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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 30

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2012 - * 47
Amendment No. (req. for Amendments *)

Proposed Rule Change by EDGX Exchange, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
☑	☐	☐	☐	☑	☐

Pilot	Extension of Time Period for Commission Action *	Date Expires *
☐	☐	

Rule

19b-4(f)(1)	19b-4(f)(2)	19b-4(f)(3)	19b-4(f)(4)	19b-4(f)(5)	19b-4(f)(6)
☐	☑	☐	☐	☐	☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

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 * Jeffrey Last Name * Rosenstrock
Title * General Counsel
E-mail * jrosenstrock@directedge.com
Telephone * (201) 942-8295 Fax

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 11/26/2012

By Jeffrey S. Rosenstrock General Counsel

(Name *) (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.

jrosenstrock@directedge.com

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) Add Remove View	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) Add Remove View	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 Add Remove View 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 Add Remove View 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 Add Remove View	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 Add Remove View	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 Add Remove View	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[1] 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 introduce new flags ZA and ZR for Members that utilize Retail Orders. Flag ZA is proposed to be yielded for those Members that use Retail Orders that add liquidity to EDGX and is proposed to be assigned a rebate of \$0.0032 per share. Flag ZR is proposed to be yielded for those Members that use Retail Orders that remove liquidity from EDGX and is proposed to be assigned a charge of \$0.0030 per share. Footnote 4, in turn, is proposed to be amended to define a "Retail Order" as an agency order that originates from a natural person and is submitted to the Exchange by a Member, provided that no change is made to the terms of the order (e.g., price or side of market), and the order does not originate from a trading algorithm or any other computerized methodology. The Exchange proposes to append Footnote 4 to its default, non-tiered rebate of \$0.0023 per share at the top of its fee schedule to signify a rate change if the conditions in Footnote 4 are met.[2] For additional transparency, the

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1 As defined in Exchange Rule 1.5(n).

2 Currently, the Exchange offers Members a default rate rebate of \$0.0023 per share for

Exchange also proposes to append Footnote 4 to the default, non-tiered removal rate of $0.0030 per share, even though a rate change is not signified.

The Exchange notes that Members will only be able to designate their orders as "Retail Orders" that add/remove liquidity using the FIX order entry protocol (FIX) but not the HP-API order entry protocol (HP-API). The Exchange also notes that Members using HP-API only who would like to take advantage of the new "Retail Order" flags can subscribe to FIX logical ports with the first five logical ports being provided free of charge while $500.00/month is charged for each additional logical port.

The Exchange also proposes to specify in Footnote 4 that to the extent Members qualify for a rebate higher than $0.0032 per share through other volume tiers, such as the Mega Tier ($0.0035 per share) or Market Depth Tier ($0.0033 per share), Members will earn the higher rebate on Flag ZA instead of its assigned rate. In addition, to the extent Members qualify for a removal rate lower than $0.0030 per share through any other tier, such as the Mega Tier ($0.0029 per share) or Step-up Take Tier ($0.0028 per share), then Members will earn the lower removal rate on Flag ZR instead of its assigned rate.

A Member would be required to attest, in a form and/or manner prescribed by the Exchange, that they have implemented policies and procedures that are reasonably designed to ensure that every order designated by the Member as a "Retail Order" complies with the Exchange's definition of a Retail Order, as described above. The proposed use of Flags ZA and ZR to identify Retail Orders would be optional for Members. Accordingly, a Member that does not opt to identify qualified orders as Retail Orders would choose not to make an attestation to the Exchange and thereby, not receive the rates associated with Flags ZA or ZR.

Additionally, a Member would be required to have written policies and procedures reasonably designed to assure that it will only designate orders as Retail Orders if all requirements of a Retail Order are met. Such written policies and procedures must require the Member to (i) exercise due diligence before entering a Retail Order to assure that entry as a Retail Order is in compliance with the requirements specified by the Exchange, and (ii) monitor whether orders entered as Retail Orders meet the applicable requirements. If the Member represents Retail Orders from another broker-dealer customer, the Member's supervisory procedures must be reasonably designed to assure that the orders it receives from such broker-dealer customer that it designates as Retail Orders meet the definition of a Retail Order. The Member must (i) obtain an annual written representation, in a form acceptable to the Exchange, from each broker-dealer customer that sends it orders to be designated as Retail Orders that entry of such orders as Retail Orders will be in compliance with the requirements specified by the

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orders in securities at or above $1.00 that add liquidity to the Exchange, where "default" refers to the standard rebate offered by the Exchange to Members absent Members qualifying for additional volume tiered pricing.

Exchange, and (ii) monitor whether its broker-dealer customer's Retail Order flow continues to meet the applicable requirements.[3]

The Exchange further proposes that it may disqualify a Member from qualifying for Flags ZA and ZR if the Exchange determines, in its sole discretion, that a Member has failed to abide by the requirements proposed herein, including, for example, if a Member designates orders submitted to the Exchange as Retail Orders but those orders fail to meet any of the requirements of Retail Orders. Tiered or non-tiered default rates would apply based on the Member's qualifying levels for a Member that is disqualified from qualifying for Flags ZA and ZR.

The Exchange also proposes to amend the text of the first paragraph of Footnote 1 to include Flag ZR as part of the list of "removal flags," where Flag ZR removes liquidity from the EDGX Book[4] and qualifies for the removal rate of $0.0029 per share in connection with satisfying the criteria for the Mega Tier rebate.

The Exchange also proposes to amend the text of Footnote 2 to include Flag ZR as part of the "remove liquidity" flags listed therein that qualify for the Step-Up Take Tier reduced charge of $0.0028 per share for the removal flags. [5]

Finally, the Exchange proposes to amend the text of Footnote 13, sections (i) and (ii), to include Flags ZA and ZR as qualifying "added flags" and "removal flags," respectively, for the Investor Tier.

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

(b) Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),[6] in general, and furthers the objectives of

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3 The Financial Industry Regulatory Authority, Inc., on behalf of the Exchange, will review a Member's compliance with these requirements through an exam-based review of the Member's internal controls.

4 As defined in Exchange Rule 1.5(d).

5 The Exchange notes that where Members that have Retail Orders that add liquidity to EDGX and also qualify for the Step-Up Take Tier, the Exchange would provide such Members the more favorable rebate of $0.0032 per share. This is made clear in the language in the second paragraph of proposed Footnote 4, as described above.

6 15 U.S.C. 78f.

Section 6(b)(4) of the Act,[7] in particular, because it provides for the equitable allocation of reasonable dues, fees, and other charges among its Members, issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

The Exchange believes that the proposed rule change is reasonable, equitable and not unfairly discriminatory because it would encourage Members to send additional Retail Orders that add liquidity to the Exchange for execution in order to qualify for an incrementally higher credit for such executions that add liquidity on the Exchange.[8] In this regard, the Exchange believes that maintaining or increasing the proportion of Retail Orders in exchange-listed securities that are executed on a registered national securities exchange (rather than relying on certain available off-exchange execution methods) would contribute to investors' confidence in the fairness of their transactions and would benefit all investors by deepening the Exchange's liquidity pool, supporting the quality of price discovery, promoting market transparency and improving investor protection.

The Exchange notes that a significant percentage of the orders of individual investors are executed over-the-counter.[9] The Exchange believes that it is thus appropriate to create a financial incentive to bring more retail order flow to a public market, such as the Exchange over off-exchange venues. The Exchange believes that investor protection and transparency is promoted by rewarding displayed liquidity on exchanges over off-exchange executions. By offering a proposed rebate of $0.0032 per share for Flag ZA, the Exchange believes it will encourage use of Retail Orders, while maintaining consistency with the Exchange’s overall pricing philosophy of encouraging displayed liquidity. The Exchange places a higher value on displayed liquidity because the Exchange believes that displayed liquidity is a public good that benefits investors and traders generally by providing greater price transparency and enhancing public price discovery, which ultimately lead to substantial reductions in transaction costs.

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7 15 U.S.C. 78f(b)(4).

8 The Exchanges notes that the removal fee through Flag ZR is the same as the default, non-tiered removal rate. Thus, the Exchange believes that there would be a neutral effect on removers of liquidity as the Exchange is neither incenting nor disincentivizing the use of Flag ZR.

9 See Concept Release on Equity Market Structure, Securities Exchange Act Release No. 61358 (January 14, 2010), 75 FR 3594 (January 21, 2010) (noting that dark pools and internalizing broker-dealers executed approximately 25.4% of share volume in September 2009). See also Mary L. Schapiro, Strengthening Our Equity Market Structure (Speech at the Economic Club of New York, Sept. 7, 2010) (available on the Commission’s website). In her speech, Chairman Schapiro noted that nearly 30 percent of volume in U.S.-listed equities was executed in venues that do not display their liquidity or make it generally available to the public and the percentage was increasing nearly every month.

The Exchange also notes that the Commission recently approved a similar proposal by the New York Stock Exchange, Inc. ("NYSE") and NYSE MKT LLC ("NYSE MKT").[10] Accordingly, the proposal generally encourages competition between exchange venues for retail order flow and encourages additional retail order flow.

The Exchange believes that a differential pricing structure for Retail Orders is not unfairly discriminatory. As stated in the NYSE RLP Approval Order, the "Commission has previously recognized that the markets generally distinguish between individual retail investors, whose orders are considered desirable by liquidity providers because such retail investors are presumed on average to be less informed about short-term price movements, and professional traders, whose orders are presumed on average to be more informed."[11] The Exchange's proposed differential pricing structure for Retail Orders raises similar policy considerations as the rules approved by the Commission in the NYSE RLP Approval Order, which account for the difference of assumed information and sophistication level between different trading participants by providing Retail Orders access to better rebates.

The Exchange understands that Section 6(b)(5) of the Act[12] prohibits an exchange from establishing rules that are designed to permit unfair discrimination between market participants. However, Section 6(b)(5) of the Act does not prohibit exchange members or other broker-dealers from discriminating, so long as their activities are otherwise consistent with the federal securities laws. While the Exchange believes that markets and price discovery optimally function through the interactions of diverse flow types, it also believes that growth in internalization has required

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10 See Securities Exchange Act Release No. 67347 (July 3, 2012), 77 FR 40673 (July 10, 2012) (SR-NYSE-2011-55; SR-NYSEAmex-2011-84) (the "RLP Approval Order").

11 See Securities Exchange Act Release No. 67347 (July 3, 2012), 77 FR 40673 (July 10, 2012) (SR-NYSE-2011-55; SR-NYSEAmex-2011-84) (the "NYSE RLP Approval Order"). In conjunction with the approval of the NYSE Retail Liquidity Program, a nearly identical program was proposed and approved to operate on NYSE MKT (formerly, the American Stock Exchange), at 40679-40680 (citing Concept Release on Equity Market Structure and approval of an options exchange program related to price improvement for retail orders). Certain options exchanges deploy this same rationale today through pricing structures that vary for a trading participant based on the capacity of the contra-side trading participant. See, e.g., Securities Exchange Act Release No. 63632 (January 3, 2011), 76 FR 1205 (January 7, 2011) (SR-BATS-2010-038) (notice of filing and immediate effectiveness of proposal to modify fees for BATS Exchange Inc. ("BATS") Options, including liquidity rebates that are variable depending on the capacity of the contra-party to the transaction; see also Securities Exchange Act Release No. 67171 (June 8, 2012), 77 FR 35732 (June 14, 2012) (SR-NASDAQ-2012-068) (notice of filing and immediate effectiveness of proposal to modify fees for the NASDAQ Options Market, including certain fees and rebates that are variable depending on the capacity of the contra-party to the transaction).

12 15 U.S.C. 78f(b)(5).

differentiation of retail order flow from other order flow types. The differentiation proposed herein by the Exchange is not designed to permit unfair discrimination, but instead to promote a competitive process around retail executions such that retail investors would receive better rebates than they currently do through bilateral internalization arrangements. Additionally, the Exchange believes that the proposed Retail Order rate for Flag ZA (rebate of $0.0032 per share) will incentivize Members to submit Retail Orders that add liquidity to the Exchange. As a result of the additional liquidity, the Exchange believes that this would result in improved market quality.

The Exchange also believes that the proposed rates for Retail Orders (Flags ZA and ZR, respectively) are equitable and not unfairly discriminatory because Members could qualify for the same rates (rebate of $0.0032 per share and charge of $0.0030 per share, respectively) through other volume discounts or through the default, non-tiered removal rate. For example, Members could achieve the rebate of $0.0032 per share if they satisfy the conditions for the Mega Tier rebate of $0.0032 per share. Members could also achieve the removal fee of $0.0030 per share without satisfying an additional tier as $0.0030 per share is the default rate for removing liquidity on the Exchange's fee schedule. Thus, the Exchange believes that there would be a neutral effect on removers of liquidity as the Exchange is neither incenting nor disincentivizing the use of Flag ZR.

Moreover, the proposed use of Retail Orders, which are available for all Members that utilize FIX, is equitable and not unfairly discriminatory because FIX is available for all Members on an equal and non-discriminatory basis, as all Members can sign up for new logical ports using FIX or HP-API at a cost of $500/month (the first five DIRECT logical ports being provided free). The Exchange also notes that all Members that it expects will send Retail Orders currently maintain logical ports that utilize FIX. The Exchange also notes that the Members that only utilize HP-API are generally those that are more concerned with latency as they trade for their own accounts where their order flow typically would not qualify as retail order flow. Finally, all order entry protocols on the Exchange do not necessarily support all Exchange functions and are designed differently in order to support the Member base most likely to utilize them.

The Exchange believes its amendments to footnotes 1, 2, and 13 support the Exchange's efforts to achieve consistent application and specificity among the flags on the fee schedule and provide transparency for its Members. First, in SR-EDGX-2012-39, the Exchange discounted certain "removal flags" if a Member satisfied the criteria for the Mega Tier rebate in Footnote 1.[13] Since Flag ZR is a removal flag with an assigned rate of $0.0030 per share, the Exchange believes it is appropriate to include Flag ZR in its list of removal flags that would qualify for a discounted removal rate of $0.0029 per share. The Exchange also believes that these proposed amendments are non-discriminatory because they apply to all Members.

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13 See Securities Exchange Act Release No. 67818 (September 10, 2012), 77 FR 56890 (September 14, 2012) (SR-EDGX-2012-39).

Secondly, in SR-EDGX-2012-46,[14] the Exchange listed in Footnote 2 of the fee schedule those removal flags that would qualify for the Step-up Take Tier if a Member satisfied the criteria. Since Flag ZR is a removal flag with an assigned rate of $0.0030 per share, the Exchange believes it is appropriate to include Flag ZR in its list of removal flags that would qualify for a discounted removal rate of $0.0028 per share.[15] The Exchange also believes that these proposed amendments are non-discriminatory because they apply to all Members.

Finally, in SR-EDGX-2012-12, the Exchange included "added" and "removal flags" in its calculation of the "add liquidity" to "removed liquidity" ratio to qualify for the Investor Tier.[16] Since Flag ZR is a removal flag and Flag ZA is an add flag, the Exchange believes it is appropriate to include the volume from both of these flags in its calculation of the "add liquidity" to "removed liquidity" ratio. The Exchange also believes that these proposed amendments are non-discriminatory because they apply to all Members.

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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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14 See Securities Exchange Act Release No. 68166 (November 6, 2012), 77 FR 67695 (November 13, 2012) (SR-EDGX-2012-46).

15 The Exchange notes that Flag ZA is not yielded with the Step-Up Take Tier, like other listed add liquidity flags listed in Footnote 2, as the rate provided on the Step-Up Take Tier for adding liquidity (rebate of $0.0030 per share) is not as favorable to Members as the rate yielded on Flag ZA itself (rebate of $0.0032 per share). As a result, Members that have Retail Orders that add liquidity to EDGX would receive the rebate of $0.0032 per share in the situation where the Member also qualifies for the Step-Up Take Tier. This is made clear in the language in the second paragraph of proposed Footnote 4, as described above.

16 See Securities Exchange Act Release No. 66762 (April 6, 2012), 77 FR 22053 (April 12, 2012) (SR-EDGX-2012-12).

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[17] and paragraph (f)(2) of Rule 19b-4 thereunder.[18]

(c) Inapplicable.

(d) Inapplicable.

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

The definition of Retail Order is identical to those found in NYSE Arca, Inc.'s fee schedule, NYSE's and NYSE MKT's Retail Liquidity Program, and proposed by BATS and BATS-Y Exchange, Inc. in their Retail Price Improvement Program.[19]

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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17 15 U.S.C. 78s(b)(3)(A)(ii).

18 17 CFR 240.19b-4(f)(2).

19 See NYSE Rule 107C (Retail Liquidity Program); See Securities Exchange Act Release No. 67540 (July 30, 2012), 77 FR 46539 (August 3, 2012) (SR-NYSEArca-2012-077) (Adopting Retail Order Tier and definition of "Retail Orders"); See Securities Exchange Act Release No. 67734 (August 27, 2012), 77 FR 53242 (August 31, 2012) (SR-BYX-2012-019) (Adopting Retail Price Improvement Program).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-EDGX-2012-47)

[Date]

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing of Proposed Rule Change to Amend EDGX Rule 15.1(a) and (c)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on November 26, 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[3] of the Exchange pursuant to EDGX Rule 15.1(a) and (c). All of the changes described herein are applicable to EDGX Members. The text of the proposed rule change is available on the Exchange's Internet website at www.directedge.com, at the Exchange's principal office, and at the Public Reference Room of the Commission.

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

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

2 17 CFR 240.19b-4.

3 As defined in Exchange Rule 1.5(n).

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

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

1. Purpose

The Exchange proposes to introduce new flags ZA and ZR for Members that utilize Retail Orders. Flag ZA is proposed to be yielded for those Members that use Retail Orders that add liquidity to EDGX and is proposed to be assigned a rebate of $0.0032 per share. Flag ZR is proposed to be yielded for those Members that use Retail Orders that remove liquidity from EDGX and is proposed to be assigned a charge of $0.0030 per share. Footnote 4, in turn, is proposed to be amended to define a "Retail Order" as an agency order that originates from a natural person and is submitted to the Exchange by a Member, provided that no change is made to the terms of the order (e.g., price or side of market), and the order does not originate from a trading algorithm or any other computerized methodology. The Exchange proposes to append Footnote 4 to its default, non-tiered rebate of $0.0023 per share at the top of its fee schedule to signify a rate change if the conditions in Footnote 4 are met.[4] For additional transparency, the Exchange also proposes to append Footnote 4 to the default, non-tiered removal rate of $0.0030 per share, even though a rate change is not signified.

4 Currently, the Exchange offers Members a default rate rebate of $0.0023 per share for orders in securities at or above $1.00 that add liquidity to the Exchange, where "default" refers to the standard rebate offered by the Exchange to Members absent Members qualifying for additional volume tiered pricing.

The Exchange notes that Members will only be able to designate their orders as "Retail Orders" that add/remove liquidity using the FIX order entry protocol (FIX) but not the HP-API order entry protocol (HP-API). The Exchange also notes that Members using HP-API only who would like to take advantage of the new "Retail Order" flags can subscribe to FIX logical ports with the first five logical ports being provided free of charge while $500.00/month is charged for each additional logical port.

The Exchange also proposes to specify in Footnote 4 that to the extent Members qualify for a rebate higher than $0.0032 per share through other volume tiers, such as the Mega Tier ($0.0035 per share) or Market Depth Tier ($0.0033 per share), Members will earn the higher rebate on Flag ZA instead of its assigned rate. In addition, to the extent Members qualify for a removal rate lower than $0.0030 per share through any other tier, such as the Mega Tier ($0.0029 per share) or Step-up Take Tier ($0.0028 per share), then Members will earn the lower removal rate on Flag ZR instead of its assigned rate.

A Member would be required to attest, in a form and/or manner prescribed by the Exchange, that they have implemented policies and procedures that are reasonably designed to ensure that every order designated by the Member as a "Retail Order" complies with the Exchange's definition of a Retail Order, as described above. The proposed use of Flags ZA and ZR to identify Retail Orders would be optional for Members. Accordingly, a Member that does not opt to identify qualified orders as Retail Orders would choose not to make an attestation to the Exchange and thereby, not receive the rates associated with Flags ZA or ZR.

Additionally, a Member would be required to have written policies and procedures reasonably designed to assure that it will only designate orders as Retail Orders if all requirements of a Retail Order are met. Such written policies and procedures must require the Member to (i) exercise due diligence before entering a Retail Order to assure that entry as a Retail Order is in compliance with the requirements specified by the Exchange, and (ii) monitor whether orders entered as Retail Orders meet the applicable requirements. If the Member represents Retail Orders from another broker-dealer customer, the Member's supervisory procedures must be reasonably designed to assure that the orders it receives from such broker-dealer customer that it designates as Retail Orders meet the definition of a Retail Order. The Member must (i) obtain an annual written representation, in a form acceptable to the Exchange, from each broker-dealer customer that sends it orders to be designated as Retail Orders that entry of such orders as Retail Orders will be in compliance with the requirements specified by the Exchange, and (ii) monitor whether its broker-dealer customer's Retail Order flow continues to meet the applicable requirements.[5]

The Exchange further proposes that it may disqualify a Member from qualifying for Flags ZA and ZR if the Exchange determines, in its sole discretion, that a Member has failed to abide by the requirements proposed herein, including, for example, if a Member designates orders submitted to the Exchange as Retail Orders but those orders fail to meet any of the requirements of Retail Orders. Tiered or non-tiered default rates would apply based on the Member's qualifying levels for a Member that is disqualified from qualifying for Flags ZA and ZR.

The Exchange also proposes to amend the text of the first paragraph of Footnote 1 to include Flag ZR as part of the list of “removal flags,” where Flag ZR removes liquidity from the

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5 The Financial Industry Regulatory Authority, Inc., on behalf of the Exchange, will review a Member's compliance with these requirements through an exam-based review of the Member's internal controls.

EDGX Book[6] and qualifies for the removal rate of $0.0029 per share in connection with satisfying the criteria for the Mega Tier rebate.

The Exchange also proposes to amend the text of Footnote 2 to include Flag ZR as part of the "remove liquidity" flags listed therein that qualify for the Step-Up Take Tier reduced charge of $0.0028 per share for the removal flags.[7]

The Exchange proposes to amend the text of Footnote 13, sections (i) and (ii), to include Flags ZA and ZR as qualifying "added flags" and "removal flags," respectively, for the Investor Tier.

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

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,[8] in general, and furthers the objectives of Section 6(b)(4) of the Act,[9] in particular, because it provides for the equitable allocation of reasonable dues, fees, and other charges among its Members, issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers.

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6 As defined in Exchange Rule 1.5(d).

7 The Exchange notes that where Members that have Retail Orders that add liquidity to EDGX and also qualify for the Step-Up Take Tier, the Exchange would provide such Members the more favorable rebate of $0.0032 per share. This is made clear in the language in the second paragraph of proposed Footnote 4, as described above.

8 15 U.S.C. 78f.

9 15 U.S.C. 78f(b)(4).

The Exchange believes that the proposed rule change is reasonable, equitable and not unfairly discriminatory because it would encourage Members to send additional Retail Orders that add liquidity to the Exchange for execution in order to qualify for an incrementally higher credit for such executions that add liquidity on the Exchange.[10] In this regard, the Exchange believes that maintaining or increasing the proportion of Retail Orders in exchange-listed securities that are executed on a registered national securities exchange (rather than relying on certain available off-exchange execution methods) would contribute to investors' confidence in the fairness of their transactions and would benefit all investors by deepening the Exchange's liquidity pool, supporting the quality of price discovery, promoting market transparency and improving investor protection.

The Exchange notes that a significant percentage of the orders of individual investors are executed over-the-counter.[11] The Exchange believes that it is thus appropriate to create a financial incentive to bring more retail order flow to a public market, such as the Exchange over off-exchange venues. The Exchange believes that investor protection and transparency is promoted by rewarding displayed liquidity on exchanges over off-exchange executions. By offering a proposed rebate of $0.0032 per share for Flag ZA, the Exchange believes it will

10 The Exchanges notes that the removal fee through Flag ZR is the same as the default, non-tiered removal rate. Thus, the Exchange believes that there would be a neutral effect on removers of liquidity as the Exchange is neither incenting nor disincentivizing the use of Flag ZR.

11 See Concept Release on Equity Market Structure, Securities Exchange Act Release No. 61358 (January 14, 2010), 75 FR 3594 (January 21, 2010) (noting that dark pools and internalizing broker-dealers executed approximately 25.4% of share volume in September 2009). See also Mary L. Schapiro, Strengthening Our Equity Market Structure (Speech at the Economic Club of New York, Sept. 7, 2010) (available on the Commission’s website). In her speech, Chairman Schapiro noted that nearly 30 percent of volume in U.S.-listed equities was executed in venues that do not display their liquidity or make it generally available to the public and the percentage was increasing nearly every month.

encourage use of Retail Orders, while maintaining consistency with the Exchange's overall pricing philosophy of encouraging displayed liquidity. The Exchange places a higher value on displayed liquidity because the Exchange believes that displayed liquidity is a public good that benefits investors and traders generally by providing greater price transparency and enhancing public price discovery, which ultimately lead to substantial reductions in transaction costs.

The Exchange also notes that the Commission recently approved a similar proposal by the New York Stock Exchange, Inc. ("NYSE") and NYSE MKT LLC ("NYSE MKT").[12] Accordingly, the proposal generally encourages competition between exchange venues for retail order flow and encourages additional retail order flow.

The Exchange believes that a differential pricing structure for Retail Orders is not unfairly discriminatory. As stated in the NYSE RLP Approval Order, the "Commission has previously recognized that the markets generally distinguish between individual retail investors, whose orders are considered desirable by liquidity providers because such retail investors are presumed on average to be less informed about short-term price movements, and professional traders, whose orders are presumed on average to be more informed."[13] The Exchange's

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12 See Securities Exchange Act Release No. 67347 (July 3, 2012), 77 FR 40673 (July 10, 2012) (SR-NYSE-2011-55; SR-NYSEAmex-2011-84) (the "RLP Approval Order").

13 See Securities Exchange Act Release No. 67347 (July 3, 2012), 77 FR 40673 (July 10, 2012) (SR-NYSE-2011-55; SR-NYSEAmex-2011-84) (the "NYSE RLP Approval Order"). In conjunction with the approval of the NYSE Retail Liquidity Program, a nearly identical program was proposed and approved to operate on NYSE MKT (formerly, the American Stock Exchange), at 40679-40680 (citing Concept Release on Equity Market Structure and approval of an options exchange program related to price improvement for retail orders). Certain options exchanges deploy this same rationale today through pricing structures that vary for a trading participant based on the capacity of the contra-side trading participant. See, e.g., Securities Exchange Act Release No. 63632 (January 3, 2011), 76 FR 1205 (January 7, 2011) (SR-BATS-2010-038) (notice of filing and immediate effectiveness of proposal to modify fees for BATS Exchange Inc.

proposed differential pricing structure for Retail Orders raises similar policy considerations as the rules approved by the Commission in the NYSE RLP Approval Order, which account for the difference of assumed information and sophistication level between different trading participants by providing Retail Orders access to better rebates.

The Exchange understands that Section 6(b)(5) of the Act[14] prohibits an exchange from establishing rules that are designed to permit unfair discrimination between market participants. However, Section 6(b)(5) of the Act does not prohibit exchange members or other broker-dealers from discriminating, so long as their activities are otherwise consistent with the federal securities laws. While the Exchange believes that markets and price discovery optimally function through the interactions of diverse flow types, it also believes that growth in internalization has required differentiation of retail order flow from other order flow types. The differentiation proposed herein by the Exchange is not designed to permit unfair discrimination, but instead to promote a competitive process around retail executions such that retail investors would receive better rebates than they currently do through bilateral internalization arrangements. Additionally, the Exchange believes that the proposed Retail Order rate for Flag ZA (rebate of $0.0032 per share) will incentivize Members to submit Retail Orders that add liquidity to the Exchange. As a result of the additional liquidity, the Exchange believes that this would result in improved market quality.

("BATS") Options, including liquidity rebates that are variable depending on the capacity of the contra-party to the transaction; see also Securities Exchange Act Release No. 67171 (June 8, 2012), 77 FR 35732 (June 14, 2012) (SR-NASDAQ-2012-068) (notice of filing and immediate effectiveness of proposal to modify fees for the NASDAQ Options Market, including certain fees and rebates that are variable depending on the capacity of the contra-party to the transaction).

14 15 U.S.C. 78f(b)(5).

The Exchange also believes that the proposed rates for Retail Orders (Flags ZA and ZR, respectively) are equitable and not unfairly discriminatory because Members could qualify for the same rates (rebate of $0.0032 per share and charge of $0.0030 per share, respectively) through other volume discounts or through the default, non-tiered removal rate. For example, Members could achieve the rebate of $0.0032 per share if they satisfy the conditions for the Mega Tier rebate of $0.0032 per share. Members could also achieve the removal fee of $0.0030 per share without satisfying an additional tier as $0.0030 per share is the default rate for removing liquidity on the Exchange's fee schedule. Thus, the Exchange believes that there would be a neutral effect on removers of liquidity as the Exchange is neither incenting nor disincentivizing the use of Flag ZR.

Moreover, the proposed use of Retail Orders, which are available for all Members that utilize FIX, is equitable and not unfairly discriminatory because FIX is available for all Members on an equal and non-discriminatory basis, as all Members can sign up for new logical ports using FIX or HP-API at a cost of $500/month (the first five DIRECT logical ports being provided free). The Exchange also notes that all Members that it expects will send Retail Orders currently maintain logical ports that utilize FIX. The Exchange also notes that the Members that only utilize HP-API are generally those that are more concerned with latency as they trade for their own accounts where their order flow typically would not qualify as retail order flow. Finally, all order entry protocols on the Exchange do not necessarily support all Exchange functions and are designed differently in order to support the Member base most likely to utilize them.

The Exchange believes its amendments to footnotes 1, 2, and 13 support the Exchange's efforts to achieve consistent application and specificity among the flags on the fee schedule and provide transparency for its Members. First, in SR-EDGX-2012-39, the Exchange discounted certain "removal flags" if a Member satisfied the criteria for the Mega Tier rebate in Footnote 1.[15] Since Flag ZR is a removal flag with an assigned rate of $0.0030 per share, the Exchange believes it is appropriate to include Flag ZR in its list of removal flags that would qualify for a discounted removal rate of $0.0029 per share. The Exchange also believes that these proposed amendments are non-discriminatory because they apply to all Members.

Secondly, in SR-EDGX-2012-46,[16] the Exchange listed in Footnote 2 of the fee schedule those removal flags that would qualify for the Step-up Take Tier if a Member satisfied the criteria. Since Flag ZR is a removal flag with an assigned rate of $0.0030 per share, the Exchange believes it is appropriate to include Flag ZR in its list of removal flags that would qualify for a discounted removal rate of $0.0028 per share.[17] The Exchange also believes that these proposed amendments are non-discriminatory because they apply to all Members.

Finally, in SR-EDGX-2012-12, the Exchange included "added" and "removal flags" in its calculation of the "add liquidity" to "removed liquidity" ratio to qualify for the Investor Tier.[18] Since Flag ZR is a removal flag and Flag ZA is an add flag, the Exchange believes it is

15 See Securities Exchange Act Release No. 67818 (September 10, 2012), 77 FR 56890 (September 14, 2012) (SR-EDGX-2012-39).

16 See Securities Exchange Act Release No. 68166 (November 6, 2012), 77 FR 67695 (November 13, 2012) (SR-EDGX-2012-46).

17 The Exchange notes that Flag ZA is not yielded with the Step-Up Take Tier, like other listed add liquidity flags listed in Footnote 2, as the rate provided on the Step-Up Take Tier for adding liquidity (rebate of $0.0030 per share) is not as favorable to Members as the rate yielded on Flag ZA itself (rebate of $0.0032 per share). As a result, Members that have Retail Orders that add liquidity to EDGX would receive the rebate of $0.0032 per share in the situation where the Member also qualifies for the Step-Up Take Tier. This is made clear in the language in the second paragraph of proposed Footnote 4, as described above.

18 See Securities Exchange Act Release No. 66762 (April 6, 2012), 77 FR 22053 (April 12, 2012) (SR-EDGX-2012-12).

appropriate to include the volume from both of these flags in its calculation of the "add liquidity" to "removed liquidity" ratio. The Exchange also believes that these proposed amendments are non-discriminatory because they apply to all Members.

The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

B. 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.

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

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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act[19] and Rule 19b-4(f)(2)[20] 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

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19 15 U.S.C. 78s(b)(3)(A).

20 17 CFR 19b-4(f)(2).

it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-EDGX-2012-47 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-EDGX-2012-47. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-EDGX-2012-47 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[21]

Kevin M. O'Neill
Deputy Secretary

[21] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Additions underlined

Deletions [bracketed]

EDGX Exchange Fee Schedule – Effective [November] December 1, 2012

Download in pdf format.

Rebates & Charges for Adding, Removing or Routing Liquidity per Share for Tape A, B, & C Securities[1,a,b,d]: Rebates indicated by parentheses ( )

Footnotes provide further explanatory text or, where annotated to flags, indicate variable rate changes, provided the conditions in the footnote are met

Category	Adding Liquidity	Removing Liquidity	Routing Liquidity
Securities at or above $1.00	$(0.0023)[1,2,4,a,13]	$0.0030[1,2,4]	$0.0029
Securities below $1.00	$(0.00003)	0.10% of Dollar Value	0.30% of Dollar Value[3,a]

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[1,2,a]	Add liquidity to EDGX book (Tape B)	(0.0023)
C[3,a]	Routed to BX, removes liquidity	(0.0005)
D[3,a]	Routed or re-routed to NYSE, removes liquidity	0.0025
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[3,a]	**Routed to NASDAQ, removes liquidity**	**0.0030**
K	**Routed to PSX using ROUC or ROUE routing strategy**	**0.0028**
L[3]	**Routed to NASDAQ using INET routing strategy, removes liquidity (Tapes A or C)**	**0.0030**
M[a]	**Add liquidity on LavaFlow**	**(0.0024)**
N[1,2]	**Remove liquidity from EDGX book (Tape C)**	**0.0030**
O[5,a]	**Routed to primary exchange's opening cross**	**0.0005**
Q	**Routed using ROUC routing strategy**	**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[6,a]	**Remove liquidity from LavaFlow**	**0.0029**
V[1,2,a]	**Add liquidity to EDGX book (Tape A)**	**(0.0023)**
W[1,2]	**Remove liquidity from EDGX book (Tape A)**	**0.0030**
X	**Routed**	**0.0029**
Y[1,2,a]	**Add liquidity to EDGX book (Tape C)**	**(0.0023)**
Z	**Routed using ROUZ routing strategy**	**0.0010**
2[3]	**Routed to NASDAQ using INET routing strategy, removes liquidity (Tape B)**	**0.0030**
3[1,2,a]	**Add liquidity – pre & post market (Tapes A or C)**	**(0.0023)**
4[1,2,a]	**Add liquidity – pre & post market (Tape B)**	**(0.0023)**
5[11]	**Internalization – pre & post market, per side**	**0.00035**
6[1,2]	**Remove liquidity – pre & post market (All Tapes)**	**0.0030**
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[1,2]	**Remove liquidity from EDGX book (Tape B)**	**0.0030**

BY[10]	Routed to BATS BYX Exchange, removes liquidity (using routing strategies ROUC, ROUE or ROBY)	(0.0002)
CL[9]	Routed to listing market closing process, except for NYSE Arca & BATS BZX	0.0010
EA[11]	Internalization, adds liquidity	0.00035
ER[11]	Internalization, removes liquidity	0.00035
HA	Non-Displayed Orders that add liquidity (not including Midpoint Match orders)	(0.0015)
MM	Add liquidity to Midpoint Match (using Midpoint Match order type)	0.0012
MT	Remove liquidity from Midpoint Match (using Midpoint Match order type)	0.0012
OO	Direct Edge Opening	0.0010
PI[1,2]	Remove liquidity from EDGX book against Midpoint Match	0.0030
PR	Remove liquidity from EDGX book using ROUQ routing strategy	0.0027
RA	Routed to EDGA, adds liquidity	0.0006
RB	Routed to BX, adds liquidity	0.0018
RC	Routed to NSX, adds liquidity	(0.0026)
RP	Non-Displayed Orders, adds liquidity (using Route Peg Order)	(0.0015)
RQ	Routed using ROUQ routing strategy	0.0027
RR	Routed to EDGA using routing strategies IOCX or IOCT, removes liquidity	(0.0004)
RS	Routed to PSX, adds liquidity	(0.0026)
RW	Routed to CBSX, adds liquidity	0.0017
RY	Routed to BATS BYX, adds liquidity	0.0003
RZ	Routed to BATS BZX, adds liquidity	(0.0025)
SW[8]	Routed using SWPA/SWPB/SWPC routing strategies (except for removal of liquidity from NYSE)	0.0031
ZA[4]	Retail Order, adds liquidity	(0.0032)
ZR[4]	Retail Order, removes liquidity	0.0030

[1] Members can qualify for the Mega Tier and be provided a rebate of $0.0035 per share for all liquidity posted on EDGX if they add or route at least 2,000,000 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 35,000,000 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, 6, BB, [and] PI, and ZR. Where a Member does not meet the criteria for the Mega Tier, then a removal rate of $0.0030 per share applies.

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 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).

[2] A Member can qualify for the Step-up Take Tier by (i) adding an ADV of at least 2 million shares on a daily basis, measured monthly, more than that Member's September 2012 added ADV; and (ii) removing at least 0.40% TCV on a daily basis, measured monthly more than that Member's September 2012 removed ADV. Members qualifying for the Step-up Take Tier will earn a rebate of $0.0030 per share for orders that add liquidity and yield Flags B, V, Y, 3 and 4, and will be assessed a fee of $0.0028 per share for orders that remove liquidity and yield Flags N, W, BB, PI, [and] 6<u>, and ZR</u>. The Exchange notes that to the extent Members qualify for a rebate higher than $0.0030 per share through other volume tiers, such as the Mega Tier, Market Depth Tier or the Ultra Tier, they will earn the higher rebate on the add flags instead of the Step-up Take Tier. In addition, such Members will still qualify for the reduced charge of $0.0028 per share for the removal flags.

[3] Stocks priced below $1.00 on the NYSE are charged 0.30% of the dollar value of the transaction 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.

[4] [Intentionally omitted.] <u>Where a Retail Order is defined as (i) an agency order that originates from a natural person; (ii) is submitted to EDGX by a Member, provided that no change is made to the terms of the order; and (iii) the order does not originate from a trading algorithm or any other computerized methodology. Members must submit a signed written attestation, in a form prescribed by the Exchange, that they have implemented policies and procedures that are reasonably designed to ensure that every order designated by the Member as a "Retail Order" complies with the above requirements.</u>

<u>The Exchange notes that to the extent Members qualify for a rebate higher than $0.0032 per share through other volume tiers, such as the Mega Tier or Market Depth Tier, they will earn the higher rebate on Flag ZA instead of its assigned rate. In addition, to the extent Members qualify for a removal rate lower than $0.0030 per share through any other tier, such as the Step-up Take Tier, then they will earn the lower removal rate on the Flag ZR instead of its assigned rate.</u>

<u>The Exchange notes that Members will only be able to designate their orders as Retail Orders using FIX ports.</u>

[5] Capped at $10,000 per month per Member.

[6] 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).

[7] Intentionally omitted.

[8] Flag D is assigned if an SWPA, SWPB, or SWPC routing strategy removes liquidity from NYSE.

[9] 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.

[10] Stocks priced below $1.00 are charged $0.0010 per share.

[11] 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.

[12] Intentionally omitted.

[13] 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, RP, ZA, 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, RP, ZA, 3, or 4 and removal flags are defined as BB, MT, N, W, PI, PR, ZR, or 6; and (iii) have a message-to-trade ratio of less than 6:1.

[a] Upon a Member's request, EDGX will aggregate share volume calculations for wholly owned affiliates on a prospective basis.

[b] Trading activity on days when the market closes early does not count toward volume tiers.

[c] Reserved.

[d] 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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