange's proposed maker/taker spread for Midpoint Match. Therefore, in each case, the proposed internalization fee of 0.15% of the dollar value of the transaction per side, equaling a total cost of 0.30% of the dollar value of the transaction, where the rebate to add to Midpoint Match (Flag MM) is $0.00003 per share and the fee to remove from Midpoint Match (Flag MT) is 0.30% of the dollar value of the transaction, is no more favorable to the Member than the proposed maker/taker spread for Midpoint Match.

Since the spread for customer internalization will equal the Exchange's maker/taker spread for Midpoint Match, the Exchange's proposal discourages Members from engaging in potential wash sales. Lastly, the Exchange believes that the proposed rate 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

These proposed rule changes do not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that any of these changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. As described in Section 3, the Exchange proposes to make conforming and non-substantive revisions to the fee schedule in general and the description of certain flags in particular in order to increase the level of transparency of the Exchange's fee schedule, promote consistent descriptions and applications, and improve the Exchange's ability to effectively convey the rates for securities priced below $1.00 to Members.

Securities Priced below $1.00

Regarding Flags B, V, Y, 3, 4, HA, MM, RP, and ZA, the Exchange believes that its proposal to amend its fee schedule to list the default rebate of $0.00003 in the column "Fee/(Rebate) Securities below $1.00" will not burden intramarket competition or intermarket competition given that the Exchange's proposal does not modify its current rates for orders that add liquidity and they apply uniformly to all Members that place orders in securities priced below $1.00.

Regarding Flags N, W, 6, BB, MT, PI, PR, and ZR, the Exchange believes that its proposal to amend its fee schedule to list the default rate of 0.30% of the dollar value of the transaction in the column "Fee/(Rebate) Securities below $1.00" will not burden intramarket competition or intermarket competition given that the Exchange's proposal does not modify its current rates for orders that remove liquidity and they apply uniformly to all Members that place orders in securities priced below $1.00.

Regarding Flags D, G, I, J, K, L, O, Q, R, S, T, U, X, Z, 2, 7, CL, RQ, RR, RT, RX, and SW, the Exchange believes that its proposal to amend its fee schedule to list the default rate of 0.30% of the dollar value of the transaction in the column "Fee/(Rebate) Securities below $1.00" will not burden intramarket competition or intermarket competition given that the Exchange's proposal does not modify its current rates for orders that route and remove liquidity and they apply uniformly to all Members that place orders in securities priced below $1.00.

Regarding Flags A, F, M, 8, 9, 10, RA, RB, RS, RW, RY, and RZ, the Exchange's fee schedule does not clearly disclose its pricing for Members' orders that route to these away trading destinations and add liquidity in securities priced below $1.00. The Exchange believes that its proposal to pass through no charge for securities priced below $1.00 that route to some away trading destinations and add liquidity will increase competition because it is comparable to the rates charged by the away trading destinations for adding liquidity. The Exchange believes its proposal will not burden intramarket competition or intermarket competition given that the Exchange's proposal conforms to an existing practice and does not modify the rates for orders that route and add liquidity and they apply uniformly to all Members that place orders in securities priced below $1.00. The Exchange believes that its proposal will increase competition for routing services because the market for order execution is competitive and the Exchange's proposal provides customers with another alternative to route their orders. The Exchange notes that routing through DE Route is voluntary.

Regarding Flag OO, the Exchange's fee schedule displays a rebate of $0.00003 per share as the default rate for Members orders that add liquidity and a charge of 0.30% of the dollar value of the transaction as the default rate for Members orders that remove liquidity for securities priced below $1.00. However, in practice, the Exchange assesses no charge for Members' orders that that yield Flag OO in securities priced below $1.00, which represents Members' orders that are matched at the "Direct Edge Opening" and either add or remove liquidity. The Exchange believes that its proposal to assess no charge will not burden intramarket competition or intermarket competition given that the Exchange's proposal conforms to an existing practice and does not modify the rate for Flag OO and it applies uniformly to all Members that place orders in securities priced below $1.00.

Regarding Flag RC, the Exchange's fee schedule does not clearly disclose its pricing for Members' orders yield Flag RC in securities priced below $1.00. The Exchange believes that its proposal to assess no charge will not burden intramarket competition or intermarket competition given that the Exchange's proposal conforms to an existing practice and does not modify the rate for Flag RC and it applies uniformly to all Members that place orders in securities priced below $1.00.

Regarding Flag C, the Exchange believes that its proposal to amend its fee schedule to list a charge of 0.10% of the dollar value of the transaction will not burden intramarket competition or intermarket competition given that the Exchange's proposal does not modify its current rate for Flag C and it applies uniformly to all Members that place orders in securities priced below $1.00. By charging a pass-through rate for securities priced below $1.00 that route to NASDAQ BX and remove liquidity, the Exchange will increase competition because it is comparable to the rates charged by NASDAQ BX for removing liquidity. The Exchange believes that its proposal will increase competition for routing services because the market for order execution is competitive and the Exchange's proposal provides customers with another alternative to route their orders. The Exchange notes that routing through DE Route is voluntary.

Regarding Flag BY, the Exchange notes that Footnote 10 on the fee schedule incorrectly lists a flat rate of $0.0010 per share for Members' orders that yield Flag BY in securities priced below $1.00. However, in practice, the Exchange charges Members 0.10% of the dollar value of the transaction for Members' orders that yield Flag BY. The Exchange believes that its proposal to pass through a charge of 0.10% of the dollar value of the transaction for securities priced below $1.00 that route to BATS BYX and remove liquidity will increase competition because it is comparable to the rates charged by BATS BYX for removing liquidity. The Exchange believes its proposal will not burden intramarket competition or intermarket competition given that the Exchange's proposal conforms to an existing practice and does not modify the rate for Flag BY and it applies uniformly to all Members that place orders in securities priced below

$1.00. The Exchange believes that its proposal will increase competition for routing services because the market for order execution is competitive and the Exchange's proposal provides customers with another alternative to route their orders. The Exchange notes that routing through DE Route is voluntary.

Regarding Flags 5, EA and ER, the Exchange believes that its proposal to amend its fee schedule to list the rate of 0.15% of the dollar value of the transaction per side in the column "Fee/(Rebate) Securities below $1.00" for customer internalization will not burden intermarket or intramarket competition as the proposed rate is no more favorable than the Exchange's prevailing maker/taker spread. In addition, the Exchange believes that its proposal will not burden intramarket competition or intermarket competition given that the Exchange's proposal does not modify its current rates for Flags 5, EA and ER and they apply uniformly to all Members that place orders in securities priced below $1.00.

Rate changes for Flag AA

Regarding Flag AA in securities priced at or above $1.00, the Exchange believes that its proposal to assess a charge of $0.0012 per share per side for Members' orders that inadvertently match with themselves at the Midpoint Match in the same MPID will not burden intermarket or intramarket competition as the proposed rate is no more favorable than the Exchange's prevailing maker/taker spread at the Midpoint Match. In addition, the Exchange believes that its proposal will not burden intramarket competition or intermarket competition because it applies uniformly to all Members.

Regarding Flag AA in securities priced below $1.00, the Exchange believes that its proposal to assess a charge of 0.15% of the dollar value of the transaction per side will not burden intermarket or intramarket competition as the proposed rate is no more favorable than the

Exchange's prevailing maker/taker spread at the Midpoint Match. In addition, the Exchange believes that its proposal will not burden intramarket competition or intermarket competition because it applies uniformly to all Members that place orders in securities priced below $1.00.

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[15] and Rule 19b-4(f)(2)[16] thereunder. At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

## IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-EDGX-2013-10 on the subject line.

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

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

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-2013-10. 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-2013-10 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

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