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

File No.* SR - 2013 - * 11
Amendment No. (req. for Amendments *)

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

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) ☐ Section 806(e)(2) ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) ☐

Exhibit 2 Sent As Paper Document ☐ Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (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 action.

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.

Date 03/01/2013

By Jeffrey Rosenstrock

(Name *)

(Title *)

General Counsel

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,

Required fields are shown with yellow backgrounds and asterisks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information * 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 * 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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies 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, 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 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. ("EDGX" or the "Exchange") 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 Exchange's 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 currently offers Members a rebate of $0.0005 per share for Members' orders that route to Nasdaq OMX BX, Inc. ("BX") and remove liquidity, yielding Flag C, in securities priced at or above $1.00. The Exchange proposes to decrease the rebate from $0.0005 per share to $0.0004 per share in response to BX's fee filing that was effective February 1, 2013.[2] Direct Edge ECN LLC (d/b/a DE Route) ("DE Route"), the Exchange's affiliated routing broker-dealer, does not qualify for any of BX's volume tiered rebates.[3] DE Route passes through BX's default rebate to the Exchange and the Exchange, in turn, passes through the rebate to its

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1 As defined in Exchange Rule 1.5(n).

2 See Securities Exchange Act Release No. 68909 (February 12, 2013), 78 FR 11935 (February 20, 2013) (SR-BX-2013-011).

3 The Exchange notes that to the extent DE Route does achieve any volume tiered rebates on BX, its rates for Flag C will not change.

Members. The Exchange notes that its proposal does not modify the current rate of 0.10% of the dollar value of the transaction that it charges Members for Flag C in securities priced below $1.00 that route to BX and remove liquidity.

In SR-EDGX-2012-47,[4] the Exchange introduced new Flags ZA and ZR for Members that utilize Retail Orders. Flag ZA is yielded for those Members that use Retail Orders that add liquidity to EDGX and is assigned a rebate of $0.0032 per share. Flag ZR is yielded for those Members that use Retail Orders that remove liquidity from EDGX and is assigned a charge of $0.0030 per share. Footnote 4 on the Exchange's current fee schedule defines a "Retail Order" as an (i) 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.

In this filing, the Exchange proposes to introduce a new "Retail Order Tier" that would provide that Members that add an average daily volume ("ADV") of Retail Orders (Flag ZA) that is 0.25% or more of the Total Consolidated Volume ("TCV") on a daily basis, measured monthly would receive a rebate on Flag ZA that is $0.0034 per share instead of the rate of $0.0032 per share currently assigned to Flag ZA. The Exchange notes that the rebate for Flag ZA in securities priced below $1.00 is not impacted by this proposal.

The Exchange also currently specifies, in part, 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. The Exchange proposes to make a conforming amendment to this language to include the $0.0034 per share rebate. Therefore, the amended language would now read: "The Exchange notes that to the extent Members qualify for a rebate higher than $0.0032 per share (for Flag ZA executions that do not qualify for the above tier) or $0.0034 per share (for Flag ZA executions qualifying for the above tier) 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."

The Exchange proposes to implement these amendments to its fee schedule on March 1, 2013.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Securities and Exchange Act of 1934 (the "Act"),[5] in general, and furthers the objectives of Section 6(b)(4),[6] in particular, as it is designed to provide for the equitable

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4 See Securities Exchange Act Release No. 68310 (November 28, 2012), 77 FR 71860 (December 4, 2012) (SR-EDGX-2012-47).

5 15 U.S.C. 78f.

6 15 U.S.C. 78f(b)(4).

allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities.

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 rebate for such executions that add liquidity on the Exchange if Members satisfy the conditions of the Retail Order Tier. 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 potential for increased volume from Retail Orders increases potential revenue to the Exchange, and allows the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs in turn would allow the Exchange to pass on the savings to Members in the form of lower fees. The increased liquidity benefits all investors by deepening EDGX's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Volume-based rebates such as the one proposed herein have been widely adopted in the cash equities markets, and are equitable because they are open to all Members on an equal basis and provide discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes.

The Exchange believes the $0.0034 rebate proposed for the Retail Order Tier is reasonable because it is directly related to a Member's level of Retail Order executions during the month. The Exchange also believes the proposed rebate of $0.0034 per share is reasonable because it is consistent with certain other rebates, such as the those found in tiers in Footnote 1 of its fee schedule (i.e., Market Depth Tier, Mega Tier rebate of $0.0032 per share, Ultra Tier), that is available to Members that satisfy certain criteria that is related to the Member's level of trading activity on the Exchange.

The Exchange believes that requiring a Member to submit an ADV of Retail Orders during a month of 0.25% or more of TCV is reasonable, equitable and not unfairly discriminatory because this percentage is within a range that the Exchange believes would incentivize Members to submit Retail Orders to the Exchange in order to qualify for the applicable rebate of $0.0034 per share. The Exchange notes that certain other existing pricing tiers within its fee schedule make rebates available to Members that are also based on the Member's level of activity as a percentage of TCV. These existing percentage thresholds, depending on other related factors and the level of the corresponding rebates, are both higher and lower than the 0.25% proposed herein.[7] Moreover, like existing pricing on the Exchange that is tied to Member's volume levels as a percentage of TCV, the proposed Retail Order is equitable and not unfairly discriminatory because it is available to all Members on an equal and non-discriminatory basis.

The Exchange notes that a significant percentage of the orders of individual investors are executed over-the-counter.[8] 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 $0.0034 per share for the Retail Order Tier, 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.

The Exchange also notes that the Retail Order Tier is reasonable in that NYSE Arca offers a comparable Retail Order Tier (with an analogous Retail Order definition) that provides a rebate of $0.0032 per share for the NYSE Arca's ETP Holders that execute an average daily volume of Retail Orders that is 0.40% or more of the TCV.[9]

The Exchange believes that its proposal to pass through BX's rebate of $0.0004 per share for orders that route to BX and remove liquidity (Flag C) represents an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to BX through DE Route. Currently, BX offers a rebate to DE Route for orders that route

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[7] See for example, the Market Depth Tier Rebate ($0.0033 per share rebate), Mega Tier rebate ($0.0032 per share), Ultra Tier rebate ($0.0031 per share rebate), and Super Tier rebate ($0.0031 per share rebate) that are all tied to a percentage of TCV.

[8] 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.

[9] See Securities Exchange Act Release No. 67540 (July 30, 2012), 77 FR 46539 (August 3, 2012) (SR-NYSEArca-2012-77). See also, https://usequities.nyx.com/sites/usequities.nyx.com/files/nyse_arca_marketplace_fees_2_26_13.pdf.

to BX and remove liquidity, and DE Route passes through that rebate to the Exchange and the Exchange passes through that rebate to its Members. Effective February 1, 2012, BX rebates DE Route $0.0004 per share for orders that route to BX and remove liquidity. The Exchange's proposal will enable DE Route to pass through the $0.0004 per share rebate to the Exchange and the Exchange, in turn, to pass it through to its Members. The Exchange believes its proposal is equitable and reasonable because it allows the Exchange to continue to pass through BX's rebate to its Members. The Exchange notes that routing through DE Route is voluntary. Lastly, the Exchange also believes that this proposed amendment is non-discriminatory because it applies uniformly to all Members.

The Exchange also notes that it operates in a highly-competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. The proposed rule change reflects a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange. The Exchange believes that the proposed rates are equitable and non-discriminatory in that they apply uniformly to all Members. The Exchange believes the fees and credits remain competitive with those charged by other venues and therefore continue to be reasonable and equitably allocated to Members.

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

These proposed rule changes do not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe these changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor EDGX's pricing if they believe that alternatives offer them better value. Accordingly, EDGX does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

Regarding the Retail Order Tier, the Exchange believes that its proposal to offer a rebate of $0.0034 per share provided the Member satisfies the Retail Order Tier's conditions will increase competition for Retail Orders because it is comparable to the rates charged by NYSE Arca for its retail order tier. The Exchange believes its proposal will not burden intramarket competition given that the Exchange's rates apply uniformly to all Members that place orders.

Regarding Flag C's proposed reduction in rebate, the Exchange believes that its proposal to pass through BX's lower rebate of $0.0004 per share for securities priced at or above $1.00 that route to BX and remove liquidity will increase competition because it is comparable to the rates charged by BX for removing liquidity. The Exchange believes its proposal will not burden intramarket competition given that the Exchange's rates apply uniformly to all Members that place orders. The Exchange believes that its proposal will increase competition for routing services because the market for order execution is competitive and the Exchange's proposal provides customers with another alternative to route their orders. The Exchange notes that routing through DE Route is voluntary.

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.

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[10] and paragraph (f)(2) of Rule 19b-4 thereunder.[11]

(c) Inapplicable.

(d) Inapplicable.

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

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

9. Security Based- Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

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[10] 15 U.S.C. 78s(b)(3)(A)(ii).

[11] 17 CFR 240.19b-4(f)(2).

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

Exhibit 5 – Text of the Proposed Rule Change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-EDGX-2013-11)

[Date]

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the EDGX Exchange, Inc. Fee Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on March 1, 2013, 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.

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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).

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

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

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

1. Purpose

The Exchange currently offers Members a rebate of $0.0005 per share for Members' orders that route to Nasdaq OMX BX, Inc. ("BX") and remove liquidity, yielding Flag C, in securities priced at or above $1.00. The Exchange proposes to decrease the rebate from $0.0005 per share to $0.0004 per share in response to BX's fee filing that was effective February 1, 2013.[4] Direct Edge ECN LLC (d/b/a DE Route) ("DE Route"), the Exchange's affiliated routing broker-dealer, does not qualify for any of BX's volume tiered rebates.[5] DE Route passes through BX's default rebate to the Exchange and the Exchange, in turn, passes through the rebate to its Members. The Exchange notes that its proposal does not modify the current rate of 0.10% of the dollar value of the transaction that it charges Members for Flag C in securities priced below $1.00 that route to BX and remove liquidity.

4 See Securities Exchange Act Release No. 68909 (February 12, 2013), 78 FR 11935 (February 20, 2013) (SR-BX-2013-011).

5 The Exchange notes that to the extent DE Route does achieve any volume tiered rebates on BX, its rates for Flag C will not change.

In SR-EDGX-2012-47,[6] the Exchange introduced new Flags ZA and ZR for Members that utilize Retail Orders. Flag ZA is yielded for those Members that use Retail Orders that add liquidity to EDGX and is assigned a rebate of $0.0032 per share. Flag ZR is yielded for those Members that use Retail Orders that remove liquidity from EDGX and is assigned a charge of $0.0030 per share. Footnote 4 on the Exchange's current fee schedule defines a "Retail Order" as an (i) 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.

In this filing, the Exchange proposes to introduce a new "Retail Order Tier" that would provide that Members that add an average daily volume ("ADV") of Retail Orders (Flag ZA) that is 0.25% or more of the Total Consolidated Volume ("TCV") on a daily basis, measured monthly would receive a rebate on Flag ZA that is $0.0034 per share instead of the rate of $0.0032 per share currently assigned to Flag ZA. The Exchange notes that the rebate for Flag ZA in securities priced below $1.00 is not impacted by this proposal.

The Exchange also currently specifies, in part, 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. The Exchange proposes to make a conforming amendment to this language to include the $0.0034 per share rebate. Therefore, the amended language would now read: "The

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6 See Securities Exchange Act Release No. 68310 (November 28, 2012), 77 FR 71860 (December 4, 2012) (SR-EDGX-2012-47).

Exchange notes that to the extent Members qualify for a rebate higher than $0.0032 per share (for Flag ZA executions that do not qualify for the above tier) or $0.0034 per share (for Flag ZA executions qualifying for the above tier) 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."

The Exchange proposes to implement these amendments to its fee schedule on March 1, 2013.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,[7] in general, and furthers the objectives of Section 6(b)(4),[8] in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities.

The Exchange believes that the proposed 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 rebate for such executions that add liquidity on the Exchange if Members satisfy the conditions of the Retail Order Tier. 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

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[7] 15 U.S.C. 78f.

[8] 15 U.S.C. 78f(b)(4).

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 potential for increased volume from Retail Orders increases potential revenue to the Exchange, and allows the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs in turn would allow the Exchange to pass on the savings to Members in the form of lower fees. The increased liquidity benefits all investors by deepening EDGX's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Volume-based rebates such as the one proposed herein have been widely adopted in the cash equities markets, and are equitable because they are open to all Members on an equal basis and provide discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes.

The Exchange believes the $0.0034 rebate proposed for the Retail Order Tier is reasonable because it is directly related to a Member's level of Retail Order executions during the month. The Exchange also believes the proposed rebate of $0.0034 per share is reasonable because it is consistent with certain other rebates, such as the those found in tiers in Footnote 1 of its fee schedule (i.e., Market Depth Tier, Mega Tier rebate of $0.0032 per share, Ultra Tier), that is available to Members that satisfy certain criteria that is related to the Member's level of trading activity on the Exchange.

The Exchange believes that requiring a Member to submit an ADV of Retail Orders during a month of 0.25% or more of TCV is reasonable, equitable and not unfairly discriminatory because this percentage is within a range that the Exchange believes would incentivize Members to submit Retail Orders to the Exchange in order to qualify for the applicable rebate of $0.0034 per share. The Exchange notes that certain other existing pricing tiers within its fee schedule make rebates available to Members that are also based on the Member's level of activity as a percentage of TCV. These existing percentage thresholds, depending on other related factors and the level of the corresponding rebates, are both higher and lower than the 0.25% proposed herein.[9] Moreover, like existing pricing on the Exchange that is tied to Member's volume levels as a percentage of TCV, the proposed Retail Order is equitable and not unfairly discriminatory because it is available to all Members on an equal and non-discriminatory basis.

The Exchange notes that a significant percentage of the orders of individual investors are executed over-the-counter.[10] The Exchange believes that it is thus appropriate to create a financial incentive to bring more retail order flow to a public

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[9] See for example, the Market Depth Tier Rebate ($0.0033 per share rebate), Mega Tier rebate ($0.0032 per share), Ultra Tier rebate ($0.0031 per share rebate), and Super Tier rebate ($0.0031 per share rebate) that are all tied to a percentage of TCV.

[10] 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.

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 $0.0034 per share for the Retail Order Tier, 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.

The Exchange also notes that the Retail Order Tier is reasonable in that NYSE Arca offers a comparable Retail Order Tier (with an analogous Retail Order definition) that provides a rebate of $0.0032 per share for the NYSE Arca's ETP Holders that execute an average daily volume of Retail Orders that is 0.40% or more of the TCV.[11]

The Exchange believes that its proposal to pass through BX's rebate of $0.0004 per share for orders that route to BX and remove liquidity (Flag C) represents an equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to BX through DE Route. Currently, BX offers a rebate to DE Route for orders that route to BX and remove liquidity, and DE

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11 See Securities Exchange Act Release No. 67540 (July 30, 2012), 77 FR 46539 (August 3, 2012) (SR-NYSEArca-2012-77). See also, https://usequities.nyx.com/sites/usequities.nyx.com/files/nyse_arca_marketplace_fees_2_26_13.pdf.

Route passes through that rebate to the Exchange and the Exchange passes through that rebate to its Members. Effective February 1, 2012, BX rebates DE Route $0.0004 per share for orders that route to BX and remove liquidity. The Exchange's proposal will enable DE Route to pass through the $0.0004 per share rebate to the Exchange and the Exchange, in turn, to pass it through to its Members. The Exchange believes its proposal is equitable and reasonable because it allows the Exchange to continue to pass through BX's rebate to its Members. The Exchange notes that routing through DE Route is voluntary. Lastly, the Exchange also believes that this proposed amendment is non-discriminatory because it applies uniformly to all Members.

The Exchange also notes that it operates in a highly-competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. The proposed rule change reflects a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange. The Exchange believes that the proposed rates are equitable and non-discriminatory in that they apply uniformly to all Members. The Exchange believes the fees and credits remain competitive with those charged by other venues and therefore continue to be reasonable and equitably allocated to Members.

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

These proposed rule changes do not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe these changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor EDGX's pricing if they believe that alternatives offer them better value. Accordingly, EDGX does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

Regarding the Retail Order Tier, the Exchange believes that its proposal to offer a rebate of $0.0034 per share provided the Member satisfies the Retail Order Tier's conditions will increase competition for Retail Orders because it is comparable to the rates charged by NYSE Arca for its retail order tier. The Exchange believes its proposal will not burden intramarket competition given that the Exchange's rates apply uniformly to all Members that place orders.

Regarding Flag C's proposed reduction in rebate, the Exchange believes that its proposal to pass through BX's lower rebate of $0.0004 per share for securities priced at or above $1.00 that route to BX and remove liquidity will increase competition because it is comparable to the rates charged by BX for removing liquidity. The Exchange believes its proposal will not burden intramarket competition given that the Exchange's rates apply uniformly to all Members that place orders. The Exchange believes that its proposal will increase competition for routing services because the market for order execution is competitive and the Exchange's proposal provides customers with another alternative to route their orders. The Exchange notes that routing through DE Route is voluntary.

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[12] and Rule 19b-4(f)(2)[13] thereunder. At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-EDGX-2013-11 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-2013-11. This file number should be included on the subject line if e-mail is used. To help the Commission process

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12 15 U.S.C. 78s(b)(3)(A).

13 17 CFR 240.19b-4(f)(2).

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-2013-11 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.[14]

Kevin M. O'Neill
Deputy Secretary

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[14] 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Additions <u>underlined</u>

Deletions [bracketed]

EDGX Exchange Fee Schedule – Effective March 1, 2013

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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 and Removing Liquidity
Securities at or above $1.00	$(0.0021)[1,2,4,a,13]	$0.0030[1,2,4]	$0.0029
Securities below $1.00	$(0.00003)	0.30% of Dollar Value	0.30% of Dollar Value[a]

Liquidity Flags and Associated Fees:

Flag	Description	Fee/(Rebate) Securities at or above $1.00	Fee/(Rebate) Securities below $1.00
A-B	(No changes)		
C[a]	Routed to BX	(0.000<u>4</u>[5])	0.10% of Dollar Value
D – ZR	(No changes)		

[1-3] (No changes)

[4] 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.

Members will be provided a rebate of $0.0034 per share if they add an average daily volume of Retail Orders (Flag ZA) that is 0.25% or more of the TCV on a daily basis, measured monthly.

The Exchange notes that to the extent Members qualify for a rebate higher than $0.0032 per share (for Flag ZA executions that do not qualify for the above tier) or $0.0034 per share (for Flag ZA executions qualifying for the above tier) 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.

The Exchange notes that Members will only be able to designate their orders as Retail Orders on either an order-by-order basis using FIX ports or by designating certain of their FIX ports at the Exchange as "Retail Order Ports."

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