SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68166; File No. SR-EDGX-2012-46)

November 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 November 1, 2012, 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

The Exchange proposes to add the Step-up Take Tier to the Exchange's fee schedule in Footnote 2. A Member will qualify for the Step-up Take Tier by (i) adding an average daily volume ("ADV") of at least 2 million shares on a daily basis, measured monthly more than that Member's September 2012 added ADV (the "September Added Baseline"); and (ii) removing at least 0.40% total consolidated volume ("TCV") on a daily basis, measured monthly more than that Member's September 2012 removed ADV (the "September Removal Baseline"). Members qualifying for the Step-up Take Tier will earn a rebate of $0.0030 per share for orders that add liquidity and yield Flags B, V, Y, 3 and 4, and will be assessed a fee of $0.0028 per share for orders that remove liquidity and yield Flags N, W, BB, PI, and 6.[4] Accordingly, the Exchange proposes to append Footnote 2 to the default rates for adding and removing liquidity on the fee schedule, and Flags B, V, Y, 3, 4, N, W, BB, PI, and 6. The Exchange believes the Step-Up Take Tier will encourage large market participants, who are not currently large takers, to grow their take volume over an established baseline in order to achieve the tier.

4 The Exchange notes that to the extent Members qualify for a rebate higher than $0.0030 per share through other volume tiers, such as the Mega Tier, Market Depth Tier or the Ultra Tier, they will earn the higher rebate on the add flags instead of the Step-up Take Tier. In addition, such Members will still qualify for the reduced charge of $0.0028 per share for the removal flags.

In Footnote 8 of the fee schedule that is appended to Flag SW, the Exchange proposes to assess a fee of $0.0025 per share in lieu of the current fee of $0.0023 per share for Members' orders that are routed using the SWPA, SWPB or SWPC routing strategies[5] and remove liquidity from the New York Stock Exchange ("NYSE"), yielding Flag D. This 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 charged for routing orders to NYSE, in response to the pricing changes in NYSE's filing with the Securities and Exchange Commission ("SEC").[6] Accordingly, the Exchange proposes to delete the reference to the fee of $0.0023 per share in Footnote 8 because the rate for Flag D is $0.0025 per share. Therefore, the Exchange will assess a charge of $0.0025 for Members' orders that are routed using the SWPA, SWPB or SWPC routing strategies and remove liquidity from NYSE, yielding Flag D. In addition, the Exchange proposes deleting the reference to "either" in the text of Footnote 8 given it is grammatically incorrect. The Exchange notes that its proposed deletion does not alter the intended purpose of the footnote.

In Footnote 3 of the fee schedule that is appended to Flags C, D, J, L and 2, the Exchange proposes to assess a fee of 0.30% of the dollar value of the transaction in lieu of the current fee of $0.0023 per share for stocks priced below $1.00 that are routed or re-routed to NYSE and

5 As defined in Exchange Rules 11.9(b)(3)(o), (p) and (q).

6 See Securities Exchange Release No. 68021 (October 9, 2012), 77 FR 63406 (October 16, 2012) (SR-NYSE-2012-50).

remove liquidity, yielding Flag D.[7] This proposed change now represents a pass-through of the rate that DE Route is charged for routing orders to NYSE that remove liquidity.[8]

On Flag RS, the Exchange proposes to offer a rebate of $0.0026 per share[9] in lieu of the current rebate of $0.0016 per share for orders that are routed to the Nasdaq OMX PSX ("PSX") and add liquidity. This proposed change represents a pass-through of the rebate that DE Route receives for routing orders to PSX, in response to recent pricing changes in PSX's filing with the SEC.[10]

Currently, the Exchange charges Members a rate of $0.0027 per share for orders that are routed to PSX using the ROUC or ROUE routing strategies,[11] yielding Flag K. The Exchange proposes to increase the rate to $0.0028 per share for orders that yield Flag K in response to recent pricing changes in PSX's filing with the SEC.[12]

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7 The Exchange does not propose to amend the rates for stocks priced below $1.00 that are routed to Nasdaq OMX BX ("BX") or NASDAQ, yielding Flags C, J, L and 2, as described in Footnote 3 of the fee schedule.

8 Prior to March 1, 2012, the NYSE Price List generally specified that the applicable rate was the lesser of (i) 0.3% of the total dollar value of the transaction and (ii) $0.0023 per share. See Securities Exchange Act Release No. 66600, (March 14, 2012), 77 FR 16298 (March 20, 2012) (SR-NYSE-2012-07). Effective March 1, 2012, the rate for these transactions with a per-share price of less than $1.00 is now 0.3% of the total dollar value of the transaction.

9 The Exchange notes that it is passing through the standard rebate of $0.0026 per share even though it possibly can achieve a tiered rebate of $0.0028 per share if it meets certain criteria.

10 See Securities Exchange Release No. 68052 (October 12, 2012), 77 FR 64170 (October 18, 2012) (SR-PHLX-2012-119).

11 As defined in Exchange Rules 11.9(b)(3)(a) and (c).

12 See Securities Exchange Release No. 68052 (October 12, 2012), 77 FR 64170 (October 18, 2012) (SR-PHLX-2012-119).

The Exchange proposes adding the title "EdgeBook Depth Fees" to the fee schedule describing the fees for the EdgeBook Depth X to increase the transparency of the fee schedule for Members.

The Exchange also proposes deleting the dollar sign ($) on the fee table next to the fees on Flags N, W, 6, BB and PI. The Exchange regards this change as non-substantive in nature and is intended to conform to the other rates displayed on the fee table.

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

2. <u>Statutory Basis</u>

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Securities and Exchange Act of 1934 (the "Act"),[13] in general, and furthers the objectives of Section 6(b)(4),[14] 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 Step-up Take 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. The requirements of the Step-up Take Tier to add ADV of at least 2 million shares (on a daily basis, measured monthly) more than the Member's September Added Baseline and to remove at least 0.40% TCV (on a daily basis, measured monthly) more than the Member's September Removal Baseline incentivizes substantial take volume from Members that generally add and remove volume from the Exchange by offering Members an increased add rebate of $0.0030 per share and a discounted removal rate of $0.0028 per share. The Exchange

13 15 U.S.C. 78f.

14 15 U.S.C. 78f(b)(4).

also believes that establishing Member's September Added Baseline and September Removal Baselines rewards liquidity provision attributes, encourages price discovery and market transparency by encouraging growth in liquidity over a defined baseline. The Exchange believes the Step-Up Take Tier will also encourage large market participants, who are not currently large takers, to grow their take volume over an established baseline in order to achieve the tier. In addition, the Exchange believes that these proposed amendments are non-discriminatory because they apply uniformly to all Members.

The Exchange believes the Step-up Take Tier will increase volume on the Exchange. Therefore, the Exchange can increase the add rebate from $0.0023 per share to $0.0030 per share and discount the removal rate from $0.0030 per share to $0.0028 per share. The increased volume increases potential revenue to the Exchange, and allows 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 in turn would allow the Exchange to pass on the savings to Members in the form of higher rebates and lower fees. The increased liquidity 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 one 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.

The Step-Up Take Tier represents an equitable allocation of reasonable dues, fees, and other charges.  First, the Step-Up Take Tier allows the Exchange to compete with other exchanges such as NASDAQ, NYSE ARCA and BATS BZX in offering a discounted removal rate that is designed to incent fee sensitive liquidity takers to EDGX if they are willing to increase or grow their volume over an established baseline. This incentive recognizes that liquidity takers often have different trading strategies and types of order flow that they typically handle--such as market orders, marketable limit orders, or proprietary removal strategies. Thus, when multiple exchanges are quoting at the same price level, the Exchange believes that certain liquidity takers that are incented to achieve the Step-Up Take Tier would be attracted to EDGX first. In turn, this would lead to increased price discovery on EDGX, result in additional prints on the Tape, and would have the effect of bringing additional liquidity providers to the exchange, thus bolstering its standing and value as a market. Since the Step-Up Take Tier offers lower removal fees for Members and fosters competition among exchanges, it could translate into costs savings for all market participants and their end customers. The Exchange also believes that the $0.0028 per share removal rate makes EDGX a more attractive venue to take liquidity from, which brings a higher quality of order flow to the EDGX Exchange and supports price discovery on EDGX. Finally, the Exchange believes that the Step-Up Take Tier will also help it to grow its market share as new takers who are incentivized to achieve the Step-Up Take Tier would send additional volume to the Exchange or remove additional shares from the Exchange in future trading opportunities. In addition, the Exchange believes that the proposed Step-Up Take Tier is non-discriminatory because it applies the same criteria uniformly to all Members.

In addition, the criteria for the Step-up Take Tier is also reasonable as compared to similar pricing mechanisms employed by NYSE Arca,[15] where NYSE Arca offers customers step-up tiers for Tape B and C securities that discount the default removal rate of $0.0030 per share when a baseline ADV is achieved. The Tape B Step Up Tier requires customers to add in excess of the greater of (i) 0.25% of US Tape B ADV over a January 2012 benchmark or (ii) 20% more than their January 2012 benchmark to earn a discounted removal rate of $0.0026 per share. In addition, the Tape C Step Up Tier requires customers to add in excess of the greater of (i) 0.10% of US Tape C ADV over a January 2012 benchmark or (ii) 20% more than their January 2012 benchmark plus 20%to earn a discounted removal rate of $0.0029 per share. The Exchange's discounted removal rate from $0.0030 per share to $0.0028 per share for Members that achieve the Step-up Take Tier is also reasonable because it is within the range of discounts offered by NYSE Arca, where the default removal rate is $0.0030 per share and customers that qualify for the step-up earn discounts of $0.0026 per share or $0.0029 per share.

The proposed rate change in Footnote 8 associated with routing orders to NYSE through DE Route on the Exchange's fee schedule is a pass-through rate from DE Route to the Exchange and from the Exchange, in turn, to its Members. The Exchange's proposal represents an equitable allocation of reasonable dues, fees, and other charges among Members of the Exchange and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to NYSE through DE Route. The Exchange notes that routing through DE Route is voluntary. Currently, in Footnote 8, for orders yielding Flag D that use the SWPA, SWPB, or SWPC routing strategies and remove liquidity from NYSE, NYSE

15 See NYSE Arca Equities Trading Fees, http://usequities.nyx.com/markets/nyse-arca-equities/trading-fees. See also Securities Exchange Release No. 66568 (March 9, 2012), 77 FR 15819 (March 16, 2012) (SR-NYSEARCA-2012-17).

charged DE Route a fee of $0.0023 per share, which, in turn, was passed through to the Exchange. The Exchange, in turn, charged its Members a fee of $0.0023 per share as a pass-through. On October 1, 2012, NYSE increased the rate it charges its customers, such as DE Route, from $0.0023 per share to a charge of $0.0025 per share for orders that are routed or re-routed to NYSE and remove liquidity. Therefore, the Exchange believes that the proposed change in Footnote 8 from a fee of $0.0023 per share to a fee of $0.0025 per share is equitable and reasonable because it accounts for the pricing changes on NYSE. In addition, the proposal allows the Exchange to continue to charge its Members a pass-through rate for orders that are routed or re-routed to NYSE and remove liquidity using DE Route. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

The proposed rate change in Footnote 3 associated with routing orders to NYSE through DE Route now represents a pass-through rate from DE Route to the Exchange and from the Exchange, in turn, to its Members. The Exchange's proposal represents an equitable allocation of reasonable dues, fees, and other charges among Members of the Exchange and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to NYSE through DE Route. The Exchange notes that routing through DE Route is voluntary. For stocks priced below $1.00 that are routed or re-routed to NYSE and remove liquidity, DE Route charged its Members a fee of $0.0023 per share.[16] NYSE modified

[16] Prior to March 1, 2012, the NYSE Price List generally specified that the applicable rate was the lesser of (i) 0.30% of the total dollar value of the transaction and (ii) $0.0023 per share. See Securities Exchange Act Release No. 66600, (March 14, 2012), 77 FR 16298 (March 20, 2012) (SR-NYSE-2012-07). Effective March 1, 2012, the rate for these transactions with a per-share price of less than $1.00 is now 0.3% of the total dollar value of the transaction.

the rate it charged its customers, such as DE Route, effective March 2012, to a charge of 0.30% of the dollar value of the transaction[17] for stocks priced below $1.00 that remove liquidity. Therefore, the Exchange believes that the proposed change in Footnote 3 from a fee of $0.0023 per share to a fee of 0.30% of the dollar value of the transaction is equitable and reasonable because it allows the Exchange to now charge its Members a pass-through rate for orders that are routed or re-routed to NYSE and remove liquidity using DE Route. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

The proposed rate change for Flag RS associated with routing orders to PSX through DE Route on the Exchange's fee schedule is a pass-through rate from DE Route to the Exchange and from the Exchange, in turn, to its Members. The Exchange's proposal represents an equitable allocation of reasonable dues, fees, and other charges among Members of the Exchange and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to PSX through DE Route. The Exchange notes that routing through DE Route is voluntary. Currently, for orders yielding Flag RS, PSX offers DE Route a rebate of $0.0016 per share, which, in turn, is passed through to the Exchange. The Exchange, in turn, offers its Members a rebate of $0.0016 per share as a pass-through. On October 1, 2012, PSX increased the rebate it offers its customers, such as DE Route, from $0.0016 per share to a rebate of $0.0026 per share[18] for orders that are routed to PSX and add liquidity. Therefore, the Exchange believes that the proposed change for Flag RS from a rebate of $0.0016 per share to a rebate of $0.0026 per share is equitable and reasonable because it

17 Id.

18 The Exchange notes that it is passing through the standard rebate of $0.0026 per share even though it possibly can achieve a tiered rebate of $0.0028 per share if it meets certain criteria.

accounts for the pricing changes on PSX. In addition, the proposal allows the Exchange to continue to charge its Members a pass-through of the standard rebate[19] for orders that are routed to PSX and add liquidity using DE Route. 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 amend the rate for Flag K represents an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. DE Route is charged either a fee of $0.0028 per share or $0.0030 per share depending on the routing strategy employed.[20] Because the Exchange does not distinguish between ROUC and ROUE when yielding Flag K, the Exchange proposes to assess a charge of $0.0028 per share for Members orders that are routed to PSX using either ROUC or ROUE, which represents the more favorable of the two rates for its Members. The Exchange's proposal to offer its Members the more favorable of two rates is a reasonable pricing strategy because it is similar to the pricing strategy of Flag C on EDGA Exchange, Inc. ("EDGA"), where EDGA offers its customers the more favorable rebate of $0.0014 per share for orders routed to BX that remove liquidity regardless of whether the Member achieves the tiered volume necessary to exceed the default rebate of $0.0005 per share.[21] In addition, the rate of $0.0028 per share for Flag K is reasonable because it is similar to the rates charged by PSX for orders routed to its exchange, where PSX assesses charges between $0.0028 per share and $0.0030 per share

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19 Id.

20 See NASDAQ OMX PSX, Price List – Trading and Connectivity, http://www.nasdaqtrader.com/Trader.aspx?id=PSX_pricing.

21 See Securities Exchange Release No. 67980 (October 4, 2012), 77 FR 61800 (October 11, 2012) (SR-EDGA-2012-45).

depending on the routing strategy employed.[22] Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

The Exchange's proposal to add the title "EdgeBook Depth Fees" to the fee schedule increases transparency on the fee schedule for Members and does not represent any change in EdgeBook Depth fees.

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.

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22 See NASDAQ OMX PSX, Price List – Trading and Connectivity, http://www.nasdaqtrader.com/Trader.aspx?id=PSX_pricing.

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[23] and Rule 19b-4(f)(2)[24] 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-2012-46 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-2012-46. 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

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23 15 U.S.C. 78s(b)(3)(A).

24 17 CFR 19b-4(f)(2).

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-2012-46 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.[25]

Kevin M. O'Neill
Deputy Secretary

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[25] 17 CFR 200.30-3(a)(12).