

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information (required)

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change (required)

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Changes

- (a) EDGX Exchange, Inc. (“EDGX” or the “Exchange”) proposes to amend Rule 11.5 to provide an additional order type, the Route Peg Order. In addition, the Exchange proposes to amend Rule 11.8 to describe the priority of the Route Peg Order relative to other orders on the EDGX Book. The text of the proposed rule changes is attached as Exhibit 5 and is available on the Exchange’s website at www.directedge.com, at the Exchange’s principal office and at the Public Reference Room of the Commission.
- (b) The Exchange does not believe that the proposed rule changes would have any direct or significant indirect effect on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule changes were approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange on April 27, 2010. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule changes; therefore, the Exchange's internal procedures with respect to the proposed changes are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule changes is:

Thomas N. McManus
Chief Regulatory Officer
EDGX Exchange, Inc.
201-418-3471

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

(a) Purpose

The Exchange proposes to amend Rule 11.5(c) to add a new subparagraph (17) that describes a Route Peg Order. A Route Peg Order would be a non-displayed limit order eligible for execution at the national best bid (the “NBB”) for Route Peg Orders to buy, and at the national best offer (the “NBO”, and together with the NBB, the “NBBO”) for Route Peg Orders to sell, against routable orders¹ that

¹ Orders that are not designated for routing are not executable against Route Peg

are equal to or less than the size of the Route Peg Order. Thus, the Route Peg Order would only be eligible for execution at a price that matches the NBB for buy orders, and the NBO for sell orders. The Route Peg Order would be a passive, resting order designed exclusively to provide liquidity; therefore, it would not be permitted to take liquidity.

An incoming order that has been designated as eligible for routing would be able to interact with Route Peg Orders. Such an order would first be matched against orders other than Route Peg Orders in price/time priority in accordance with Rule 11.8(a)(2)(A)-(D). If any portion of the incoming order remained unexecuted, only then would such order be eligible to execute against Route Peg Orders.² Thus, the Route Peg Order is intended only to provide liquidity in the event that a marketable order would otherwise route to another destination.

As mentioned supra, Route Peg Orders would only trade with orders that are equal to or smaller in quantity than the original order quantity of the Route Peg Order. If a Route Peg Order were partially executed, it would be able to execute against orders that were larger than the remaining balance of the order, but those orders would still need to be equal to or smaller than the original order quantity of the Route Peg Order.³

The following example illustrates how this would work: Assume Member A places a Route Peg Order to buy 500 shares, and an incoming order to sell executes against the Route Peg Order at the NBB for 300 shares. That would leave Member A with a remaining balance of 200 shares to buy. Another incoming order to sell 400 shares would be eligible to execute against Member

Orders because Users entering non-routable orders typically expect to post liquidity on EDGX or seek to execute immediately against the EDGX displayed quote or attempt to ferret out hidden liquidity at or within the NBBO, e.g., through an Immediate-or-Cancel Order type. By contrast, the Route Peg Order would be designed for Users to interact with other Users that seek to access liquidity at the NBBO, and that employ routable orders to access such liquidity at a range of trading venues.

² The Exchange proposes to codify this principle in proposed new paragraph (a)(2)(E) of Rule 11.8.

³ If a Route Peg Order were partially executed, the remaining portion of the order would continue to be eligible for execution, but it would be assigned a new time priority and new timestamp after each partial execution, until either the remaining size of the order is exhausted or it is cancelled. Assigning a new timestamp after each partial execution would allow for a kind of rotating priority of execution for Users who place Route Peg Orders. The Exchange is proposing to codify this principle in Rule 11.8(a)(5) and proposed new subparagraph (a)(7) of Rule 11.8.

A's balance, for 200 shares, because the size of its order would be less than the original size of Member A's order. If, however, the incoming order were to sell 600 shares, it would not execute against the Route Peg Order because the size of the order would be greater than the original size of Member A's order. In that event, such order would be routed externally. It should be noted, however, that if there were another Route Peg Order on the Book, behind Member A's order in time priority, for, say, 1000 shares, the order to sell 600 shares would execute against that second Route Peg Order.

The Exchange elected to design the System in this manner, as opposed to alternatives such as measuring incoming orders against the aggregate size of all Route Peg Orders then on the Book, in order to avoid the possibility of a single block-sized order potentially clearing all the liquidity on the Book attributable to Route Peg Orders.

Route Peg Orders would be able to be entered, cancelled and cancelled/replaced prior to and during Regular Trading Hours.⁴ Route Peg Orders would be eligible for execution in a given security during Regular Trading Hours, except that, even after the commencement of Regular Trading Hours, Route Peg Orders would not be eligible for execution (1) in the opening cross, and (2) until such time that regular session orders in that security could be posted to the EDGX Book.⁵ A Route Peg Order would not execute at a price that is inferior to a Protected Quotation,⁶ and would not be permitted to execute if the NBBO were locked or crossed. Any and all remaining, unexecuted Route Peg Orders would be cancelled at the conclusion of Regular Trading Hours.

The Route Peg Order would provide Members with an additional means to post stable trading interest at the NBB and NBO. The purpose of the Route Peg Order is to encourage Members to further enhance the depth of liquidity at the NBBO on the Exchange. The Exchange believes that if the Route Peg Order became widely used, Members seeking to access liquidity at the NBBO would be more motivated to direct their orders to EDGX because they would have a heightened expectation

⁴ As defined in Rule 1.5(y).

⁵ To illustrate, for stocks listed on the New York Stock Exchange LLC (the "NYSE"), regular session orders can be posted to the EDGX Book upon the dissemination by the responsible Securities Information Processor ("SIP") of an opening print in that stock on the NYSE. Conversely, for stocks listed on, say, the NASDAQ Stock Market LLC, regular session orders can be posted to the EDGX Book upon the dissemination of the NBBO by the responsible SIP in that stock.

⁶ As defined in Rule 1.5(v).

of the availability of liquidity at the NBBO. In addition, a User⁷ whose order executed against a Route Peg Order would be able to obtain an execution at the NBB or NBO while minimizing the risk that incremental latency associated with routing the order to an away destination may result in an inferior execution.

(b) Statutory Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”)⁸ and further the objectives of Section 6(b)(5) of the Act,⁹ in that they are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest. Moreover, the Exchange believes that the proposed rule changes are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The benefits to investors of enhanced depth of liquidity at the NBBO in today’s market structure cannot be understated. The Route Peg Order is designed to incentivize Users to place greater liquidity at the NBBO, thereby promoting more favorable and efficient executions for the benefit of public customers. It would do so by (1) offering liquidity providers a means to use the Exchange to post larger limit orders that are only executable at the NBBO and that do not disclose their trading interest to other market participants in advance of execution; (2) offering market participants seeking to access liquidity a greater expectation of market depth at the NBBO than may currently be the case; and (3) offering more predictable executions at the NBBO for Users by reducing the risk that incremental latency associated with routing an order to an away destination may result in an inferior execution. Thus, by providing an additional means by which market participants can be encouraged to post liquidity at the NBBO on the Exchange, which would add depth and support to the NBBO on the Exchange and mitigate the negative effects of market fragmentation, the proposed rule changes would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and national market system. Moreover, the proposed rule changes would protect investors and the public interest by increasing the probability of an execution on the Exchange at the NBBO in the event that the order would otherwise be shipped to an external destination and potentially miss an execution at the NBBO while in transit.

⁷ As defined in Rule 1.5(ee).

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

The Exchange believes, however, that the benefits to be derived from Route Peg Orders would only be realized if Route Peg Orders only interact with orders eligible for routing. Routable orders are typically characteristic of public customers, both retail and institutional (colloquially referred to as well as “natural” investors), who are concerned with executing at the best price. On the other hand, non-routable orders typically expect to post liquidity on the Book or seek to execute immediately, such as via an Immediate-or-Cancel Order, against the Exchange’s best displayed bid or offer or to ferret out hidden liquidity at or inside the NBBO (colloquially referred to as well as “pinging”). Professional traders, in particular, are more apt to submit, and often immediately cancel, “pinging” orders, as reflected in generally higher message-to-trade ratios. The Exchange believes this type of order behavior, while it may have its own business purposes, would not be suitable to interact with Route Peg Orders simply because Users would be reticent to post liquidity via Route Peg Orders given the uncertain, and therefore difficult to manage, exposure to executions against orders attributable to professional traders. Indeed, we believe potential liquidity providers would be more apt to provide liquidity in alternative trading systems and other non-exchange market centers where the customization and segmentation experience may be less transparent and objective.

While non-routable orders would not be permitted to execute against Route Peg Orders, the Exchange does not believe that the proposed rule changes would be designed to permit *unfair* discrimination between customers, brokers, or dealers. First, the Exchange believes this limited exception is constructed narrowly enough, based on rational and legitimate grounds, so that the compelling policy objectives, which are wholly consistent with the Act, can be realized. Second, the Exchange is not proposing to limit the type of User that can place routable orders, or that can place Route Peg Orders. So any disadvantage resulting from the limitation to executing against routable orders would not target particular segments of market participants, *per se*, but rather a particular type of market behavior. Therefore, the Exchange believes that not only would the proposed rule changes not be designed to permit unfair discrimination between customers, brokers, or dealers, the differentiation between routable and non-routable orders is an important element for the Route Peg Order to be able to achieve the objectives of protecting investors and the public interest and promoting just and equitable principles of trade.

Finally, because the Route Peg Order would be functionally similar to the Supplemental Order that is currently offered by the NASDAQ Stock Market LLC (“NASDAQ”),¹⁰ the Route Peg Order would promote competition by enhancing EDGX’s ability to compete with NASDAQ as well as other non-exchange market centers.

¹⁰ See NASDAQ Rules 4751(f)(14), 4751(g) and 4757(a)(1)(D).

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

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

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

The Exchange has neither solicited nor received written comments on the proposed rule changes.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

8. Proposed Rule Changes Based on Rules of Another Self-Regulatory Organization or of the Commission

The Route Peg Order would be functionally similar to NASDAQ's Supplemental Order.¹¹ It would differ from the Supplemental Order in that (i) the Route Peg Order would not need to be entered with a size of one or more normal units of trading,¹² (ii) Supplemental Orders can only be executed if the size of the incoming order is less than or equal to the aggregate size of Supplemental Order interest available at the price of the order (whereas the Exchange would not aggregate across all Route Peg Orders), and (iii) the Route Peg Order would not be cancelled by EDGX, as it is on NASDAQ, if it were reduced to less than one normal unit of trading.

9. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register.

Exhibit 5 – Text of the Proposed Rule Change.

¹¹ See NASDAQ Rules 4751(f)(14) and 4757(a)(1)(D).

¹² See NASDAQ Rule 4751(g) (definition of "Order Size").

EXHIBIT 1SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-EDGX-2012-25)

[Date]

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing of Proposed Rule Changes to Amend EDGX Rules to Add the Route Peg Order

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 June 26, 2012, the EDGX Exchange, Inc. (the "Exchange" or "EDGX") filed with the Securities and Exchange Commission (the "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 changes from interested persons.

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

The Exchange proposes to amend Rule 11.5 to provide an additional order type, the Route Peg Order. In addition, the Exchange proposes to amend Rule 11.8 to describe the priority of the Route Peg Order relative to other orders on the EDGX Book.

The text of the proposed rule changes are attached as Exhibit 5 and are available on the Exchange's 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.

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

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule changes and discussed any comments it received on the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B and C below, of the most significant aspects of such statements.

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

Purpose

The Exchange proposes to amend Rule 11.5(c) to add a new subparagraph (17) that describes a Route Peg Order. A Route Peg Order would be a non-displayed limit order eligible for execution at the national best bid (the "NBB") for Route Peg Orders to buy, and at the national best offer (the "NBO", and together with the NBB, the "NBBO") for Route Peg Orders to sell, against routable orders³ that are equal to or less than the size of the Route Peg Order. Thus, the Route Peg Order would only be eligible for execution at a price that matches the NBB for buy orders, and the NBO for sell orders. The Route Peg Order would be a passive, resting order designed exclusively to provide liquidity; therefore, it would not be permitted to take liquidity.

³ Orders that are not designated for routing are not executable against Route Peg Orders because Users entering non-routable orders typically expect to post liquidity on EDGX or seek to execute immediately against the EDGX displayed quote or attempt to ferret out hidden liquidity at or within the NBBO, e.g., through an Immediate-or-Cancel Order type. By contrast, the Route Peg Order would be designed for Users to interact with other Users that seek to access liquidity at the NBBO, and that employ routable orders to access such liquidity at a range of trading venues.

An incoming order that has been designated as eligible for routing would be able to interact with Route Peg Orders. Such an order would first be matched against orders other than Route Peg Orders in price/time priority in accordance with Rule 11.8(a)(2)(A)-(D). If any portion of the incoming order remained unexecuted, only then would such order be eligible to execute against Route Peg Orders.⁴ Thus, the Route Peg Order is intended only to provide liquidity in the event that a marketable order would otherwise route to another destination.

As mentioned supra, Route Peg Orders would only trade with orders that are equal to or smaller in quantity than the original order quantity of the Route Peg Order. If a Route Peg Order were partially executed, it would be able to execute against orders that were larger than the remaining balance of the order, but those orders would still need to be equal to or smaller than the original order quantity of the Route Peg Order.⁵

The following example illustrates how this would work: Assume Member A places a Route Peg Order to buy 500 shares, and an incoming order to sell executes against the Route Peg Order at the NBB for 300 shares. That would leave Member A with a remaining balance of 200 shares to buy. Another incoming order to sell 400 shares would be eligible to execute against Member A's balance, for 200 shares, because the size of its order would be less than the original size of Member A's order. If,

⁴ The Exchange proposes to codify this principle in proposed new paragraph (a)(2)(E) of Rule 11.8.

⁵ If a Route Peg Order were partially executed, the remaining portion of the order would continue to be eligible for execution, but it would be assigned a new time priority and new timestamp after each partial execution, until either the remaining size of the order is exhausted or it is cancelled. Assigning a new timestamp after each partial execution would allow for a kind of rotating priority of execution for Users who place Route Peg Orders. The Exchange is proposing to codify this principle in Rule 11.8(a)(5) and proposed new subparagraph (a)(7) of Rule 11.8.

however, the incoming order were to sell 600 shares, it would not execute against the Route Peg Order because the size of the order would be greater than the original size of Member A's order. In that event, such order would be routed externally. It should be noted, however, that if there were another Route Peg Order on the Book, behind Member A's order in time priority, for, say, 1000 shares, the order to sell 600 shares would execute against that second Route Peg Order.

The Exchange elected to design the System in this manner, as opposed to alternatives such as measuring incoming orders against the aggregate size of all Route Peg Orders then on the Book, in order to avoid the possibility of a single block-sized order potentially clearing all the liquidity on the Book attributable to Route Peg Orders.

Route Peg Orders would be able to be entered, cancelled and cancelled/replaced prior to and during Regular Trading Hours.⁶ Route Peg Orders would be eligible for execution in a given security during Regular Trading Hours, except that, even after the commencement of Regular Trading Hours, Route Peg Orders would not be eligible for execution (1) in the opening cross, and (2) until such time that regular session orders in that security could be posted to the EDGX Book.⁷ A Route Peg Order would not execute at a price that is inferior to a Protected Quotation,⁸ and would not be permitted to execute

⁶ As defined in Rule 1.5(y).

⁷ To illustrate, for stocks listed on the New York Stock Exchange LLC (the "NYSE"), regular session orders can be posted to the EDGX Book upon the dissemination by the responsible Securities Information Processor ("SIP") of an opening print in that stock on the NYSE. Conversely, for stocks listed on, say, the NASDAQ Stock Market LLC, regular session orders can be posted to the EDGX Book upon the dissemination of the NBBO by the responsible SIP in that stock.

⁸ As defined in Rule 1.5(v).

if the NBBO were locked or crossed. Any and all remaining, unexecuted Route Peg Orders would be cancelled at the conclusion of Regular Trading Hours.

The Route Peg Order would provide Members with an additional means to post stable trading interest at the NBB and NBO. The purpose of the Route Peg Order is to encourage Members to further enhance the depth of liquidity at the NBBO on the Exchange. The Exchange believes that if the Route Peg Order became widely used, Members seeking to access liquidity at the NBBO would be more motivated to direct their orders to EDGX because they would have a heightened expectation of the availability of liquidity at the NBBO. In addition, a User⁹ whose order executed against a Route Peg Order would be able to obtain an execution at the NBB or NBO while minimizing the risk that incremental latency associated with routing the order to an away destination may result in an inferior execution.

Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Act¹⁰ and further the objectives of Section 6(b)(5) of the Act,¹¹ in that they are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest. Moreover, the Exchange believes that the

⁹ As defined in Rule 1.5(ee).

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(5).

proposed rule changes are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The benefits to investors of enhanced depth of liquidity at the NBBO in today's market structure cannot be understated. The Route Peg Order is designed to incentivize Users to place greater liquidity at the NBBO, thereby promoting more favorable and efficient executions for the benefit of public customers. It would do so by (1) offering liquidity providers a means to use the Exchange to post larger limit orders that are only executable at the NBBO and that do not disclose their trading interest to other market participants in advance of execution; (2) offering market participants seeking to access liquidity a greater expectation of market depth at the NBBO than may currently be the case; and (3) offering more predictable executions at the NBBO for Users by reducing the risk that incremental latency associated with routing an order to an away destination may result in an inferior execution. Thus, by providing an additional means by which market participants can be encouraged to post liquidity at the NBBO on the Exchange, which would add depth and support to the NBBO on the Exchange and mitigate the negative effects of market fragmentation, the proposed rule changes would promote just and equitable principles of trade and remove impediments to and perfect the mechanism of a free and open market and national market system. Moreover, the proposed rule changes would protect investors and the public interest by increasing the probability of an execution on the Exchange at the NBBO in the event that the order would otherwise be shipped to an external destination and potentially miss an execution at the NBBO while in transit.

The Exchange believes, however, that the benefits to be derived from Route Peg Orders would only be realized if Route Peg Orders only interact with orders eligible for

routing. Routable orders are typically characteristic of public customers, both retail and institutional (colloquially referred to as well as “natural” investors), who are concerned with executing at the best price. On the other hand, non-routable orders typically expect to post liquidity on the Book or seek to execute immediately, such as via an Immediate-or-Cancel Order, against the Exchange’s best displayed bid or offer or to ferret out hidden liquidity at or inside the NBBO (colloquially referred to as well as “pinging”). Professional traders, in particular, are more apt to submit, and often immediately cancel, “pinging” orders, as reflected in generally higher message-to-trade ratios. The Exchange believes this type of order behavior, while it may have its own business purposes, would not be suitable to interact with Route Peg Orders simply because Users would be reticent to post liquidity via Route Peg Orders given the uncertain, and therefore difficult to manage, exposure to executions against orders attributable to professional traders. Indeed, we believe potential liquidity providers would be more apt to provide liquidity in alternative trading systems and other non-exchange market centers where the customization and segmentation experience may be less transparent and objective.

While non-routable orders would not be permitted to execute against Route Peg Orders, the Exchange does not believe that the proposed rule changes would be designed to permit unfair discrimination between customers, brokers, or dealers. First, the Exchange believes this limited exception is constructed narrowly enough, based on rational and legitimate grounds, so that the compelling policy objectives, which are wholly consistent with the Act, can be realized. Second, the Exchange is not proposing to limit the type of User that can place routable orders, or that can place Route Peg Orders. So any disadvantage resulting from the limitation to executing against routable orders would not target particular segments of market participants, per se, but rather a

particular type of market behavior. Therefore, the Exchange believes that not only would the proposed rule changes not be designed to permit unfair discrimination between customers, brokers, or dealers, the differentiation between routable and non-routable orders is an important element for the Route Peg Order to be able to achieve the objectives of protecting investors and the public interest and promoting just and equitable principles of trade.

Finally, because the Route Peg Order would be functionally similar to the Supplemental Order that is currently offered by the NASDAQ Stock Market LLC (“NASDAQ”),¹² the Route Peg Order would promote competition by enhancing EDGX’s ability to compete with NASDAQ as well as other non-exchange market centers.

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 Changes 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 Changes and Timing for Commission Action

Within 45 days of the date of publication of this notice or within such longer period (i) as the Commission may designate up to 45 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

¹² See NASDAQ Rules 4751(f)(14), 4751(g) and 4757(a)(1)(D).

- (a) by order approve such proposed rule changes; or
- (b) institute proceedings to determine whether the proposed rule changes should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule changes are 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 No. SR-EDGX-2012-25 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-EDGX-2012-25. 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 Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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

inspection and copying in the Commission's Public Reference Room. Copies of such 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-2012-25 and should be submitted by [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Secretary

¹³ 17 CFR 200.30-3(a)(12).

Exhibit 5

Deletions [bracketed]

Additions underlined

Rule 11.5. Orders and Modifiers

Users may enter into the System the types of orders listed in this Rule 11.5, subject to the limitations set forth in this Rule or elsewhere in these Rules.

(a) – (b) (No change).

(c) (No change).

(c)(1) – (13) (No change).

(14) – (16) Reserved.

(17) Route Peg Order. A non-displayed limit order that posts to the EDGX Book, and thereafter is eligible for execution at the NBB for buy orders and NBO for sell orders against routable orders that are equal to or less than the size of the Route Peg Order. Route Peg Orders are passive, resting orders on the EDGX Book and do not take liquidity. Route Peg Orders may be entered, cancelled, and cancelled/replaced prior to and during Regular Trading Hours. Route Peg Orders are eligible for execution in a given security during Regular Trading Hours, except that, even after the commencement of Regular Trading Hours, Route Peg Orders are not eligible for execution (1) in the opening cross, and (2) until such time that regular session orders in that security can be posted to the EDGX Book. A Route Peg Order does not execute at a price that is inferior to a Protected Quotation, and is not be permitted to execute if the NBBO is locked or crossed. Any and all remaining, unexecuted Route Peg Orders are cancelled at the conclusion of Regular Trading Hours.

(d) – (e) (No change).

* * * * *

Rule 11.8. Priority of Orders

(a) (No change).

(a)(1) – (2)(B) (No change).

(C) Non-displayed limit orders and the reserve quantity of Reserve Orders; [and]

(D) Discretionary range of Discretionary Orders as set forth in Rule 11.5(c)(13)[.]; and

(E) Route Peg Orders as set forth in Rule 11.5(c)(17).

(3) – (4) (No change).

(5) Except as provided in subparagraph (a)(7) hereof, i^[I]n the event that less than the full size of an order is executed, the unexecuted size of the order shall retain priority at the same limit price in accordance with paragraphs (1) and (2) above.

(6) (No change).

(7) If a Route Peg Order is executed in part, the remaining portion of the order shall continue to be eligible for execution and shall be assigned a new time priority and new timestamp, until either the remaining size is exhausted or the Route Peg Order is cancelled by the Member.

(b) (No change).

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