

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="34"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2012"/> - * <input type="text" value="26"/> Amendment No. (req. for Amendments *) <input type="text"/>
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Proposed Rule Change by EDGX Exchange, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>			
			Rule					
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="text"/>	Date Expires * <input type="text"/>	19b-4(f)(1) <input type="checkbox"/>	19b-4(f)(2) <input checked="" type="checkbox"/>	19b-4(f)(3) <input type="checkbox"/>	19b-4(f)(4) <input type="checkbox"/>	19b-4(f)(5) <input type="checkbox"/>	19b-4(f)(6) <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked \*).

EDGX Exchange, Inc. proposes to amend its fees and rebates applicable to Members of the Exchange pursuant to EDGX Rule 15.1(a) and (c).

**Contact Information**

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name *	<input type="text" value="Jeffrey"/>	Last Name *	<input type="text" value="Rosenstock"/>
Title *	<input type="text" value="General Counsel"/>		
E-mail *	<input type="text" value="jrosenstock@directedge.com"/>		
Telephone *	<input type="text" value="(201) 942-8295"/>	Fax	<input type="text"/>

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date	<input type="text" value="06/29/2012"/>
By	<input type="text" value="Jeffrey Rosenstock"/> (Name *)
	<input type="text" value="General Counsel"/> (Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF 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 Change

(a) EDGX Exchange, Inc. (“Exchange” or “EDGX”) proposes to amend its fees and rebates applicable to Members<sup>1</sup> of the Exchange pursuant to EDGX Rule 15.1(a) and (c). Text of the proposed rule change is attached as Exhibit 5.

(b) Inapplicable.

(c) Inapplicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was 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 EDGX Exchange Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change. Therefore, the Exchange's internal procedures with respect to the proposed change are complete.

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

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

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

(a) Purpose

The Exchange proposes to add Flag PR to its fee schedule. Flag PR will be yielded when a Member removes liquidity from the EDGX book using the ROUQ<sup>2</sup> routing strategy. The Exchange proposes to assess a charge of \$0.0027 per share. In addition, a technical amendment is proposed be made to Footnote 13 to include it as an additional removal flag in clause (ii) of that footnote.

In order to provide additional transparency to Members on the Exchange's fee schedule by distinguishing between orders that are routed using the ROUQ strategy and

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<sup>1</sup> A Member is any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange.

<sup>2</sup> See Exchange Rule 11.9(b)(3)(c)(iv).

orders that are routed using the ROUC<sup>3</sup> routing strategy, the Exchange proposes to add Flag RQ to the Exchange's fee schedule. Flag RQ will be yielded when a Member routes an order using the ROUQ routing strategy. The Exchange proposes to assess a charge of \$0.0027 per share instead of the current charge of \$0.0020 per share. In addition, the Exchange proposes to make conforming changes to Flag Q to delete the reference to the ROUQ routing strategy.

The Exchange proposes to amend Footnote 1 of the fee schedule to state that Members can qualify for the Market Depth tier and receive a rebate of \$0.0033 per share for displayed liquidity added on EDGX if they post greater than or equal to 0.50% of the Total Consolidated Volume ("TCV") in Average Daily Volume ("ADV") on EDGX in total, where at least 2 million shares are Non-Displayed Orders that yield Flag HA.

The Exchange also proposes to amend Flag K to only apply to Members' orders routed to NASDAQ OMX PSX ("PSX") using the ROUC or ROUE routing strategy as defined in Rule 11.9(b)(3). The Exchange proposes to reduce the rate from \$0.0025 per share to \$0.0005 per share, which represents a pass-through of the Exchange's rate for routing orders to PSX, in response to the proposed pricing changes in PSX's pending filing with the Securities and Exchange Commission (the "SEC").<sup>4</sup> Accordingly, where Members' orders are routed to the BATS BZX Exchange ("BATS BZX") using the ROBA routing strategy (EDGX + BATS), the Exchange proposes to apply Flag X, which is yielded when Members route orders through EDGX and the Exchange assesses a charge of \$0.0029 per share.

Similarly, the Exchange also proposes to amend the rate for Flag RS, which is yielded when Members route orders to PSX that add liquidity. The Exchange proposes to amend the pricing for Flag RS from a rebate of \$0.0024 per share to a charge of \$0.0005 per share (in response to PSX's pending filing), which represents a pass-through of the Exchange's rate for routing orders to PSX.

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

(b) Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Securities and Exchange Act of 1934 (the "Act"),<sup>5</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>6</sup> in particular, as it is designed to

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<sup>3</sup> See Exchange Rule 11.9(b)(3)(a).

<sup>4</sup> See PSX's Equity Trader Alert #2012-28 at <http://www.nasdaqtrader.com/TraderNews.aspx?id=ETA2012-28> (discussing PSX's pending fee changes effective July 2, 2012).

<sup>5</sup> 15 U.S.C. 78f.

<sup>6</sup> 15 U.S.C. 78f(b)(4).

provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities.

Exchange Rule 11.9(b)(3) defines the “System routing table” as the proprietary process for determining the specific trading venues to which the System<sup>7</sup> routes orders and the order in which the System routes them. Specifically, the Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. ROUQ is one of the routing strategies that checks the System for available shares before sending the order to other destinations on the System routing table, and if shares remain unexecuted after routing, then the shares are posted on the EDGX book unless the Member instructs otherwise. The Exchange proposes to reduce the number of destinations in the System routing table for the ROUQ routing strategy, and the Exchange proposes to make conforming changes to the fee schedule to reflect this change.

The Exchange believes that the proposed rate of \$0.0027 per share for Flag PR for orders that remove liquidity from the EDGX book using the ROUQ routing strategy is an equitable allocation of reasonable dues, fees, and other charges in comparison to the standard removal rate of \$0.0029 per share because the Exchange is able to pass back the savings it receives from routing to other destinations on the Systems routing table to the Exchange’s Members. The more destinations that an order is routed to can lead to a potentially lower average rate for Direct Edge ECN LLC d/b/a DE Route (“DE Route”), the Exchange’s affiliated routing broker/dealer, as there is more of a likelihood of an execution at a “low” cost destination with higher rebates/lower fees. Conversely, the less destinations that an order is routed to can lead to a potentially higher average rate for DE Route as there is a greater chance that it is executed at a higher cost destination with lower rebates/higher fees. This rate is also consistent with the processing of similar routing strategies by BATS where BATS takes into account the rates that it is charged or rebated when routing to other destinations.<sup>8</sup> In addition, the reduced fee of \$0.0027 per share is designed to incentivize Member to route through EDGX first before going to other destinations on the System routing table, and thereby potentially increases volume on EDGX to the extent the order executes on EDGX. The Exchange also believes that the proposed rate is non-discriminatory in that it applies uniformly to all Members.

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<sup>7</sup> See Exchange Rule 1.5(cc).

<sup>8</sup> See Securities Exchange Act Release No. 66335 (February 6, 2012), 77 FR 7225 (February 10, 2012) (SR-EDGA-2012-03) (citing to the proposition that Members of the EDGA Exchange, Inc. (“EDGA”) are able to share in cost savings realized by EDGA when routing orders to other destinations). The concept is also seen generally in the BATS BZX fee schedule, describing Discounted Destination Specific Routing (“One Under”) to NYSE, NYSE ARCA and NASDAQ. See Securities Exchange Act Release No. 62858 (September 7, 2010), 75 FR 55838 (September 14, 2010) (SR-BATS-2010-023) (modifying the BATS fee schedule in order to amend the fees for its BATS + NYSE Arca destination specific routing option to continue to offer a “one under” pricing model).

Currently, the Exchange assesses a rate of \$0.0020 per share for Flag Q for routing strategies ROUQ or ROUC. As discussed above, the Exchange modified its System routing table so that routing strategy ROUQ will route to a lower number of destinations than routing strategy ROUC. Therefore, the Exchange proposes adding Flag RQ to reflect orders routed using ROUQ and amending Flag Q to apply only for orders routed using the ROUC routing strategy. The Exchange believes increasing the rate charged for routing strategy ROUQ from \$0.0020 per share to \$0.0027 (Flag RQ) per share represents an equitable allocation of reasonable dues, fees, and other charges. The more destinations that an order is routed to can lead to a potentially lower average rate for DE Route as there is more of a likelihood of an execution at a “low” cost destination with higher rebates/lower fees. Conversely, the less destinations that an order is routed to can lead to a potentially higher average rate for DE Route as there is a greater chance that it is executed at a higher cost destination with lower rebates/higher fees. Accordingly, the lower number of destinations associated with the ROUQ routing strategy on the revised System routing table affords the Member less likelihood of execution at an away destination because there are fewer available liquidity venues.

Currently, the standard rate for routing on EDGX is \$0.0029 per share and yields Flag X. The Exchange believes that assessing a rate of \$0.0027 for Flag RQ for orders that route to destinations using the routing strategy ROUQ represents an equitable allocation of reasonable dues, fees, and other charges because the Exchange can pass back the savings it receives from routing to other destinations to its Members, as described in more detail above.<sup>9</sup> In addition, the Exchange believes that the proposed rate is non-discriminatory in because the rate applies uniformly to all Members.

The Exchange believes that adding the Market Depth Tier to achieve a rebate of \$0.0033 per share represents an equitable allocation of reasonable dues, fees, and other charges since it encourages Members to add displayed liquidity to EDGX book each month as only the displayed liquidity in this tier is awarded the rebate of \$0.0033 per share<sup>10</sup> This tier also recognizes the contribution that non-displayed liquidity provides to the marketplace, including: (i) adding needed depth to the EDGX market; (ii) providing price support/depth of liquidity; and (iii) increasing diversity of liquidity to EDGX. Furthermore, such increased displayed volume increases potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of higher rebates. The increased liquidity also benefits all investors by deepening EDGX’s liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Volume-based rebates such as the 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,

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<sup>9</sup> Id.

<sup>10</sup> The Exchange notes that there is no change to the rebate of \$0.0015 per share for adding non-displayed liquidity.

such as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes. The Exchange believes that such Market Depth Tier is reasonable based on examples from the Nasdaq OMX's fee schedule, which offers rebates that are tied to achieving tiers by posting non-displayed liquidity.<sup>11</sup> In addition, the Exchange also believes that the proposed Market Depth tier is non-discriminatory because it applies uniformly to all Members.

The Exchange believes that the rebate of \$ 0.0033 per share also represent an equitable allocation of reasonable dues, fees, and other charges since higher rebates are directly correlated with more stringent criteria.

Currently, the Mega Tier rebates of \$0.0034/\$0.0032 per share have the most stringent criteria associated with them, and are \$0.0003/\$0.0001 greater than the Ultra Tier rebate (\$0.0031 per share) and \$0.0006/\$0.0004 greater than the Super Tier rebate (\$0.0028 per share).

For example, in order for a Member to qualify for the Mega Tier rebate of \$0.0034, the Member would have to add or route at least 4 million shares of ADV during pre and post-trading hours and add a minimum of 20 million shares of ADV on EDGX in total, including during both market hours and pre and post-trading hours. The criteria for this tier is the most stringent as fewer Members generally trade during pre and post-trading hours because of the limited time parameters associated with these trading sessions. The Exchange believes that this higher rebate awarded to Members would incent liquidity during these trading sessions.

In order to qualify for an equivalent rebate of \$0.0034 per share (Mega Tape B tier), a Member would have to (i) post greater than or equal to .10% of the TCV in ADV more than their January 2012 ADV added to EDGX; and (ii) post greater than or equal to .10% of the TCV in ADV in Tape B securities more than their January 2012 ADV (baseline) added to EDGX. Assuming a TCV for June 2012 of 8.0 billion and a January 2012 ADV of 1 million shares, the Member would have to post greater than or equal to 9 million shares (8 million shares more than their January 2012 baseline of 1 million shares in ADV added to EDGX), and post greater than or equal to 9 million shares in Tape B securities to EDGX).

In order to qualify for the new Market Depth tier, a Member would receive a rebate of \$0.0033 per share for displayed liquidity added on EDGX if they post greater than or equal to 0.50% of the TCV in ADV on EDGX, at least 2 million shares of which are Non-Displayed Orders that yield Flag HA on EDGX in total. Assuming a TCV of 8.0 billion shares for June 2012, this would amount to 40 million shares, at least 2 million shares of which are Non-Displayed Orders. The criteria for the Market Depth Tier, which includes the requirement to post 2 million shares of Non-Displayed Orders, is more stringent than criteria for the Mega Tier of posting 0.75% of TCV, as described

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<sup>11</sup> <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2> (where Nasdaq offers rebates to add non-displayed midpoint liquidity, supplemental liquidity, non-displayed liquidity).

below, because Non-Displayed Orders do not have the same ability to attract contra-side orders to the marketplace because they are hidden on the EDGX book, are less commonplace than displayed liquidity, and Members are not eligible for the same rebates that displayed liquidity qualify for.<sup>12</sup> In addition, because of the hierarchy of priority in Rule 11.8(a)(2), for equally priced trading interest, Non-Displayed Orders always have a lower priority than displayed orders. As a result, a Member has a priority disadvantage when using such order type and therefore, the criteria to satisfy this tier are more restrictive than those outlined in other tiers, below.

Non-Displayed Orders also represent valuable liquidity to the Exchange as they add needed depth to the EDGX market and provide price support/depth of liquidity and diversity of liquidity to EDGX. In addition, Non-Displayed Orders are included in the Market Depth Tier to incentivize Members to add displayed liquidity. Because of the higher margin that the Exchange earns on Non-Displayed Orders vs. displayed orders (non-displayed orders are charged \$0.0029 per share and earn a \$0.0015 per share rebate, as provided in Flag HA, which is a margin of \$0.0014 per share),<sup>13</sup> the Exchange is able to provide a higher rebate to displayed orders. The Exchange believes the higher rebate will attract increased liquidity to EDGX.

In addition, increased volume from the use of this tier increases potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of higher rebates. The increased liquidity also benefits all investors by deepening EDGX's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting, in part, the qualities of price discovery and 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.

Another way a Member can qualify for the Mega Tier (with a rebate of \$0.0032 per share) would be to post 0.75% of TCV. Assuming an average TCV for June 2012 (8.0 billion), this would be 60 million shares on EDGX. A second method to qualify for the rebate of \$0.0032 per share would be to post 0.12% of the TCV (9.6 million shares) more than the Member's February 2011 or December 2011 ADV added to EDGX. Assuming the Member's February 2011/December 2011 ADVs are 1 million shares, the Exchange believes that requiring Members to post 10.6 million more shares than a

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<sup>12</sup> Non-Displayed Orders that add liquidity (Flag HA) are eligible for a \$0.0015 per share rebate instead of the default rebate rate for displayed liquidity of \$0.0023 per share.

<sup>13</sup> By contrast, displayed liquidity only allows the Exchange to earn a margin of as much as \$0.0006 per share assuming no volume tiers are met (charged \$0.0029 per share - \$0.0023 per share rebate).



February or December 2011 baseline ADV encourages Members to add increasing amounts of liquidity to EDGX each month.

A Member can also qualify for the Mega Tier rebate of \$0.0032 per share by adding or routing at least 4,000,000 shares of ADV prior to 9:30 AM or after 4:00 PM (includes all flags except 6) and adding a minimum of .20% of the TCV on a daily basis measured monthly, including during both market hours and/or pre and post-trading hours. Based on an average TCV for June 2012 (8.0 billion shares), a Member would qualify by adding 16 million shares during both market hours and/or pre and post-trading hours and adding or routing at least 4,000,000 shares of ADV during pre and post trading hours. The Exchange notes that fewer Members generally trade during pre and post-trading hours because of the limited time parameters associated with these trading sessions. Therefore, the amount of shares that the Exchange requires to be added or routed to satisfy this tier is less than for the Ultra Tier, for example, which is based on posting liquidity to EDGX during regular trading hours.

In order to qualify for the Ultra Tier, which has less stringent criteria than the Mega Tier and Mega Tape B Tier, and be provided a rebate of \$0.0031 per share, the Member would have to post 0.50% of TCV. Based on average TCV for June 2012 (8.0 billion shares), this would be 40 million shares on EDGX.

Members can qualify for the Mini Tape B Tier and be provided a \$0.0030 rebate per share for liquidity added on EDGX if the Member on a daily basis, measured monthly: (i) posts greater than or equal to .05% of the TCV in ADV more than their January 2012 ADV added to EDGX; and (ii) posts greater than or equal to .05% of the TCV in ADV in Tape B securities more than their January 2012 ADV added to EDGX. Based on a TCV of 8.0 billion shares for June 2012 and a Member's ADV for January 2012 of 1 million shares (baseline), this would amount to (i) posting greater than or equal to 5 million shares to EDGX; and (ii) posting greater than or equal to 5 million shares in Tape B securities to EDGX.

The Super Tier has the least stringent criteria of the tiers mentioned above. In order for a Member to qualify for this rebate, the Member would have to post at least 10 million shares on EDGX and would qualify for a rebate of \$0.0028 per share.

Another way a Member can qualify for a rebate of \$0.0028 per share is to post 0.065% of the TCV in ADV more than their February 2011 ADV added to EDGX. This tier allows Members even greater flexibility with respect to achieving an additional rebate and rewards growth patterns in volume by Members as this rebate's conditions encourage Members to add increasing amounts of liquidity to EDGX each month. Based on an ADV in February 2011 (baseline) of 1,000,000 shares, the Member would have to add 6.2 million shares total to qualify for such rebate.

The rates and rebates associated with routing orders to PSX on the Exchange's fee schedule are pass-through rates. Currently, PSX charges the Exchange \$0.0025 per share for Members' orders that are routed to PSX using the ROUC or ROUE routing strategy and the Exchange charges its Members \$0.0025 per share as a pass-through. Therefore, the Exchange believes that the proposed reduction from \$0.0025 per share to \$0.0005 per

share is equitable and reasonable because PSX is reducing the rate it charges the Exchange for routing to PSX to \$0.0005. Currently, PSX provides the Exchange a rebate of \$0.0024 per share for Members' orders that are routed to PSX and add liquidity and the Exchange rebates Members \$0.0024 per share as a pass-through (Flag RS). Therefore, the Exchange believes that the proposed reduction from a rebate of \$0.0024 per share to a charge of \$0.0005 per share is equitable and reasonable because PSX is increasing the rate it charges the Exchange for routing to PSX to \$0.0005 per share. In addition, the Exchange also believes that the proposed pass-through of this rate is non-discriminatory because it applies uniformly to all Members.

The Exchange believes that increasing the charge assessed for Members' orders that are routed to BATS BZX using the ROBA routing strategy (EDGX + BATS) from \$0.0025 per share to \$0.0029 per share (yielding Flag X) is equitable and reasonable because the Exchange is removing the \$0.0004 per share incentive it previously associated with this routing strategy and replacing it with a straight pass-through of the charge BATS BZX assesses the Exchange for removing liquidity from the BZX Exchange order book.<sup>14</sup> Accordingly, the Exchange will assess a charge of \$0.0029 per share for Members' orders that route to BATS BZX using the ROBA routing strategy as well as other routed orders that yield Flag X. In addition, the Exchange also believes that the proposed pass-through of this rate 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.

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

This proposed rule change does not 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 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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See BATS BZX fee schedule at <http://batstrading.com/FeeSchedule/>.

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)

(a) This proposed rule change is filed pursuant to paragraph (A) of section 19(b)(3) of the Act.

(b) This proposed rule change establishes dues, fees or other charges among its members and, as such, may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>15</sup> and paragraph (f)(2) of Rule 19b-4 thereunder.<sup>16</sup>

(c) Inapplicable.

(d) Inapplicable.

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

This proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Exhibits

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

Exhibit 5 – Text of the Proposed Rule Change.

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>16</sup> 17 CFR 240.19b-4(f)(2).

EXHIBIT 1SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-EDGX-2012-26)

[Date]

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"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 29, 2012 the 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<sup>3</sup> of the Exchange pursuant to EDGX Rule 15.1(a) and (c). All of the changes described herein are applicable to EDGX Members. The text of the proposed rule change is available on the Exchange's Internet website at <http://www.directedge.com>, at the Exchange's principal office, and at the Public Reference Room of the Commission.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> A Member is any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange.

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 Statutory Basis for, the Proposed Rule Change

Purpose

The Exchange proposes to add Flag PR to its fee schedule. Flag PR will be yielded when a Member removes liquidity from the EDGX book using the ROUQ<sup>4</sup> routing strategy. The Exchange proposes to assess a charge of \$0.0027 per share. In addition, a technical amendment is proposed be made to Footnote 13 to include it as an additional removal flag in clause (ii) of that footnote.

In order to provide additional transparency to Members on the Exchange's fee schedule by distinguishing between orders that are routed using the ROUQ strategy and orders that are routed using the ROUC<sup>5</sup> routing strategy, the Exchange proposes to add Flag RQ to the Exchange's fee schedule. Flag RQ will be yielded when a Member routes an order using the ROUQ routing strategy. The Exchange proposes to assess a charge of \$0.0027 per share instead of the current charge of \$0.0020 per share. In addition, the

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<sup>4</sup> See Exchange Rule 11.9(b)(3)(c)(iv).

<sup>5</sup> See Exchange Rule 11.9(b)(3)(a).

Exchange proposes to make conforming changes to Flag Q to delete the reference to the ROUQ routing strategy.

The Exchange proposes to amend Footnote 1 of the fee schedule to state that Members can qualify for the Market Depth tier and receive a rebate of \$0.0033 per share for displayed liquidity added on EDGX if they post greater than or equal to 0.50% of the Total Consolidated Volume in Average Daily Volume on EDGX in total, where at least 2 million shares are Non-Displayed Orders that yield Flag HA.

The Exchange also proposes to amend Flag K to only apply to Members' orders routed to NASDAQ OMX PSX ("PSX") using the ROUC or ROUE routing strategy as defined in Rule 11.9(b)(3). The Exchange proposes to reduce the rate from \$0.0025 per share to \$0.0005 per share, which represents a pass-through of the Exchange's rate for routing orders to PSX, in response to the proposed pricing changes in PSX's pending filing with the Commission.<sup>6</sup> Accordingly, where Members' orders are routed to the BATS BZX Exchange ("BATS BZX") using the ROBA routing strategy (EDGX + BATS), the Exchange proposes to apply Flag X, which is yielded when Members route orders through EDGX and the Exchange assesses a charge of \$0.0029 per share.

Similarly, the Exchange also proposes to amend the rate for Flag RS, which is yielded when Members route orders to PSX that add liquidity. The Exchange proposes to amend the pricing for Flag RS from a rebate of \$0.0024 per share to a charge of \$0.0005 per share (in response to PSX's pending filing), which represents a pass-through of the Exchange's rate for routing orders to PSX.

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<sup>6</sup> See PSX's Equity Trader Alert #2012-28 at <http://www.nasdaqtrader.com/TraderNews.aspx?id=ETA2012-28> (discussing PSX's pending fee changes effective July 2, 2012).

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

Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Act,<sup>7</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>8</sup> 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.

Exchange Rule 11.9(b)(3) defines the “System routing table” as the proprietary process for determining the specific trading venues to which the System<sup>9</sup> routes orders and the order in which the System routes them. Specifically, the Exchange reserves the right to maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. ROUQ is one of the routing strategies that checks the System for available shares before sending the order to other destinations on the System routing table, and if shares remain unexecuted after routing, then the shares are posted on the EDGX book unless the Member instructs otherwise. The Exchange proposes to reduce the number of destinations in the System routing table for the ROUQ routing strategy, and the Exchange proposes to make conforming changes to the fee schedule to reflect this change.

The Exchange believes that the proposed rate of \$0.0027 per share for Flag PR for orders that remove liquidity from the EDGX book using the ROUQ routing strategy is an

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<sup>7</sup> 15 U.S.C. 78f.

<sup>8</sup> 15 U.S.C. 78f(b)(4).

<sup>9</sup> See Exchange Rule 1.5(cc).

equitable allocation of reasonable dues, fees, and other charges in comparison to the standard removal rate of \$0.0029 per share because the Exchange is able to pass back the savings it receives from routing to other destinations on the Systems routing table to the Exchange's Members. The more destinations that an order is routed to can lead to a potentially lower average rate for Direct Edge ECN LLC d/b/a DE Route ("DE Route"), the Exchange's affiliated routing broker/dealer, as there is more of a likelihood of an execution at a "low" cost destination with higher rebates/lower fees. Conversely, the less destinations that an order is routed to can lead to a potentially higher average rate for DE Route as there is a greater chance that it is executed at a higher cost destination with lower rebates/higher fees. This rate is also consistent with the processing of similar routing strategies by BATS where BATS takes into account the rates that it is charged or rebated when routing to other destinations.<sup>10</sup> In addition, the reduced fee of \$0.0027 per share is designed to incentivize Member to route through EDGX first before going to other destinations on the System routing table, and thereby potentially increases volume on EDGX to the extent the order executes on EDGX. The Exchange also believes that the proposed rate is non-discriminatory in that it applies uniformly to all Members.

Currently, the Exchange assesses a rate of \$0.0020 per share for Flag Q for routing strategies ROUQ or ROUC. As discussed above, the Exchange modified its

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<sup>10</sup> See Securities Exchange Act Release No. 66335 (February 6, 2012), 77 FR 7225 (February 10, 2012) (SR-EDGA-2012-03) (citing to the proposition that Members of the EDGA Exchange, Inc. ("EDGA") are able to share in cost savings realized by EDGA when routing orders to other destinations). The concept is also seen generally in the BATS BZX fee schedule, describing Discounted Destination Specific Routing ("One Under") to NYSE, NYSE ARCA and NASDAQ. See Securities Exchange Act Release No. 62858 (September 7, 2010), 75 FR 55838 (September 14, 2010) (SR-BATS-2010-023) (modifying the BATS fee schedule in order to amend the fees for its BATS + NYSE Arca destination specific routing option to continue to offer a "one under" pricing model).



System routing table so that routing strategy ROUQ will route to a lower number of destinations than routing strategy ROUC. Therefore, the Exchange proposes adding Flag RQ to reflect orders routed using ROUQ and amending Flag Q to apply only for orders routed using the ROUC routing strategy. The Exchange believes increasing the rate charged for routing strategy ROUQ from \$0.0020 per share to \$0.0027 (Flag RQ) per share represents an equitable allocation of reasonable dues, fees, and other charges. The more destinations that an order is routed to can lead to a potentially lower average rate for DE Route as there is more of a likelihood of an execution at a “low” cost destination with higher rebates/lower fees. Conversely, the less destinations that an order is routed to can lead to a potentially higher average rate for DE Route as there is a greater chance that it is executed at a higher cost destination with lower rebates/higher fees. Accordingly, the lower number of destinations associated with the ROUQ routing strategy on the revised System routing table affords the Member less likelihood of execution at an away destination because there are fewer available liquidity venues.

Currently, the standard rate for routing on EDGX is \$0.0029 per share and yields Flag X. The Exchange believes that assessing a rate of \$0.0027 for Flag RQ for orders that route to destinations using the routing strategy ROUQ represents an equitable allocation of reasonable dues, fees, and other charges because the Exchange can pass back the savings it receives from routing to other destinations to its Members, as described in more detail above.<sup>11</sup> In addition, the Exchange believes that the proposed rate is non-discriminatory in because the rate applies uniformly to all Members.

The Exchange believes that adding the Market Depth Tier to achieve a rebate of \$0.0033 per share represents an equitable allocation of reasonable dues, fees, and other

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<sup>11</sup> Id.

charges since it encourages Members to add displayed liquidity to EDGX book each month as only the displayed liquidity in this tier is awarded the rebate of \$0.0033 per share<sup>12</sup> This tier also recognizes the contribution that non-displayed liquidity provides to the marketplace, including: (i) adding needed depth to the EDGX market; (ii) providing price support/depth of liquidity; and (iii) increasing diversity of liquidity to EDGX. Furthermore, such increased displayed volume increases potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of higher rebates. The increased liquidity also benefits all investors by deepening EDGX's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Volume-based rebates such as the 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 Exchange believes that such Market Depth Tier is reasonable based on examples from the Nasdaq OMX's fee schedule, which offers rebates that are tied to achieving tiers by posting non-displayed liquidity.<sup>13</sup> In

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<sup>12</sup> The Exchange notes that there is no change to the rebate of \$0.0015 per share for adding non-displayed liquidity.

<sup>13</sup> <http://www.nasdaqtrader.com/Trader.aspx?id=PriceListTrading2> (where Nasdaq offers rebates to add non-displayed midpoint liquidity, supplemental liquidity, non-displayed liquidity).

addition, the Exchange also believes that the proposed Market Depth tier is non-discriminatory because it applies uniformly to all Members.

The Exchange believes that the rebate of \$ 0.0033 per share also represent an equitable allocation of reasonable dues, fees, and other charges since higher rebates are directly correlated with more stringent criteria.

Currently, the Mega Tier rebates of \$0.0034/\$0.0032 per share have the most stringent criteria associated with them, and are \$0.0003/\$0.0001 greater than the Ultra Tier rebate (\$0.0031 per share) and \$0.0006/\$0.0004 greater than the Super Tier rebate (\$0.0028 per share).

For example, in order for a Member to qualify for the Mega Tier rebate of \$0.0034, the Member would have to add or route at least 4 million shares of ADV during pre and post-trading hours and add a minimum of 20 million shares of ADV on EDGX in total, including during both market hours and pre and post-trading hours. The criteria for this tier is the most stringent as fewer Members generally trade during pre and post-trading hours because of the limited time parameters associated with these trading sessions. The Exchange believes that this higher rebate awarded to Members would incent liquidity during these trading sessions.

In order to qualify for an equivalent rebate of \$0.0034 per share (Mega Tape B tier), a Member would have to (i) post greater than or equal to .10% of the TCV in ADV more than their January 2012 ADV added to EDGX; and (ii) post greater than or equal to .10% of the TCV in ADV in Tape B securities more than their January 2012 ADV (baseline) added to EDGX. Assuming a TCV for June 2012 of 8.0 billion and a January 2012 ADV of 1 million shares, the Member would have to post greater than or equal to 9 million shares (8 million shares more than their January 2012 baseline of 1 million shares

in ADV added to EDGX), and post greater than or equal to 9 million shares in Tape B securities to EDGX).

In order to qualify for the new Market Depth tier, a Member would receive a rebate of \$0.0033 per share for displayed liquidity added on EDGX if they post greater than or equal to 0.50% of the TCV in ADV on EDGX, at least 2 million shares of which are Non-Displayed Orders that yield Flag HA on EDGX in total. Assuming a TCV of 8.0 billion shares for June 2012, this would amount to 40 million shares, at least 2 million shares of which are Non-Displayed Orders. The criteria for the Market Depth Tier, which includes the requirement to post 2 million shares of Non-Displayed Orders, is more stringent than criteria for the Mega Tier of posting 0.75% of TCV, as described below, because Non-Displayed Orders do not have the same ability to attract contra-side orders to the marketplace because they are hidden on the EDGX book, are less commonplace than displayed liquidity, and Members are not eligible for the same rebates that displayed liquidity qualify for.<sup>14</sup> In addition, because of the hierarchy of priority in Rule 11.8(a)(2), for equally priced trading interest, Non-Displayed Orders always have a lower priority than displayed orders. As a result, a Member has a priority disadvantage when using such order type and therefore, the criteria to satisfy this tier are more restrictive than those outlined in other tiers, below.

Non-Displayed Orders also represent valuable liquidity to the Exchange as they add needed depth to the EDGX market and provide price support/depth of liquidity and diversity of liquidity to EDGX. In addition, Non-Displayed Orders are included in the Market Depth Tier to incentivize Members to add displayed liquidity. Because of the

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<sup>14</sup> Non-Displayed Orders that add liquidity (Flag HA) are eligible for a \$0.0015 per share rebate instead of the default rebate rate for displayed liquidity of \$0.0023 per share.

higher margin that the Exchange earns on Non-Displayed Orders vs. displayed orders (non-displayed orders are charged \$0.0029 per share and earn a \$0.0015 per share rebate, as provided in Flag HA, which is a margin of \$0.0014 per share),<sup>15</sup> the Exchange is able to provide a higher rebate to displayed orders. The Exchange believes the higher rebate will attract increased liquidity to EDGX.

In addition, increased volume from the use of this tier increases potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of higher rebates. The increased liquidity also benefits all investors by deepening EDGX's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting, in part, the qualities of price discovery and 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.

Another way a Member can qualify for the Mega Tier (with a rebate of \$0.0032 per share) would be to post 0.75% of TCV. Assuming an average TCV for June 2012 (8.0 billion), this would be 60 million shares on EDGX. A second method to qualify for the rebate of \$0.0032 per share would be to post 0.12% of the TCV (9.6 million shares)

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<sup>15</sup> By contrast, displayed liquidity only allows the Exchange to earn a margin of as much as \$0.0006 per share assuming no volume tiers are met (charged \$0.0029 per share - \$0.0023 per share rebate).

more than the Member's February 2011 or December 2011 ADV added to EDGX.

Assuming the Member's February 2011/December 2011 ADVs are 1 million shares, the Exchange believes that requiring Members to post 10.6 million more shares than a February or December 2011 baseline ADV encourages Members to add increasing amounts of liquidity to EDGX each month.

A Member can also qualify for the Mega Tier rebate of \$0.0032 per share by adding or routing at least 4,000,000 shares of ADV prior to 9:30 AM or after 4:00 PM (includes all flags except 6) and adding a minimum of .20% of the TCV on a daily basis measured monthly, including during both market hours and/or pre and post-trading hours. Based on an average TCV for June 2012 (8.0 billion shares), a Member would qualify by adding 16 million shares during both market hours and/or pre and post-trading hours and adding or routing at least 4,000,000 shares of ADV during pre and post trading hours. The Exchange notes that fewer Members generally trade during pre and post-trading hours because of the limited time parameters associated with these trading sessions. Therefore, the amount of shares that the Exchange requires to be added or routed to satisfy this tier is less than for the Ultra Tier, for example, which is based on posting liquidity to EDGX during regular trading hours.

In order to qualify for the Ultra Tier, which has less stringent criteria than the Mega Tier and Mega Tape B Tier, and be provided a rebate of \$0.0031 per share, the Member would have to post 0.50% of TCV. Based on average TCV for June 2012 (8.0 billion shares), this would be 40 million shares on EDGX.

Members can qualify for the Mini Tape B Tier and be provided a \$0.0030 rebate per share for liquidity added on EDGX if the Member on a daily basis, measured monthly: (i) posts greater than or equal to .05% of the TCV in ADV more than their

January 2012 ADV added to EDGX; and (ii) posts greater than or equal to .05% of the TCV in ADV in Tape B securities more than their January 2012 ADV added to EDGX. Based on a TCV of 8.0 billion shares for June 2012 and a Member's ADV for January 2012 of 1 million shares (baseline), this would amount to (i) posting greater than or equal to 5 million shares to EDGX; and (ii) posting greater than or equal to 5 million shares in Tape B securities to EDGX.

The Super Tier has the least stringent criteria of the tiers mentioned above. In order for a Member to qualify for this rebate, the Member would have to post at least 10 million shares on EDGX and would qualify for a rebate of \$0.0028 per share.

Another way a Member can qualify for a rebate of \$0.0028 per share is to post 0.065% of the TCV in ADV more than their February 2011 ADV added to EDGX. This tier allows Members even greater flexibility with respect to achieving an additional rebate and rewards growth patterns in volume by Members as this rebate's conditions encourage Members to add increasing amounts of liquidity to EDGX each month. Based on an ADV in February 2011 (baseline) of 1,000,000 shares, the Member would have to add 6.2 million shares total to qualify for such rebate.

The rates and rebates associated with routing orders to PSX on the Exchange's fee schedule are pass-through rates. Currently, PSX charges the Exchange \$0.0025 per share for Members' orders that are routed to PSX using the ROUC or ROUE routing strategy and the Exchange charges its Members \$0.0025 per share as a pass-through. Therefore, the Exchange believes that the proposed reduction from \$0.0025 per share to \$0.0005 per share is equitable and reasonable because PSX is reducing the rate it charges the Exchange for routing to PSX to \$0.0005. Currently, PSX provides the Exchange a rebate of \$0.0024 per share for Members' orders that are routed to PSX and add liquidity and

the Exchange rebates Members \$0.0024 per share as a pass-through (Flag RS).

Therefore, the Exchange believes that the proposed reduction from a rebate of \$0.0024 per share to a charge of \$0.0005 per share is equitable and reasonable because PSX is increasing the rate it charges the Exchange for routing to PSX to \$0.0005 per share. In addition, the Exchange also believes that the proposed pass-through of this rate is non-discriminatory because it applies uniformly to all Members.

The Exchange believes that increasing the charge assessed for Members' orders that are routed to BATS BZX using the ROBA routing strategy (EDGX + BATS) from \$0.0025 per share to \$0.0029 per share (yielding Flag X) is equitable and reasonable because the Exchange is removing the \$0.0004 per share incentive it previously associated with this routing strategy and replacing it with a straight pass-through of the charge BATS BZX assesses the Exchange for removing liquidity from the BZX Exchange order book.<sup>16</sup> Accordingly, the Exchange will assess a charge of \$0.0029 per share for Members' orders that route to BATS BZX using the ROBA routing strategy as well as other routed orders that yield Flag X. In addition, the Exchange also believes that the proposed pass-through of this rate 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

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<sup>16</sup> See BATS BZX fee schedule at <http://batstrading.com/FeeSchedule/>.



the fees and credits remain competitive with those charged by other venues and therefore continue to be reasonable and equitably allocated to Members.

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

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

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3) of the Act<sup>17</sup> and Rule 19b-4(f)(2)<sup>18</sup> 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:

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<sup>17</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>18</sup> 17 CFR 19b-4(f)(2).

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an E-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-EDGX-2012-26 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-EDGX-2012-26. 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 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 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-2012-26 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.<sup>19</sup>

Secretary

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<sup>19</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**Additions underlined

Deletions [bracketed]

EDGX Exchange Fee Schedule – Effective [June] July 1, 2012Download in pdf format.**Rebates & Charges for Adding, Removing or Routing Liquidity per Share for Tape A, B, & C Securities<sup>1,a,b,d</sup>:**

Rebates indicated by parentheses ( )

Category	Adding Liquidity	Removing Liquidity	Routing Liquidity
Securities at or above \$1.00	\$(0.0023) <sup>1,a,13, c</sup>	\$0.0029 <sup>1,12</sup>	\$0.0029
Securities below \$1.00	\$(0.00003)	0.10% of Dollar Value	0.30% of Dollar Value <sup>3,a</sup>

**Liquidity Flags and Associated Fees:***Unless otherwise noted, the following rebates and fees apply to orders in securities priced \$1 and over.*

Flag	Description	Fee/(Rebate)
A	Routed to NASDAQ, adds liquidity	(0.0020)
B <sup>1,a,12</sup>	Add liquidity to EDGX book (Tape B)	(0.0023)
C <sup>3,a</sup>	Routed to BX, removes liquidity	(0.0005)
D <sup>3,a</sup>	Routed or re-routed to NYSE, removes liquidity	0.0023
F	Routed to NYSE, adds liquidity	(0.0015)
G	Routed to NYSE Arca (Tapes A or C), removes liquidity	0.0030
I	Routed to EDGA	0.0029
J <sup>3,a</sup>	Routed to NASDAQ, removes liquidity	0.0030
K	[Routed to BATS BZX Exchange using ROBA routing strategy (EDGX +	[0.0025] <u>0.0005</u>

	BATS) OR] Routed to PSX using ROUC or ROUE routing strategy	
L <sup>3</sup>	Routed to NASDAQ using INET routing strategy, removes liquidity (Tapes A or C)	0.0030
M <sup>6,a</sup>	Add liquidity on LavaFlow	(0.0024)
N <sup>1,12</sup>	Remove liquidity from EDGX book (Tape C)	0.0029
O <sup>5,a</sup>	Routed to primary exchange's opening cross	0.0005
Q	Routed using [ROUQ or] ROUC routing strategy[ies]	0.0020
R	Re-routed by exchange	0.0030
S	Directed ISO order	0.0032
T	Routed using ROUD/ROUE routing strategy	0.0012
U <sup>6,a</sup>	Remove liquidity from LavaFlow	0.0029
V <sup>1,a,12</sup>	Add liquidity to EDGX book (Tape A)	(0.0023)
W <sup>1,12</sup>	Remove liquidity from EDGX book (Tape A)	0.0029
X	Routed	0.0029
Y <sup>1,a,12</sup>	Add liquidity to EDGX book (Tape C)	(0.0023)
Z	Routed using ROUZ routing strategy	0.0010
2 <sup>3</sup>	Routed to NASDAQ using INET routing strategy, removes liquidity (Tape B)	0.0030
3 <sup>1,a,12</sup>	Add liquidity – pre & post market (Tapes A or C)	(0.0023)
4 <sup>1,a,12</sup>	Add liquidity – pre & post market (Tape B)	(0.0023)
5 <sup>11</sup>	Internalization – pre & post market, per side	0.00035
6 <sup>1,12</sup>	Remove liquidity – pre & post market (All Tapes)	0.0029
7	Routed – pre & post market	0.0030
8	Routed to NYSE Amex, adds liquidity	(0.0015)
9	Routed to NYSE Arca, adds liquidity (Tapes A or C)	(0.0021)
10	Routed to NYSE Arca, adds liquidity (Tape B)	(0.0022)
AA	Midpoint Match Cross (same MPID)	FREE
BB <sup>1,12</sup>	Remove liquidity from EDGX book (Tape B)	0.0029
BY <sup>10</sup>	Routed to BATS BYX Exchange, removes liquidity (using routing strategies ROUC, ROUE or ROBY)	(0.0002)

<b>CL<sup>9</sup></b>	<b>Routed to listing market closing process, except for NYSE Arca &amp; BATS BZX</b>	<b>0.0010</b>
<b>EA<sup>11</sup></b>	<b>Internalization, adds liquidity</b>	<b>0.00035</b>
<b>ER<sup>11</sup></b>	<b>Internalization, removes liquidity</b>	<b>0.00035</b>
<b>HA<sup>1,12</sup></b>	<b>Non-Displayed Orders that add liquidity (not including Midpoint Match orders)</b>	<b>(0.0015)</b>
<b>MM<sup>1,12</sup></b>	<b>Add liquidity to Midpoint Match (using Midpoint Match order type)</b>	<b>0.0012</b>
<b>MT</b>	<b>Remove liquidity from Midpoint Match (using Midpoint Match order type)</b>	<b>0.0012</b>
<b>OO</b>	<b>Direct Edge Opening</b>	<b>0.0010</b>
<b>PI<sup>12</sup></b>	<b>Remove liquidity from EDGX book against Midpoint Match</b>	<b>0.0029</b>
<b>PR</b>	<b><u>Remove liquidity from EDGX book using ROUQ routing strategy</u></b>	<b><u>0.0027</u></b>
<b>RA</b>	<b>Routed to EDGA, adds liquidity</b>	<b>(0.0003)</b>
<b>RB</b>	<b>Routed to BX, adds liquidity</b>	<b>0.0018</b>
<b>RC</b>	<b>Routed to NSX, adds liquidity</b>	<b>(0.0026)</b>
<b>RM</b>	<b>Routed to CHX, adds liquidity</b>	<b>FREE</b>
<b>RQ</b>	<b><u>Routed using ROUQ routing strategy</u></b>	<b><u>0.0027</u></b>
<b>RR</b>	<b>Routed to EDGA using routing strategies IOCX or IOCT, removes liquidity</b>	<b>0.0007</b>
<b>RS</b>	<b>Routed to PSX, adds liquidity</b>	<b>[(0.0024)] <u>0.0005</u></b>
<b>RW</b>	<b>Routed to CBSX, adds liquidity</b>	<b>0.0017</b>
<b>RY</b>	<b>Routed to BATS BYX, adds liquidity</b>	<b>0.0003</b>
<b>RZ</b>	<b>Routed to BATS BZX, adds liquidity</b>	<b>(0.0025)</b>
<b>SW<sup>8</sup></b>	<b>Routed using SWPA/SWPB/SWPC routing strategies (except for removal of liquidity from NYSE)</b>	<b>0.0031</b>

<sup>1</sup> Members can qualify for the Mega Tier and be provided a rebate of \$0.0034 per share for all liquidity posted on EDGX if they add or route at least 4,000,000 shares of average daily volume (“ADV”) prior to 9:30 AM or after 4:00 PM (includes all flags except 6) AND add a minimum of 20,000,000 shares of ADV on EDGX in total, including during both market hours and pre and post-trading hours. Alternatively, Members can also qualify for the Mega Tier, but will be provided a rebate of \$0.0032 per share for all liquidity posted on EDGX if they add or route at least 4,000,000 shares of ADV prior to 9:30 AM or after 4:00 PM (includes all flags except 6) and add a minimum of .20% of the Total Consolidated Volume (“TCV”) on a daily basis measured monthly, including during both

market hours and pre and post-trading hours. In addition, for meeting the aforementioned criteria, Members will pay a reduced rate for removing liquidity of \$0.0029 for Flags N, W, and 6.

Members can qualify for the Mega Tape B Tier and be provided a \$0.0034 rebate per share for liquidity added on EDGX in Tape B securities if the Member on a daily basis, measured monthly: (i) posts greater than or equal to .10% of the TCV in ADV more than their January 2012 ADV added to EDGX; and (ii) posts greater than or equal to .10% of the TCV in ADV in Tape B securities more than their January 2012 ADV added to EDGX.

Members can qualify for the Market Depth Tier and receive a rebate of \$0.0033 per share for displayed liquidity added on EDGX if they post greater than or equal to 0.50% of the TCV in ADV on EDGX in total, where at least 2 million shares are Non-Displayed Orders that yield Flag HA.

Members can also qualify for the Mega Tier and be provided a \$0.0032 rebate per share for liquidity added on EDGX in either of two ways: (i) if the Member on a daily basis, measured monthly, posts 0.75% of the TCV in ADV; or (ii) if the Member on a daily basis, measured monthly, posts 0.12% of the TCV in ADV more than their February 2011 ADV added to EDGX. TCV is defined as volume reported by all exchanges and trade reporting facilities to the consolidated transaction reporting plans for Tapes A, B and C securities for the month prior to the month in which the fees are calculated.

Members can qualify for the Ultra Tier and be provided a \$0.0031 rebate per share for liquidity added on EDGX if the Member on a daily basis, measured monthly, posts 0.50% of TCV in ADV to EDGX.

Members can qualify for the Mini Tape B Tier and be provided a \$0.0030 rebate per share for liquidity added on EDGX in Tape B securities if the Member on a daily basis, measured monthly: (i) posts greater than or equal to .05% of the TCV in ADV more than their January 2012 ADV added to EDGX; and (ii) posts greater than or equal to .05% of the TCV in ADV in Tape B securities more than their January 2012 ADV added to EDGX.

Members can qualify for the Super Tier and be provided a \$0.0028 rebate per share for liquidity added on EDGX if the Member on a daily basis, measured monthly, posts 10,000,000 shares or more of ADV to EDGX.

Members that post 0.065% of the TCV in ADV more than their February 2011 ADV added to EDGX will qualify for a \$0.0028 per share rebate (unless they otherwise qualify for a higher rebate).

Any Member meeting the following criteria: (i) adding 10,000,000 shares or more of ADV of liquidity to EDGX, (ii) where such added liquidity on EDGX is at least 5,000,000 shares of ADV greater than the previous calendar month; and (iii) but for the liquidity added on EDGX, such Member would have qualified for a better rebate with respect to liquidity added on another exchange or ECN that the Member previously qualified for in the three calendar months prior to meeting the above-described criteria in (i) and (ii), shall be reimbursed the difference between the rebate received and the rebate potentially received, so long as source documentation evidencing the above is provided to the Exchange within fifteen (15) calendar days from the end of the relevant month. A Member can only receive reimbursement with respect to two consecutive calendar months. With respect to the second calendar month's reimbursement, the relevant period in determining whether criteria (iii) is satisfied is the period three calendar months prior to the first of the two consecutive calendar months the Member meets the above-described criteria in (i) and (ii).

<sup>2</sup> Intentionally omitted.

<sup>3</sup> Stocks priced below \$1.00 on the NYSE are charged \$0.0023 per share when removing liquidity. Stocks priced below \$1.00 are charged 0.10% of the dollar value of the transaction when routed to BX and removing liquidity in Tapes A, B, & C securities. Stocks priced below \$1.00 are charged 0.30% of the dollar value of the transaction when routed to NASDAQ and removing liquidity in securities on all Tapes.

<sup>4</sup> Intentionally omitted.

<sup>5</sup> Capped at \$10,000 per month per Member.

<sup>6</sup> If Member posts an average of 100,000 shares or more per day using strategy ROLF (yielding Flag M), then said Member's fee when removing liquidity from LavaFlow decreases to \$0.0023 per share (yielding Flag U).

<sup>7</sup> Intentionally omitted.

<sup>8</sup> Flag D is assigned and a fee of \$0.0023 per share is assessed if either an SWPA, SWPB, or SWPC routing strategy removes liquidity from NYSE.

<sup>9</sup> A Flag "O" will be yielded and a fee of \$0.0005 per share will be assessed if an order is routed to NYSE Arca & BATS BZX's closing processes.

<sup>10</sup> Stocks priced below \$1.00 are charged \$0.0010 per share.



<sup>11</sup> If a Member posts 10,000,000 shares or more of ADV to EDGX, then the Member's rate for internalization (Flags 5, EA or ER) decreases to \$0.0001 per share per side.

For Flags EA or ER, if a Member internalizes more than 4% of their ADV on EDGX (added, removed, and routed liquidity) and the Member, at a minimum, meets the criteria for the Mega Tier rebate of \$0.0032 per share in footnote 1, above, then the Member receives the applicable rebate in footnote 1 for adding liquidity, or is charged the applicable removal rate in footnote 1 or 12.

<sup>12</sup> A removal rate of \$0.0029 per share applies where an MPID's add liquidity ratio is equal to or greater than 10%. The add liquidity ratio is defined as "added" flags/("added" flags + "removal" flags) x 100, where added flags are defined as B, HA, V, Y, MM, 3, or 4 and removal flags are defined as BB, MT, N, W, PI, or 6. The removal rate of \$0.0029 per share applies to single MPIDs only as share volume calculations for wholly owned affiliates cannot be aggregated across multiple MPIDs on a prospective basis. Where a Member does not meet the add liquidity ratio of at least 10%, then a removal rate of \$0.0030 per share applies.

<sup>13</sup> Members can qualify for an Investor Tier and be provided a rebate of \$0.0030 per share if they meet the following criteria: (i) on a daily basis, measured monthly, posts an ADV of at least 8 million shares on EDGX where added flags are defined as B, HA, V, Y, MM, 3, or 4; (ii) have an "added liquidity" to "removed liquidity" ratio of at least 60% where added flags are defined as B, HA, V, Y, MM, 3, or 4 and removal flags are defined as BB, MT, N, W, PI, PR, or 6; and (iii) have a message-to-trade ratio of less than 6:1.

<sup>a</sup> Upon a Member's request, EDGX will aggregate share volume calculations for wholly owned affiliates on a prospective basis.

<sup>b</sup> Trading activity on days when the market closes early does not count toward volume tiers.

<sup>c</sup> Receipt of the maximum rebate for which a Member is eligible depends upon an average inbound message-to-trade ratio being equal to or less than 100:1, measured monthly, where the message-to-trade ratio equals total messages (orders, cancels, and cancel/replaces) divided by executions. The Exchange counts all fills against an order as one trade for purposes of executions. Where a Member exceeds the 100:1 message-to-trade ratio, measured monthly, the Exchange will reduce its rebates by \$0.0001 per share, without regard to the rebate tier for which the Member qualifies.

The following Members are exempt from this reduction in rebate: (i) All Members that send less than 1,000,000 messages/day to the Exchange; and (ii) Registered Market Makers provided that they are registered in at least 100 securities over the course of a month and are meeting their continuous, two-sided quoting obligations under Rule 11.21(d) on at least 10 consecutive trading days in the month.

With respect to (ii) above, the Exchange notes that all MPIDs that are wholly-owned affiliates of the Member are exempt from MEIP as long as one MPID satisfies the above criteria for an exemption from the reduction in rebate.

The Exchange may exclude one or more days of data for purposes of calculating the message-to-trade ratio for a Member if the Exchange determines, in its sole discretion, that one or more Members or the Exchange was experiencing a bona fide system problem.

<sup>d</sup> A charge of 1% per month on the past due portion of the balance will be assessed on a Member's account that is past due. This fee will begin to accrue on a daily basis for items not paid within the 30 day payment terms until the item is paid in full. Late fees incurred will be included as line items on subsequent invoices.

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