

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 19	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2012 - * 49	Amendment No. (req. for Amendments *)
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Filing 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"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) <input type="checkbox"/>	Section 3C(b)(2) <input type="checkbox"/>
Section 806(e)(2) <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 action (limit 250 characters, required when Initial is checked \*).

EDGX Exchange, Inc. proposes to amend Rule 11.5(c), which describes the manner in which the NBBO Offset Peg Order operates.

**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 action.

First Name * Jeffrey	Last Name * Rosenstroch
Title * General Counsel	
E-mail * jrosenstroch@directedge.com	
Telephone * (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.

(Title \*)

Date 12/27/2012	General Counsel
By Jeffrey Rosenstroch	<input type="text"/>
(Name *)	

jrosenstroch@directedge.com,

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 \***

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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 \***

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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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies**

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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, security-based swap submission, or advance notice 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. (“EDGX” or the “Exchange”), proposes to amend Rule 11.5(c), which describes the manner in which the NBBO Offset Peg Order operates. The text of the proposed rule change is attached as Exhibit 5 and is available on the Exchange’s website at [www.directedge.com](http://www.directedge.com), at the Exchange’s principal office and at the Public Reference Room of the Securities and Exchange Commission (the “Commission”).

(b) The Exchange does not believe that the proposed rule change will have any direct or significant indirect effect on any other Exchange rule in effect at the time of this filing.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the “Board”) of the Exchange on April 27, 2010. Exchange staff will advise the EDGX Board of Directors of any action taken pursuant to delegated authority. No other action is necessary for the filing of the proposed rule change. Therefore, the Exchange’s internal procedures with respect to the proposed rule 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, Inc.  
201-418-3471

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

(a) Purpose

The Exchange proposes to amend Rule 11.5(c), the NBBO Offset Peg Order. As described in the Exchange’s filing to create the NBBO Offset Peg Order,<sup>1</sup> the NBBO Offset Peg Order enables Users<sup>2</sup> to submit buy and sell orders to the Exchange that are pegged to a designated percentage away from the National Best Bid (the “NBB”) and National Best Offer (the “NBO”, and together with the NBB, the “NBBO”), respectively,

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<sup>1</sup> See Securities Exchange Act Release No. 67959 (October 2, 2012), 77 FR 61449 (October 9, 2012) (SR-EDGX-2012-44).

<sup>2</sup> As defined in Rule 1.5(ee).

while providing them full control over order origination and order marking. This retention of control, in turn, enables Market Makers to comply independently with the requirements of Regulation SHO<sup>3</sup> under the Securities Exchange Act of 1934 (the “Act”) and Rule 15c3-5<sup>4</sup> under the Act (the “Market Access Rule”).

As described in the Exchange’s filing to create the NBBO Offset Peg Order:

upon entry and at any time the price of the order reached the ‘Defined Limit’, or moved a specified number of percentage points away from the ‘Designated Percentage’ toward the then current NBB (for NBBO Offset Peg Orders to buy) or NBO (for NBBO Offset Peg Orders to sell), the price of the NBBO Offset Peg Order would be automatically adjusted by the System to the Designated Percentage away from the then current NBB or NBO, as the case may be. In the event that there was no NBB or NBO, the price of the NBBO Offset Peg Order would be automatically adjusted by the System to the Designated Percentage away from the last reported sale from the responsible single plan processor, unless the User instructed the Exchange upon entry to cancel or reject the order under such circumstances.<sup>5</sup>

The Exchange proposes to amend the text of Rule 11.5(c)(15) to not allow the User to cancel or reject the order under the circumstances outlined above. Therefore, the Exchange proposes to delete the following text in Rule 11.5(c)(15): “unless instructed by the User upon order entry to cancel or reject rather than adjust based on the last reported sale from the single plan processor.” The text of the rule will now read that:

[u]pon reaching the Defined Limit (as defined in Rule 11.21(d)(2)(F)), the price of an NBBO Offset Peg Order bid or offer will be automatically adjusted by the System to the Designated Percentage away from the then current NBB or NBO, respectively, or if there is no NBB or NBO at such time, to the Designated Percentage away from the last reported sale from the responsible single plan processor. If an NBBO Offset Peg Order bid or offer moves a specified number of percentage points away from the Designated Percentage toward the then current NBB or NBO, the price of such bid or offer will be automatically adjusted by the System to the Designated Percentage away from the then current NBB and NBO. If there is no NBB or NBO at such time, the order will be automatically adjusted by the System to the

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<sup>3</sup> 17 C.F.R. 242.200 through 242.204.

<sup>4</sup> 17 CFR 242.15c3-5.

<sup>5</sup> See Securities Exchange Act Release No. 67959 (October 2, 2012), 77 FR 61449 (October 9, 2012) (SR-EDGX-2012-44).

Designated Percentage away from the last reported sale from the responsible single plan processor.

Thus, when processing NBBO Offset Peg Orders, the System will not condition adjustment of the price upon the User's instructions.

The Exchange originally stated in SR-EDGX-2012-44 that it "intends to implement the proposed rule change on or about November 19, 2012, and will notify its Members and other market participants in an information circular to be posted on the Exchange's website."<sup>6</sup> The Exchange proposes to revise this implementation date to on or about April 15, 2013. This additional time will enable the Exchange to assess the usefulness of the NBBO Offset Peg Order in light of the upcoming implementation of the National Market System Plan to Address Extraordinary Market Volatility (as amended, the "Plan") as approved by the Commission<sup>7</sup> and proposed changes to market making quoting requirements through uniform industry-wide amendments to Designated Percentages<sup>8</sup> and Defined Limits<sup>9</sup> to realign the percentages based on the Plan's Appendix A Percentage Parameters.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>10</sup> and furthers the objectives of Section 6(b)(5) of the Act,<sup>11</sup> in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Exchange believes that the proposed rule filing meets these requirements because it eliminates certain rule text to conform with NASDAQ's Market Maker Peg Order, which is a similar order type to the NBBO Offset Peg Order,<sup>12</sup> and updates the implementation date in light of the Plan and proposed changes to market making quoting requirements. Thus, the Exchange believes that the proposed rule change promotes the efficient execution of investor transactions, and thus investor confidence, over the long term.

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<sup>6</sup> See Securities Exchange Act Release No. 67959 (October 2, 2012), 77 FR 61449 (October 9, 2012) (SR-EDGX-2012-44).

<sup>7</sup> See Securities Exchange Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (approving the Plan on a pilot basis).

<sup>8</sup> As defined in Rule 11.21(d)(2)(D).

<sup>9</sup> As defined in Rule 11.21(d)(2)(F).

<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

<sup>12</sup> See Securities Exchange Act Release No. 67584 (August 2, 2012), 77 FR 47472 (August 8, 2012) (SR-NASDAQ-2012-066).

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed rule change will increase competition among the exchanges because the NBBO Offset Peg Order will directly compete with substantially similar existing order types offered by other exchanges.<sup>13</sup>

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

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

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)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>14</sup> of the Act and Rule 19b-4(f)(6)<sup>15</sup> thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

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<sup>13</sup> See Securities Exchange Act Release No. 67584 (August 2, 2012), 77 FR 47472 (August 8, 2012) (SR-NASDAQ-2012-066) (order approving NASDAQ's Market Maker Peg Order available for exchange market makers). See Securities Exchange Act Release No. 67756 (August 29, 2012), 77 FR 54633 (September 5, 2012) (SR-BATS-2012-026) (order approving BATS's Market Maker Peg Order available for exchange market makers). See also Securities Exchange Act Release No. 67755 (August 29, 2012), 77 FR 54630 (September 5, 2012) (SR-BYX-2012-012) (order approving BATS Y-Exchange Inc.'s Market Maker Peg Order available for exchange market makers).

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.<sup>16</sup> The Exchange has satisfied this requirement.

The Exchange submits that the instant filing is non-controversial in that it does not present any policy issues that have not been previously considered by the Commission. Specifically, the NBBO Offset Peg Order is substantially similar in nature to the existing Market Maker Peg Order on NASDAQ.<sup>17</sup> As discussed in greater detail below, two ways in which the NBBO Offset Peg Order would differ from the Market Maker Peg Order on NASDAQ is that the NBBO Offset Peg Order (1) would be available for all Users, and not just Market Makers, and (2) would not allow a User to designate an offset more aggressive than the Designated Percentage.

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

As noted above, NASDAQ currently offers a Market Maker Peg Order that is substantially similar to the NBBO Offset Peg Order. Specifically, like NASDAQ's Market Maker Peg Order, the NBBO Offset Peg Order would enable Users to submit buy and sell orders to the Exchange that are pegged to a designated percentage away from the NBB and NBO, respectively, while providing them full control over order origination and order marking. Further, while usage of the NBBO Offset Peg Order would not be limited to Market Makers, Members acting as Market Makers on the Exchange would be able to use paired NBBO Offset Peg Orders to buy and sell in order to comply with their quotation obligations under Exchange Rule 11.21, similar to market makers utilizing the Market Maker Peg Orders on NASDAQ.

NASDAQ's Market Maker Peg Order differs from the NBBO Offset Peg Order in that it is limited to market makers on NASDAQ, while the NBBO Offset Peg Order, while likely to be used predominately, if not exclusively, by Market Makers, would nonetheless be available to any User. In addition, the NBBO Offset Peg Order would not allow a User to designate an offset more aggressive than the Designated Percentage, in contrast to NASDAQ's Market Maker Peg Order.

Finally, upon reaching the Defined Limit or if the NBBO Offset Peg Order bid or offer moves a specified number of percentage points away from the Designated Percentage toward the then current NBB or NBO, the price of an NBBO Offset Peg Order bid or offer would be automatically adjusted by the System to the Designated

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<sup>16</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>17</sup> See Securities Exchange Act Release No. 67584 (August 2, 2012), 77 FR 47472 (August 8, 2012) (SR-NASDAQ-2012-066) (order approving NASDAQ's Market Maker Peg Order available for exchange market makers).

Percentage away from the then current NBB or NBO, respectively, or if there were no NBB or NBO at such time, to the Designated Percentage away from the last reported sale from the responsible single plan processor. The Exchange's amended rule text is now similar to NASDAQ's insofar as both EDGX and NASDAQ do not allow cancellation or rejection of the Market Maker Peg Order by market makers or NBBO Offset Peg Order by Users, respectively, under the circumstances outlined above.

9. Exhibits

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

Exhibit 5 – Text of the Proposed Rule Change.



## EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-EDGX-2012-49)

[Date]

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend EDGX Rule 11.5(c) (NBBO Offset Peg Order).

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 December 27, 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 Rule 11.5(c), which describes the manner in which the NBBO Offset Peg Order operates. 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](http://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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<sup>1</sup> 15 U.S.C. 78s(b)(1).

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

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

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

1. Purpose

The Exchange proposes to amend Rule 11.5(c), the NBBO Offset Peg Order. As described in the Exchange's filing to create the NBBO Offset Peg Order,<sup>3</sup> the NBBO Offset Peg Order enables Users<sup>4</sup> to submit buy and sell orders to the Exchange that are pegged to a designated percentage away from the National Best Bid (the "NBB") and National Best Offer (the "NBO", and together with the NBB, the "NBBO"), respectively, while providing them full control over order origination and order marking. This retention of control, in turn, enables Market Makers to comply independently with the requirements of Regulation SHO<sup>5</sup> under the Securities Exchange Act of 1934 (the "Act") and Rule 15c3-5<sup>6</sup> under the Act (the "Market Access Rule").

As described in the Exchange's filing to create the NBBO Offset Peg Order:  
upon entry and at any time the price of the order reached the 'Defined Limit', or moved a specified number of percentage points away from the 'Designated

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<sup>3</sup> See Securities Exchange Act Release No. 67959 (October 2, 2012), 77 FR 61449 (October 9, 2012) (SR-EDGX-2012-44).

<sup>4</sup> As defined in Rule 1.5(ee).

<sup>5</sup> 17 C.F.R. 242.200 through 242.204.

<sup>6</sup> 17 CFR 242.15c3-5.

Percentage' toward the then current NBB (for NBBO Offset Peg Orders to buy) or NBO (for NBBO Offset Peg Orders to sell), the price of the NBBO Offset Peg Order would be automatically adjusted by the System to the Designated Percentage away from the then current NBB or NBO, as the case may be. In the event that there was no NBB or NBO, the price of the NBBO Offset Peg Order would be automatically adjusted by the System to the Designated Percentage away from the last reported sale from the responsible single plan processor, unless the User instructed the Exchange upon entry to cancel or reject the order under such circumstances.<sup>7</sup>

The Exchange proposes to amend the text of Rule 11.5(c)(15) to not allow the User to cancel or reject the order under the circumstances outlined above. Therefore, the Exchange proposes to delete the following text in Rule 11.5(c)(15): "unless instructed by the User upon order entry to cancel or reject rather than adjust based on the last reported sale from the single plan processor." The text of the rule will now read that:

[u]pon reaching the Defined Limit (as defined in Rule 11.21(d)(2)(F)), the price of an NBBO Offset Peg Order bid or offer will be automatically adjusted by the System to the Designated Percentage away from the then current NBB or NBO, respectively, or if there is no NBB or NBO at such time, to the Designated Percentage away from the last reported sale from the responsible single plan processor. If an NBBO Offset Peg Order bid or offer moves a specified number of percentage points away from the Designated Percentage toward the then current NBB or NBO, the price of such bid or offer will be automatically adjusted

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<sup>7</sup> See Securities Exchange Act Release No. 67959 (October 2, 2012), 77 FR 61449 (October 9, 2012) (SR-EDGX-2012-44).

by the System to the Designated Percentage away from the then current NBB and NBO. If there is no NBB or NBO at such time, the order will be automatically adjusted by the System to the Designated Percentage away from the last reported sale from the responsible single plan processor.

Thus, when processing NBBO Offset Peg Orders, the System will not condition adjustment of the price upon the User's instructions.

The Exchange originally stated in SR-EDGX-2012-44 that it "intends to implement the proposed rule change on or about November 19, 2012, and will notify its Members and other market participants in an information circular to be posted on the Exchange's website."<sup>8</sup> The Exchange proposes to revise this implementation date to on or about April 15, 2013. This additional time will enable the Exchange to assess the usefulness of the NBBO Offset Peg Order in light of the upcoming implementation of the National Market System Plan to Address Extraordinary Market Volatility (as amended, the "Plan") as approved by the Commission<sup>9</sup> and proposed changes to market making quoting requirements through uniform industry-wide amendments to Designated Percentages<sup>10</sup> and Defined Limits<sup>11</sup> to realign the percentages based on the Plan's Appendix A Percentage Parameters.

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<sup>8</sup> See Securities Exchange Act Release No. 67959 (October 2, 2012), 77 FR 61449 (October 9, 2012) (SR-EDGX-2012-44).

<sup>9</sup> See Securities Exchange Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (approving the Plan on a pilot basis).

<sup>10</sup> As defined in Rule 11.21(d)(2)(D).

<sup>11</sup> As defined in Rule 11.21(d)(2)(F).

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>12</sup> and furthers the objectives of Section 6(b)(5) of the Act,<sup>13</sup> in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Exchange believes that the proposed rule filing meets these requirements because it eliminates certain rule text to conform with NASDAQ's Market Maker Peg Order, which is a similar order type to the NBBO Offset Peg Order,<sup>14</sup> and updates the implementation date in light of the Plan and proposed changes to market making quoting requirements. Thus, the Exchange believes that the proposed rule change promotes the efficient execution of investor transactions, and thus investor confidence, over the long term.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed rule change will increase competition among the exchanges because the NBBO Offset Peg Order will directly compete with substantially similar existing order types offered by other exchanges.<sup>15</sup>

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<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

<sup>14</sup> See Securities Exchange Act Release No. 67584 (August 2, 2012), 77 FR 47472 (August 8, 2012) (SR-NASDAQ-2012-066).

<sup>15</sup> See Securities Exchange Act Release No. 67584 (August 2, 2012), 77 FR 47472 (August 8, 2012) (SR-NASDAQ-2012-066) (order approving NASDAQ's Market Maker Peg

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

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

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)<sup>16</sup> of the Act and Rule 19b-4(f)(6)<sup>17</sup> thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.<sup>18</sup> The Exchange has satisfied this requirement.

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Order available for exchange market makers). See Securities Exchange Act Release No. 67756 (August 29, 2012), 77 FR 54633 (September 5, 2012) (SR-BATS-2012-026) (order approving BATS's Market Maker Peg Order available for exchange market makers). See also Securities Exchange Act Release No. 67755 (August 29, 2012), 77 FR 54630 (September 5, 2012) (SR-BYX-2012-012) (order approving BATS Y-Exchange Inc.'s Market Maker Peg Order available for exchange market makers).

<sup>16</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>17</sup> 17 CFR 240.19b-4(f)(6).

<sup>18</sup> 17 CFR 240.19b-4(f)(6)(iii).

The Exchange submits that the instant filing is non-controversial in that it does not present any policy issues that have not been previously considered by the Commission. Specifically, the NBBO Offset Peg Order is substantially similar in nature to the existing Market Maker Peg Order on NASDAQ.<sup>19</sup> As discussed in greater detail below, two ways in which the NBBO Offset Peg Order would differ from the Market Maker Peg Order on NASDAQ is that the NBBO Offset Peg Order (1) would be available for all Users, and not just Market Makers, and (2) would not allow a User to designate an offset more aggressive than the Designated Percentage.

At any time within 60 days of the filing of the 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 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

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<sup>19</sup> See Securities Exchange Act Release No. 67584 (August 2, 2012), 77 FR 47472 (August 8, 2012) (SR-NASDAQ-2012-066) (order approving NASDAQ's Market Maker Peg Order available for exchange market makers).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-EDGX-2012-49 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-2012-49. 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-2012-49 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.<sup>20</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>20</sup> 17 CFR 200.30-3(a)(12).

## Exhibit 5

Additions underlined

Deletions [bracketed]

EDGX Exchange, Inc.

## Rule 11.5. Orders and Modifiers

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

(a) – (b) (No change)

(c) (No change)

(c)(1) – (14) (No change)

(15) NBBO Offset Peg Order. An NBBO Offset Peg Order is a limit order that, upon entry, is automatically priced by the System at the Designated Percentage (as defined in Rule 11.21(d)(2)(D)) away from the then current NBB (in the case of an order to buy) or NBO (in the case of an order to sell), or if there is no NBB or NBO at such time, at the Designated Percentage away from the last reported sale from the responsible single plan processor. Users may submit NBBO Offset Peg Orders to the Exchange starting at the beginning of the Pre-Opening Session, but the order is not executable or automatically priced until the beginning of Regular Trading Hours and expires at the end of Regular Trading Hours. Upon reaching the Defined Limit (as defined in Rule 11.21(d)(2)(F)), the price of an NBBO Offset Peg Order bid or offer will be automatically adjusted by the System to the Designated Percentage away from the then current NBB or NBO, respectively, or if there is no NBB or NBO at such time, to the Designated Percentage away from the last reported sale from the responsible single plan processor[, unless instructed by the User upon order entry to cancel or reject rather than adjust based on the last reported sale from the single plan processor]. If an NBBO Offset Peg Order bid or offer moves a specified number of percentage points away from the Designated Percentage toward the then current NBB or NBO, the price of such bid or offer will be automatically adjusted by the System to the Designated Percentage away from the then current NBB and NBO. If there is no NBB or NBO at such time, the order will be automatically adjusted by the System to the Designated Percentage away from the last reported sale from the responsible single plan processor[, unless instructed by the User upon order entry to cancel or reject rather than adjust based on the last reported sale from the single plan processor]. In the event that pricing an NBBO Offset Peg Order at the Designated Percentage away from the then current NBB or NBO, or, if there is no NBB or NBO, to the Designated Percentage away from the last reported sale from the responsible single plan processor, would result in the order exceeding its limit price, the order

will be cancelled or rejected. In the absence of an NBB or NBO and last reported sale, the order will be cancelled or rejected. NBBO Offset Peg Orders are not eligible for routing pursuant to Rule 11.9(b)(2) and are always displayed on the Exchange. Notwithstanding the availability of the NBBO Offset Peg Order functionality, a User acting as a Market Maker remains responsible for entering, monitoring, and re-submitting, as applicable, quotations that meet the requirements of Rule 11.21(d). A new timestamp is created for the order each time that it is automatically adjusted.

(16) Reserved.

(17) - (19) (No change)

(d) – (e) (No change)