

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-70147; File No. SR-EDGX-2013-30)

August 8, 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 August 5, 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 Members³ of the Exchange pursuant to EDGX Rule 15.1(a) and (c) ("Fee Schedule") to: (i) amend the rates for flags BY and RY and (ii) amend the rates for flags RA and RR. 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ As defined in Exchange Rule 1.5(n).

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

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

1. Purpose

The Exchange proposes to amend its Fee Schedule to: (i) amend the rates for flags BY and RY and (ii) amend the rates for flags RA and RR.

Fee/Rebate Changes for Flags BY and RY

In securities priced at or above \$1.00, the Exchange currently does not charge a fee or provide a rebate (free) for Members’ orders that yield Flag BY, which routes to BATS Y-Exchange, Inc. (“BYX”) using routing strategies ROUC, ROUE or ROBY. The Exchange proposes to amend its Fee Schedule to provide a rebate of \$0.0001 per share for Members’ orders that yield Flag BY. The proposed change represents a pass through of the rate that Direct Edge ECN LLC (d/b/a DE Route) (“DE Route”), the Exchange’s affiliated routing broker-dealer, is rebated for routing orders to BYX and do not qualify for a volume tiered discount. When DE Route routes to BYX, it is rebated a standard rate of \$0.0001 per share.⁴ DE Route will pass through this rate on BYX to the Exchange and the Exchange, in turn, will pass through this rate to its Members. The Exchange notes that the proposed change is in response to BYX’s August

⁴ The Exchange notes that to the extent DE Route does or does not achieve any volume tiered discount on BYX, its rate for Flag BY will not change.

2013 fee change where BYX updated the default rebate with no volume requirement it provides its customers, such as DE Route, from free to \$0.0001 per share for orders that are routed to BYX.⁵

In securities priced at or above \$1.00, the Exchange currently assesses a fee of \$0.0007 per share for Members' orders that yield Flag RY, which routes to BYX and adds liquidity. The Exchange proposes to amend its Fee Schedule to decrease this fee to \$0.0003 per share for Members' orders that yield Flag RY. The proposed change represents a pass through of the rate that DE Route, the Exchange's affiliated routing broker-dealer, is charged for routing orders to BYX that do not qualify for a volume tiered discount. When DE Route routes to BYX, it is charged a standard rate of \$0.0003 per share.⁶ DE Route will pass through this rate on BYX to the Exchange and the Exchange, in turn, will pass through this rate to its Members. The Exchange notes that the proposed change is in response to BYX's August 2013 fee change where BYX decreased the fee it charges its customers, such as DE Route, from a fee of \$0.0007 per share to a fee of \$0.0003 per share for orders that are routed to BYX.⁷

Fee/Rebate Changes for Flags RA and RR

In securities priced at or above \$1.00, the Exchange currently charges a fee of \$0.0006 per share for Members' orders that yield Flag RA, which routes to EDGA Exchange, Inc. ("EGDA") and adds liquidity. The Exchange proposes to amend its Fee Schedule to decrease

⁵ See BATS BYX Exchange Fee Schedule, http://cdn.batstrading.com/resources/regulation/rule_book/BATS-Exchanges_Fee_Schedules.pdf.

⁶ The Exchange notes that to the extent DE Route does or does not achieve any volume tiered discount on BYX, its rate for Flag RY will not change.

⁷ See BATS BYX Exchange Fee Schedule, http://cdn.batstrading.com/resources/regulation/rule_book/BATS-Exchanges_Fee_Schedules.pdf.

this fee to \$0.0005 per share for Members' orders that yield Flag RA. The proposed change represents a pass through of the rate that DE Route, the Exchange's affiliated routing broker-dealer, is rebated for routing orders to EDGA and do not qualify for a volume tiered discount. When DE Route routes to EDGA, it is charged a standard rate of \$0.0005 per share.⁸ DE Route will pass through this rate on EDGA to the Exchange and the Exchange, in turn, will pass through this rate to its Members. The Exchange notes that the proposed change is in response to EDGA's August 2013 fee change where EDGA decreased the fee it charges its customers, such as DE Route, from a fee of \$0.0006 per share to a fee of \$0.0005 per share for orders that are routed to EDGA and add liquidity.⁹

In securities priced at or above \$1.00, the Exchange currently provides a rebate of \$0.0004 per share for Members' orders that yield Flag RR, which routes to EDGA using routing strategies IOCX or IOCT. The Exchange proposes to amend its Fee Schedule to decrease this rebate to \$0.0002 per share for Members' orders that yield Flag RR. The proposed change represents a pass through of the rate that DE Route is rebated for routing orders to EDGA and do not qualify for a volume tiered discount. When DE Route routes to EDGA, it is rebated a standard rate of \$0.0002 per share.¹⁰ DE Route will pass through this rate on EDGA to the Exchange and the Exchange, in turn, will pass through this rate to its Members. The Exchange notes that the proposed change is in response to EDGA's August 2013 fee change where EDGA

⁸ The Exchange notes that to the extent DE Route does or does not achieve any volume tiered discount on RA, its rate for Flag RA will not change.

⁹ See SR-EDGA-2013-21 (August 1, 2013).

¹⁰ The Exchange notes that to the extent DE Route does or does not achieve any volume tiered discount on RR, its rate for Flag RR will not change.

decreased the rebate it provides its customers, such as DE Route, from a rebate of \$0.0003 per share to a rebate of \$0.0002 per share for orders that are routed to EDGA.¹¹

Implementation Date

The Exchange proposes to implement these amendments to its Fee Schedule on August 5, 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.

Fee/Rebate Changes for Flags BY and RY

The Exchange believes that its proposal to provide a pass through rebate for Members' orders that yield Flag BY of \$0.0001 per share represents an equitable allocation of reasonable dues, fees, and other charges among 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 BYX through DE Route. Prior to BYX's August 2013 fee change, BYX did not charge DE Route for orders yielding Flag BY, which DE Route passed through to the Exchange and the Exchange passed through to its Members in the form of no fee or rebate (free). In August 2013, BYX updated the default rebate it provides its customers, such as DE Route, from free to a

¹¹ See SR-EDGA-2013-21 (August 1, 2013).

¹² 15 U.S.C. 78f.

¹³ 15 U.S.C. 78f(b)(4).

rebate of \$0.0001 per share for orders that are routed to BYX.¹⁴ Therefore, the Exchange believes that the proposed change in Flag BY to provide a rebate of \$0.0001 per share is equitable and reasonable because it accounts for the pricing changes on BYX. In addition, the proposal allows the Exchange to continue to charge its Members a pass-through rate for orders that are routed to BYX using routing strategies ROUC, ROUE or ROBY using DE Route. The Exchange notes that routing through DE Route is voluntary. 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 decrease the pass through rate for Members' orders that yield Flag RY from \$0.0007 to \$0.0003 per share represents an equitable allocation of reasonable dues, fees, and other charges among 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 BYX through DE Route. Prior to BYX's August 2013 fee change, BYX charged DE Route a fee of \$0.0007 per share for orders yielding Flag RY, which DE Route passed through to the Exchange and the Exchange passed through to its Members. In August 2013, BYX decreased the fee it charges its customers, such as DE Route, from a fee of \$0.0007 per share to a fee of \$0.0003 per share for orders that are routed to BYX.¹⁵ Therefore, the Exchange believes that the proposed change in Flag RY from a fee of \$0.0007 per share to a fee of \$0.0003 per share is equitable and reasonable because it accounts for the pricing changes on BYX. In addition, the proposal allows the Exchange to continue to charge its Members a pass-through rate for orders that are routed to BYX and add liquidity using DE Route. The Exchange notes that

¹⁴ See BATS BYX Exchange Fee Schedule, http://cdn.batstrading.com/resources/regulation/rule_book/BATS-Exchanges_Fee_Schedules.pdf.

¹⁵ See BATS BYX Exchange Fee Schedule, http://cdn.batstrading.com/resources/regulation/rule_book/BATS-Exchanges_Fee_Schedules.pdf.

routing through DE Route is voluntary. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

Fee/Rebate Changes for Flags RA and RR

The Exchange believes that its proposal to decrease the pass through rate for Members' orders that yield Flag RA from \$0.0006 to \$0.0005 per share represents an equitable allocation of reasonable dues, fees, and other charges among 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 EDGA through DE Route. Prior to EDGA's August 2013 fee change, EDGA charged DE Route a fee of \$0.0006 per share for orders yielding Flag RA, which DE Route passed through to the Exchange and the Exchange passed through to its Members. In August 2013, EDGA decreased the fee it charges its customers, such as DE Route, from a fee of \$0.0006 per share to a fee of \$0.0005 per share for orders that are routed to EDGA.¹⁶ Therefore, the Exchange believes that the proposed change in Flag RA from a fee of \$0.0006 per share to a fee of \$0.0005 per share is equitable and reasonable because it accounts for the pricing changes on EDGA. In addition, the proposal allows the Exchange to continue to charge its Members a pass-through rate for orders that are routed to EDGA and add liquidity using DE Route. The Exchange notes that routing through DE Route is voluntary. 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 decrease the rebate for Members' orders that yield Flag RR from \$0.0004 to \$0.0002 per share represents an equitable allocation of reasonable dues, fees, and other charges among 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

¹⁶ See SR-EDGA-2013-21 (August 1, 2013).

EDGA through DE Route. In August 2013, EDGA decreased the rebate it provides its customers, such as DE Route, from a rebate of \$0.0003 per share to a rebate of \$0.0002 per share for orders that are routed to EDGA.¹⁷ Therefore, the Exchange believes that the proposed change in Flag RR from a rebate of \$0.0004 per share to a rebate of \$0.0002 per share is equitable and reasonable because it accounts for the pricing changes on EDGA. In addition, the proposal allows the Exchange to continue to charge its Members a pass-through rate for orders that are routed to EDGA using routing strategies IOCX or IOCT using DE Route. The Exchange notes that routing through DE Route is voluntary. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because 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. Additionally, Members may

¹⁷ See SR-EDGA-2013-21 (August 1, 2013).

opt to disfavor EDGX's pricing if they believe that alternatives offer them better value. Accordingly, EDGX does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

Fee/Rebate Changes for Flags BY and RY

The Exchange believes that its proposal to pass through a rebate of \$0.0001 per share for Members' orders that yield Flag BY would increase intermarket competition because it offers customers an alternative means to route to BYX for the same price as entering orders on BYX directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

The Exchange believes that its proposal to pass through a fee of \$0.0003 per share for Members' orders that yield Flag RY would increase intermarket competition because it offers customers an alternative means to route to BYX for the same price as entering orders on BYX directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

Fee/Rebate Changes for Flags RA and RR

The Exchange believes that its proposal to pass through a fee of \$0.0005 per share for Members' orders that yield Flag RA would increase intermarket competition because it offers customers an alternative means to route to EDGA for the same price as entering orders on EDGA directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

The Exchange believes that its proposal to pass through a rebate of \$0.0002 per share for Members' orders that yield Flag RR would increase intermarket competition because it offers customers an alternative means to route to EDGA for the same price as entering orders on EDGA

directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

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 Act¹⁸ and Rule 19b-4(f)(2)¹⁹ 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-2013-30 on the subject line.

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4 (f)(2).

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-2013-30. 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-2013-30 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.²⁰

Kevin M. O'Neill
Deputy Secretary

²⁰ 17 CFR 200.30-3(a)(12).