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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 32

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

File No.* SR - 2014 - * 11

Amendment No. (req. for Amendments *)

Filing by EDGA 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)

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 *).

Proposed rule change to add new paragraphs (j) and (k) to Rule 11.13, entitled “Clearly Erroneous Executions.”

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 * Christopher Last Name * Solgan

Title * Regulatory Counsel

E-mail * csolgan@directedge.com

Telephone * (201) 942-8321 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 04/17/2014

By Christopher Solgan

(Name *)

(Title *)

Regulatory Counsel

csolgan@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.

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 *

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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

Add Remove View

Exhibit Sent As Paper Document

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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

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),[1] and Rule 19b-4 thereunder,[2] EDGA Exchange, Inc. (the "Exchange" or "EDGA") is filing with the Securities and Exchange Commission ("Commission") a proposal to add new paragraphs (j) and (k) to Rule 11.13, entitled "Clearly Erroneous Executions."

(a) The text of the proposed rule change is attached as Exhibit 5. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

(b) Not applicable.

(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 of the Exchange on February 11, 2014. Exchange staff will advise the Board of Directors of the Exchange of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

The persons on the Exchange staff prepared to respond to questions and comments on the proposed rule change are:

Eric Swanson
EVP, General Counsel
(913) 815-7000

Anders Franzon
VP, Associate General Counsel
(913) 815-7154

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

2 17 CFR 240.19b-4.

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

(a) Purpose

The purpose of this filing is to add new paragraph (j) to Rule 11.13 to provide the Exchange with authority to nullify transactions that were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information, even if such transactions occur over a period of several days, as further described below. An example of fundamentally incorrect and grossly misinterpreted issuance information that led to a severe valuation error is included below for illustrative purposes.

The Exchange also proposes to add new paragraph (k) to Rule 11.13 to make clear that in the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of the Exchange, another market center or responsible single plan processor in connection with the transmittal or receipt of a regulatory trading halt, suspension or pause (hereafter generally referred to as a "trading halt" for ease of reference), the Exchange will nullify any transaction that occurs after the primary listing market for a security declares a trading halt with respect to such security. In the event a trading halt is declared, then prematurely lifted in error, and then re-instituted, proposed paragraph (k) would also result in nullification of any transactions that occur before the official, final end of the trading halt according to the primary listing market.

The Exchange also proposes a change to certain cross-references in Rule 11.13, due to the addition of paragraphs (j) and (k). Specifically, the Exchange proposes to update cross-references in existing paragraph (i) of Rule 11.13 in order to make clear that

the provisions of paragraph (i) do not alter the application of other provisions of Rule 11.13, including new paragraphs (j) and (k).

Background

On September 10, 2010, the Commission approved, on a pilot basis, changes to Rule 11.13 to provide for uniform treatment: (1) of clearly erroneous execution reviews in multi-stock events involving twenty or more securities; and (2) in the event transactions occur that result in the issuance of an individual stock trading pause by the primary listing market and subsequent transactions that occur before the trading pause is in effect on the Exchange.[3] The Exchange also adopted additional changes to Rule 11.13 that reduced the ability of the Exchange to deviate from the objective standards set forth in Rule 11.13,[4] and in 2013, adopted a provision designed to address the operation of the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan" or the "Plan").[5] The Exchange recently removed the specific provisions related to individual stock trading pauses and extended to April 8, 2014 the pilot program applicable to certain provisions of Rule 11.13.[6] More recently, the Exchange further extended the pilot program to coincide with the pilot period for the Plan, including any extensions to the pilot period for the Plan.[7]

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3 Securities Exchange Act Release No. 62886 (September 10, 2010), 75 FR 56613 (September 16, 2010) (SR-EDGA-2010-03).

4 Id.

5 See Securities Exchange Act Release No. 68813 (February 1, 2013), 78 FR 9073 (February 7, 2013) (SR-EDGA-2013-06); see Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (the "Limit Up-Limit Down Release"); see also Exchange Rule 11.13(i).

6 Paragraphs (c), (e)(2), (f), (g), and (i) of Rule 11.13 are subject to the pilot program. See Securities Exchange Act Release No. 70512 (September 26, 2013), 78 FR 60965 (October 2, 2013) (SR-EDGA-2013-28).

As proposed, similar to other provisions added in recent years, as described above, both paragraph (j) and paragraph (k) would be subject to the pilot period, and thus, would coincide with the pilot period for the Plan, including any extensions to the pilot period for the Plan.[8]

Executions Based on Incorrect or Grossly Misinterpreted Issuance Information

The Exchange proposes to adopt a new provision, paragraph (j), to Rule 11.13, which would provide that a series of transactions in a particular security on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information (*e.g.*, with respect to a stock split or corporate dividend) resulting in a severe valuation error for all such transactions (the "Event").

As proposed, an Officer of the Exchange or senior level employee designee, acting on his or her own motion, would be required to take action to declare all transactions that occurred during the Event null and void not later than the start of trading on the day following the last transaction in the Event. If trading in the security is halted before the valuation error is corrected, the Officer of the Exchange or senior level employee designee would be required to take action to declare all transactions that occurred during the Event null and void prior to the resumption of trading. The Exchange proposes to make clear that no action can be taken pursuant to proposed paragraph (j) with respect to any transactions that have reached settlement date for the security or that result from an initial public offering of a security. The Exchange believes

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7 See Securities Exchange Act Release No. 71808 (March 26, 2014), 79 FR 18355 (April 1, 2014) (SR-EDGA-2014-006).

8 Id.

that declaring a trade null and void after settlement date would be complex to administer and unfair to the affected parties. The Exchange also believes that excluding IPOs from the proposed rule will ensure that transactions in a new security for which there is no benchmark information are not called into question, as it is the IPO process itself, including the extensive public disclosure associated with IPOs, that is intended to drive price formation.

Further, the Exchange proposes that to the extent transactions related to an Event occur on one or more other market centers, the Exchange will promptly coordinate with such other market center(s) to ensure consistent treatment of the transactions related to the Event, if practicable. The Exchange also proposes to state in the Rule that any action taken in connection with paragraph (j) will be taken without regard to the Numerical Guidelines set forth in paragraph (c)(1) of Rule 11.13. In particular, the Exchange believes that there could be scenarios where there are erroneous transactions related to an Event that do not meet applicable Numerical Guidelines but that are, upon review, clearly erroneous. One example of a situation that could occur is a corporate action, such as a stock split, that results in the dissemination of fundamentally incorrect or grossly misinterpreted issuance information and leads to erroneous transactions at a price that is close to the price at which the security was previously trading. Even if such trading is consistent with prior trading activity for the security, and thus would not meet applicable Numerical Guidelines, the Exchange would have the authority to nullify such transactions if they were affected based on the same fundamentally incorrect or grossly misinterpreted issuance information, and there was a severe valuation error as a result (*i.e.*, although the security should be trading at a price further away from its previous range, due to

fundamentally incorrect or grossly misinterpreted issuance information with respect to the corporate action the security continues to trade at a price that does not meet applicable Numerical Guidelines).

The Exchange also proposes to include a provision, as it does in many other sub-paragraphs of Rule 11.13, stating that each Member involved in a transaction subject to proposed paragraph (j) shall be notified as soon as practicable by the Exchange, and that the party aggrieved by the action may appeal such action in accordance with Exchange Rule 11.13(e)(2).

In particular, the Exchange believes it is necessary to have authority to nullify trades that occur in an event similar to an event involving an exchange offer ("Exchange Offer") made by U.S. Bancorp on the New York Stock Exchange ("NYSE") in 2010 in which there were a series of executions based on incorrect or grossly misinterpreted issuance information. As a result of such information, the securities traded at severely dislocated prices. At the time, the NYSE filed an emergency rule filing in order to respond to that event.[9] With the filing the NYSE interpreted the rule applicable to clearly erroneous executions as permitting the NYSE to nullify all trades resulting after the Exchange Offer at severely dislocated prices.[10] The Exchange believes it is important to have in place a rule to break such trades if an event like the U.S. Bancorp event occurs again in the future. The U.S. Bancorp event is described in further detail below and is intended to be illustrative of the manner in which the Exchange proposes to utilize proposed paragraph (j), if necessary.

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9 Securities Exchange Act Release No. 62609 (July 30, 2010), 75 FR 47327 (August 5, 2010) (SR-NYSE-2010-55).

10 Id.

In May 2010, U.S. Bancorp commenced an offer to exchange up to 1,250,000 Depositary Shares, each representing a 1/100 interest in a share of Series A Non-Cumulative Perpetual Preferred Stock, $100,000 liquidation preference per share (the "Depositary Shares") for any and all of the 1,250,000 outstanding 6.189% Fixed-to-Floating Rate Normal ITS issued by U.S. Bancorp Capital IX, each with a liquidation amount of $1,000 (the "Normal ITS"). The Depositary Shares were approved for listing on the NYSE under the symbol USB PRA. On June 11, 2010, the NYSE opened the shares on a quote, but trading did not commence until June 16, 2010 at prices in the range of $79.00 per share. There were additional executions on the NYSE in that price range on June 17 and 18, 2010. On June 18, 2010, NYSE staff learned that the prices at which trades had executed were not consistent with the value of the security, which was closer to an $800 price. Upon learning of the pricing disparity, NYSE immediately halted trading in the Depositary Shares on all markets and alerted U.S. Bancorp and other exchanges that traded the Depositary Shares of the pricing discrepancy.

In order to address the situation, the NYSE filed a proposal to interpret its existing clearly erroneous execution rule such that the trading in Depository Shares from June 16 to June 18 constituted a single event because that trading was based on incorrect or grossly misinterpreted issuance information that resulted in severe price dislocation (the "U.S. Bancorp Event").[11] Because the Depository Shares were halted before the price of the Depository Shares ceased to be dislocated, and remain halted, the NYSE was able to review trading in Depository Shares and declare null and void all trading in the U.S. Bancorp Event before the security resumed trading.

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11 Id.

Rather than filing a proposal in response to a similar event happening again, the Exchange proposes to add paragraph (j) in order to nullify transactions consistent with the description of the proposed Rule above.

Executions After a Trading Halt Has Been Declared

The Exchange proposes to add new paragraph (k) to Rule 11.13 to make clear that in the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of the Exchange, another market center or responsible single plan processor in connection with the transmittal or receipt of a trading halt, the Exchange will nullify any transaction that occurs after the primary listing market for a security declares a trading halt and before such trading halt with respect to such security has officially ended according to the primary listing market. In addition, proposed paragraph (k) will make clear that in the event a trading halt is declared, then prematurely lifted in error and then re-instituted, the Exchange will nullify transactions that occur before the official, final end of the trading halt according to the primary listing market.

As with other provisions in Rule 11.13, including proposed paragraph (j) as discussed above, the authority to nullify transactions pursuant to paragraph (k) would be vested in an officer of the Exchange or other senior level employee designee, acting on his or her own motion. Any action taken in connection with paragraph (k) would be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction and in no circumstances later than the start of Regular Trading

Hours[12] on the trading day following the date of execution(s) under review. The Exchange also proposes to specify that any action taken in connection with proposed paragraph (k) will be taken without regard to the Numerical Guidelines set forth in paragraph (c)(1) of Rule 11.13. The Exchange believes it is appropriate to act to nullify transactions pursuant to proposed paragraph (k) without regard to applicable Numerical Guidelines because in the situations covered by paragraph (k), such transactions should not have occurred in the first instance, and thus, their nullification does not put parties in any different position than they should have been. The Exchange also believes that the certainty that the proposed rule provides is critical in situations involving trading halts.

As it has proposed for paragraph (j), as described above, the Exchange also proposes to include a provision stating that each Member involved in a transaction subject to proposed paragraph (k) shall be notified as soon as practicable by the Exchange, and that the party aggrieved by the action may appeal such action in accordance with Exchange Rule 11.13(e)(2).

The Exchange notes that trading in a security is typically halted immediately on the Exchange when the primary listing market issues a trading halt in such security. However, in certain circumstances, due to a technical issue related to the transmission or receipt of the electronic message instituting such trading halt or due to other extraordinary circumstances, executions can occur on the Exchange following the declaration of such a trading halt. Similarly, although rare, the Exchange has witnessed scenarios where due to extraordinary circumstances a trading halt is declared, then prematurely lifted in error and then re-instituted. It is these types of extraordinary

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12 Regular Trading Hours are defined in Exchange Rule 1.5(y) as the time between 9:30 a.m. to 4:00 p.m. E.T.

circumstances that the Exchange believes require certainty, and thus, the Exchange believes it necessary to make clear that in such a circumstance any transactions after a trading halt has been declared will be nullified. In the event that a trading halt is declared as of a future time (*i.e.*, if the primary listing exchange declares a trading halt as of a specific, future time in order to ensure coordination amongst market participants), the Exchange would only nullify transactions occurring after the time the trading halt was supposed to be in place until the official end of the trading halt according to the primary listing market.

The Exchange also notes that it currently has authority pursuant to paragraph (f) of Rule 11.13 to review and nullify transactions that arise during a disruption or malfunction in the operation of any electronic communications and trading facilities of the Exchange. Further, paragraph (f) of Rule 11.13 gives the Exchange authority to use a lower numerical guideline than is set forth in paragraph (c)(1) of the Rule when necessary to maintain a fair and orderly market and to protect investors and the public interest. Thus, while the Exchange believes that paragraph (f) does give the Exchange the authority to nullify transactions occurring when there is an Exchange technical issue related to the transmission or receipt of the electronic message instituting a trading halt or with respect to a technical issue related to a prematurely lifted trading halt, the Exchange believes that proposed paragraph (k) will provide appropriate authority for the Exchange to nullify all such transactions whether or not the systems problem occurs on the Exchange with respect to trading halts and explicit clarity for market participants that such transactions will be nullified. The Exchange believes that such authority is appropriate because when relied upon the Exchange will be cancelling trades that should

not have occurred in the first instance. Finally, the Exchange believes that such authority is appropriate because a trading halt declared by the primary listing market is indicative of an issue with respect to the applicable security or a larger set of securities.

(b) Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.[13] In particular, the proposal is consistent with Section 6(b)(5) of the Act,[14] because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system.

The Exchange believes that it is appropriate to adopt a provision granting the Exchange authority to nullify trades that occur if an Event similar to the U.S. Bancorp Event occurs again. The Exchange believes that this provision will allow the Exchange to act in the event of such a severe valuation error, that such action would promote just and equitable principles of trade and that the proposal is therefore consistent with the Act. Similarly, the Exchange believes that adding a provision allowing the Exchange to nullify transactions that occur when a trading halt is declared, then prematurely lifted in error and then reinstituted, and providing that in the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of the Exchange, another market center or responsible single plan processor in connection with the transmittal or receipt of a trading halt the Exchange will nullify trades occurring after a trading halt has been declared by the primary listing market for the security will help to

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13 15 U.S.C. 78f(b).

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

avoid confusion amongst market participants, which is consistent with the protection of investors and the public interest and therefore consistent with the Act. The Exchange further believes that the proposal is appropriate and consistent with the Act because when relied upon the Exchange will be cancelling trades that should not have occurred in the first instance. The Exchange also believes that the proposal is appropriate because a trading halt declared by the primary listing market is indicative of an issue with respect to the applicable security or a larger set of securities.

The Exchange believes that the proposal to update cross-references in existing paragraph (i) of Rule 11.13 to include new paragraphs (j) and (k) is consistent with the Act because, as is the case with respect to the current rule, this change makes clear that the provisions of paragraph (i) do not alter the application of other provisions of Rule 11.13.

The Exchange believes that the Financial Industry Regulatory Authority ("FINRA") and other national securities exchanges are also filing similar proposals to add provisions similar to the provisions proposed by the Exchange above. Therefore, the proposal promotes just and equitable principles of trade in that it promotes transparency and uniformity across markets concerning treatment of transactions as clearly erroneous. The proposed rule change would also help to assure consistent results in handling erroneous trades across the U.S. markets, thus furthering fair and orderly markets, the protection of investors and the public interest.

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

The Exchange does not believe that the proposed rule change implicates any competitive issues. To the contrary, as noted above, the Exchange believes FINRA and

other national securities exchanges are also filing similar proposals, and thus, that the proposal will help to ensure consistency across market centers.

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 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)

Not applicable.

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

Not applicable.

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

Exhibit 1: Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibit 2–4: Not applicable.

Exhibit 5: Text of Proposed Rule Change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-EDGA-2014-11)

[Date]

Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing of Proposed Rule Change to Amend Rule 11.13, entitled "Clearly Erroneous Executions."

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 _____, EDGA Exchange, Inc. (the "Exchange" or "EDGA") 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 is proposing to add new paragraphs (j) and (k) to Rule 11.13, entitled "Clearly Erroneous Executions." 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

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and

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

2 17 CFR 240.19b-4.

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 purpose of this filing is to add new paragraph (j) to Rule 11.13 to provide the Exchange with authority to nullify transactions that were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information, even if such transactions occur over a period of several days, as further described below. An example of fundamentally incorrect and grossly misinterpreted issuance information that led to a severe valuation error is included below for illustrative purposes.

The Exchange also proposes to add new paragraph (k) to Rule 11.13 to make clear that in the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of the Exchange, another market center or responsible single plan processor in connection with the transmittal or receipt of a regulatory trading halt, suspension or pause (hereafter generally referred to as a "trading halt" for ease of reference), the Exchange will nullify any transaction that occurs after the primary listing market for a security declares a trading halt with respect to such security. In the event a trading halt is declared, then prematurely lifted in error, and then re-instituted, proposed paragraph (k) would also result in nullification of any transactions that occur before the official, final end of the trading halt according to the primary listing market.

The Exchange also proposes a change to certain cross-references in Rule 11.13, due to the addition of paragraphs (j) and (k). Specifically, the Exchange proposes to update cross-references in existing paragraph (i) of Rule 11.13 in order to make clear that the provisions of paragraph (i) do not alter the application of other provisions of Rule 11.13, including new paragraphs (j) and (k).

Background

On September 10, 2010, the Commission approved, on a pilot basis, changes to Rule 11.13 to provide for uniform treatment: (1) of clearly erroneous execution reviews in multi-stock events involving twenty or more securities; and (2) in the event transactions occur that result in the issuance of an individual stock trading pause by the primary listing market and subsequent transactions that occur before the trading pause is in effect on the Exchange.[3] The Exchange also adopted additional changes to Rule 11.13 that reduced the ability of the Exchange to deviate from the objective standards set forth in Rule 11.13,[4] and in 2013, adopted a provision designed to address the operation of the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act (the "Limit Up-Limit Down Plan" or the "Plan").[5] The Exchange recently removed the specific provisions related to individual stock trading pauses and extended to April 8, 2014 the pilot program applicable to certain provisions of Rule

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3 Securities Exchange Act Release No. 62886 (September 10, 2010), 75 FR 56613 (September 16, 2010) (SR-EDGA-2010-03).

4 Id.

5 See Securities Exchange Act Release No. 68813 (February 1, 2013), 78 FR 9073 (February 7, 2013) (SR-EDGA-2013-06); see Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (the "Limit Up-Limit Down Release"); see also Exchange Rule 11.13(i).

11.13.[6] More recently, the Exchange further extended the pilot program to coincide with the pilot period for the Plan, including any extensions to the pilot period for the Plan.[7]

As proposed, similar to other provisions added in recent years, as described above, both paragraph (j) and paragraph (k) would be subject to the pilot period, and thus, would coincide with the pilot period for the Plan, including any extensions to the pilot period for the Plan.[8]

Executions Based on Incorrect or Grossly Misinterpreted Issuance Information

The Exchange proposes to adopt a new provision, paragraph (j), to Rule 11.13, which would provide that a series of transactions in a particular security on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information (*e.g.*, with respect to a stock split or corporate dividend) resulting in a severe valuation error for all such transactions (the "Event").

As proposed, an Officer of the Exchange or senior level employee designee, acting on his or her own motion, would be required to take action to declare all transactions that occurred during the Event null and void not later than the start of trading on the day following the last transaction in the Event. If trading in the security is halted before the valuation error is corrected, the Officer of the Exchange or senior level employee designee would be required to take action to declare all transactions that

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6 Paragraphs (c), (e)(2), (f), (g), and (i) of Rule 11.13 are subject to the pilot program. See Securities Exchange Act Release No. 70512 (September 26, 2013), 78 FR 60965 (October 2, 2013) (SR-EDGA-2013-28).

7 See Securities Exchange Act Release No. 71808 (March 26, 2014), 79 FR 18355 (April 1, 2014) (SR-EDGA-2014-006).

8 Id.

occurred during the Event null and void prior to the resumption of trading. The Exchange proposes to make clear that no action can be taken pursuant to proposed paragraph (j) with respect to any transactions that have reached settlement date for the security or that result from an initial public offering of a security. The Exchange believes that declaring a trade null and void after settlement date would be complex to administer and unfair to the affected parties. The Exchange also believes that excluding IPOs from the proposed rule will ensure that transactions in a new security for which there is no benchmark information are not called into question, as it is the IPO process itself, including the extensive public disclosure associated with IPOs, that is intended to drive price formation.

Further, the Exchange proposes that to the extent transactions related to an Event occur on one or more other market centers, the Exchange will promptly coordinate with such other market center(s) to ensure consistent treatment of the transactions related to the Event, if practicable. The Exchange also proposes to state in the Rule that any action taken in connection with paragraph (j) will be taken without regard to the Numerical Guidelines set forth in paragraph (c)(1) of Rule 11.13. In particular, the Exchange believes that there could be scenarios where there are erroneous transactions related to an Event that do not meet applicable Numerical Guidelines but that are, upon review, clearly erroneous. One example of a situation that could occur is a corporate action, such as a stock split, that results in the dissemination of fundamentally incorrect or grossly misinterpreted issuance information and leads to erroneous transactions at a price that is close to the price at which the security was previously trading. Even if such trading is consistent with prior trading activity for the security, and thus would not meet applicable

Numerical Guidelines, the Exchange would have the authority to nullify such transactions if they were affected based on the same fundamentally incorrect or grossly misinterpreted issuance information, and there was a severe valuation error as a result (*i.e.*, although the security should be trading at a price further away from its previous range, due to fundamentally incorrect or grossly misinterpreted issuance information with respect to the corporate action the security continues to trade at a price that does not meet applicable Numerical Guidelines).

The Exchange also proposes to include a provision, as it does in many other sub-paragraphs of Rule 11.13, stating that each Member involved in a transaction subject to proposed paragraph (j) shall be notified as soon as practicable by the Exchange, and that the party aggrieved by the action may appeal such action in accordance with Exchange Rule 11.13(e)(2).

In particular, the Exchange believes it is necessary to have authority to nullify trades that occur in an event similar to an event involving an exchange offer ("Exchange Offer") made by U.S. Bancorp on the New York Stock Exchange ("NYSE") in 2010 in which there were a series of executions based on incorrect or grossly misinterpreted issuance information. As a result of such information, the securities traded at severely dislocated prices. At the time, the NYSE filed an emergency rule filing in order to respond to that event.[9] With the filing the NYSE interpreted the rule applicable to clearly erroneous executions as permitting the NYSE to nullify all trades resulting after the Exchange Offer at severely dislocated prices.[10] The Exchange believes it is important to

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9 Securities Exchange Act Release No. 62609 (July 30, 2010), 75 FR 47327 (August 5, 2010) (SR-NYSE-2010-55).

10 Id.

have in place a rule to break such trades if an event like the U.S. Bancorp event occurs again in the future. The U.S. Bancorp event is described in further detail below and is intended to be illustrative of the manner in which the Exchange proposes to utilize proposed paragraph (j), if necessary.

In May 2010, U.S. Bancorp commenced an offer to exchange up to 1,250,000 Depositary Shares, each representing a 1/100 interest in a share of Series A Non-Cumulative Perpetual Preferred Stock, $100,000 liquidation preference per share (the "Depositary Shares") for any and all of the 1,250,000 outstanding 6.189% Fixed-to-Floating Rate Normal ITS issued by U.S. Bancorp Capital IX, each with a liquidation amount of $1,000 (the "Normal ITS"). The Depositary Shares were approved for listing on the NYSE under the symbol USB PRA. On June 11, 2010, the NYSE opened the shares on a quote, but trading did not commence until June 16, 2010 at prices in the range of $79.00 per share. There were additional executions on the NYSE in that price range on June 17 and 18, 2010. On June 18, 2010, NYSE staff learned that the prices at which trades had executed were not consistent with the value of the security, which was closer to an $800 price. Upon learning of the pricing disparity, NYSE immediately halted trading in the Depositary Shares on all markets and alerted U.S. Bancorp and other exchanges that traded the Depositary Shares of the pricing discrepancy.

In order to address the situation, the NYSE filed a proposal to interpret its existing clearly erroneous execution rule such that the trading in Depository Shares from June 16 to June 18 constituted a single event because that trading was based on incorrect or grossly misinterpreted issuance information that resulted in severe price dislocation (the

"U.S. Bancorp Event").[11] Because the Depository Shares were halted before the price of the Depository Shares ceased to be dislocated, and remain halted, the NYSE was able to review trading in Depository Shares and declare null and void all trading in the U.S. Bancorp Event before the security resumed trading.

Rather than filing a proposal in response to a similar event happening again, the Exchange proposes to add paragraph (j) in order to nullify transactions consistent with the description of the proposed Rule above.

Executions After a Trading Halt Has Been Declared

The Exchange proposes to add new paragraph (k) to Rule 11.13 to make clear that in the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of the Exchange, another market center or responsible single plan processor in connection with the transmittal or receipt of a trading halt, the Exchange will nullify any transaction that occurs after the primary listing market for a security declares a trading halt and before such trading halt with respect to such security has officially ended according to the primary listing market. In addition, proposed paragraph (k) will make clear that in the event a trading halt is declared, then prematurely lifted in error and then re-instituted, the Exchange will nullify transactions that occur before the official, final end of the trading halt according to the primary listing market.

As with other provisions in Rule 11.13, including proposed paragraph (j) as discussed above, the authority to nullify transactions pursuant to paragraph (k) would be vested in an officer of the Exchange or other senior level employee designee, acting on

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11 Id.

his or her own motion. Any action taken in connection with paragraph (k) would be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction and in no circumstances later than the start of Regular Trading Hours[12] on the trading day following the date of execution(s) under review. The Exchange also proposes to specify that any action taken in connection with proposed paragraph (k) will be taken without regard to the Numerical Guidelines set forth in paragraph (c)(1) of Rule 11.13. The Exchange believes it is appropriate to act to nullify transactions pursuant to proposed paragraph (k) without regard to applicable Numerical Guidelines because in the situations covered by paragraph (k), such transactions should not have occurred in the first instance, and thus, their nullification does not put parties in any different position than they should have been. The Exchange also believes that the certainty that the proposed rule provides is critical in situations involving trading halts.

As it has proposed for paragraph (j), as described above, the Exchange also proposes to include a provision stating that each Member involved in a transaction subject to proposed paragraph (k) shall be notified as soon as practicable by the Exchange, and that the party aggrieved by the action may appeal such action in accordance with Exchange Rule 11.13(e)(2).

The Exchange notes that trading in a security is typically halted immediately on the Exchange when the primary listing market issues a trading halt in such security. However, in certain circumstances, due to a technical issue related to the transmission or receipt of the electronic message instituting such trading halt or due to other

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12 Regular Trading Hours are defined in Exchange Rule 1.5(y) as the time between 9:30 a.m. to 4:00 p.m. E.T.

extraordinary circumstances, executions can occur on the Exchange following the declaration of such a trading halt. Similarly, although rare, the Exchange has witnessed scenarios where due to extraordinary circumstances a trading halt is declared, then prematurely lifted in error and then re-instituted. It is these types of extraordinary circumstances that the Exchange believes require certainty, and thus, the Exchange believes it necessary to make clear that in such a circumstance any transactions after a trading halt has been declared will be nullified. In the event that a trading halt is declared as of a future time (*i.e.*, if the primary listing exchange declares a trading halt as of a specific, future time in order to ensure coordination amongst market participants), the Exchange would only nullify transactions occurring after the time the trading halt was supposed to be in place until the official end of the trading halt according to the primary listing market.

The Exchange also notes that it currently has authority pursuant to paragraph (f) of Rule 11.13 to review and nullify transactions that arise during a disruption or malfunction in the operation of any electronic communications and trading facilities of the Exchange. Further, paragraph (f) of Rule 11.13 gives the Exchange authority to use a lower numerical guideline than is set forth in paragraph (c)(1) of the Rule when necessary to maintain a fair and orderly market and to protect investors and the public interest. Thus, while the Exchange believes that paragraph (f) does give the Exchange the authority to nullify transactions occurring when there is an Exchange technical issue related to the transmission or receipt of the electronic message instituting a trading halt or with respect to a technical issue related to a prematurely lifted trading halt, the Exchange believes that proposed paragraph (k) will provide appropriate authority for the Exchange

to nullify all such transactions whether or not the systems problem occurs on the Exchange with respect to trading halts and explicit clarity for market participants that such transactions will be nullified. The Exchange believes that such authority is appropriate because when relied upon the Exchange will be cancelling trades that should not have occurred in the first instance. Finally, the Exchange believes that such authority is appropriate because a trading halt declared by the primary listing market is indicative of an issue with respect to the applicable security or a larger set of securities.

2. Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.[13] In particular, the proposal is consistent with Section 6(b)(5) of the Act,[14] because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system.

The Exchange believes that it is appropriate to adopt a provision granting the Exchange authority to nullify trades that occur if an Event similar to the U.S. Bancorp Event occurs again. The Exchange believes that this provision will allow the Exchange to act in the event of such a severe valuation error, that such action would promote just and equitable principles of trade and that the proposal is therefore consistent with the Act. Similarly, the Exchange believes that adding a provision allowing the Exchange to nullify transactions that occur when a trading halt is declared, then prematurely lifted in error

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13 15 U.S.C. 78f(b).

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

and then reinstituted, and providing that in the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of the Exchange, another market center or responsible single plan processor in connection with the transmittal or receipt of a trading halt the Exchange will nullify trades occurring after a trading halt has been declared by the primary listing market for the security will help to avoid confusion amongst market participants, which is consistent with the protection of investors and the public interest and therefore consistent with the Act. The Exchange further believes that the proposal is appropriate and consistent with the Act because when relied upon the Exchange will be cancelling trades that should not have occurred in the first instance. The Exchange also believes that the proposal is appropriate because a trading halt declared by the primary listing market is indicative of an issue with respect to the applicable security or a larger set of securities.

The Exchange believes that the proposal to update cross-references in existing paragraph (i) of Rule 11.13 to include new paragraphs (j) and (k) is consistent with the Act because, as is the case with respect to the current rule, this change makes clear that the provisions of paragraph (i) do not alter the application of other provisions of Rule 11.13.

The Exchange believes that the Financial Industry Regulatory Authority ("FINRA") and other national securities exchanges are also filing similar proposals to add provisions similar to the provisions proposed by the Exchange above. Therefore, the proposal promotes just and equitable principles of trade in that it promotes transparency and uniformity across markets concerning treatment of transactions as clearly erroneous. The proposed rule change would also help to assure consistent results in handling

erroneous trades across the U.S. markets, thus furthering fair and orderly markets, the protection of investors and the public interest.

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

The Exchange does not believe that the proposed rule change implicates any competitive issues. To the contrary, as noted above, the Exchange believes FINRA and other national securities exchanges are also filing similar proposals, and thus, that the proposal will help to ensure consistency across market centers.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

VI. 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-EDGA-2014-11 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-EDGA-2014-11. 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-EDGA-2014-11 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.[15]

Kevin M. O'Neill
Deputy Secretary

15 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Note: Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

EDGA Exchange, Inc.

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CHAPTER XI. TRADING RULES

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Rule 11.13 Clearly Erroneous Executions

The provisions of paragraphs (c), (e)(2), (f), and (g) of this Rule, as amended on September 10, 2010, and the provisions of paragraphs (i) through (k), shall be in effect during a pilot period to coincide with the pilot period for the Limit Up-Limit Down Plan, including any extensions to the pilot period for the Plan. If the Plan is not either extended or approved as permanent, the prior versions of paragraphs (c), (e)(2), (f), and (g) shall be in effect, and the provisions of paragraphs (i) through (k) shall be null and void.

(a) – (h) (No changes.)

(i) *Securities Subject to Limit Up-Limit Down Plan*. For purposes of this paragraph, the phrase "Limit Up-Limit Down Plan" or "Plan" shall mean the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act. The provisions of paragraphs (a) through (h) above and (j) through (k) below shall govern all Exchange transactions, including transactions in securities subject to the Plan, other than as set forth in this paragraph (i). If as a result of an Exchange technology or systems issue any transaction occurs outside of the applicable price bands disseminated pursuant to the Plan, an Officer of the Exchange or senior level employee designee, acting on his or her own motion or at the request of a third party, shall review and declare any such trades null and void. Absent extraordinary circumstances, any such action of the Officer of the Exchange or other senior level employee designee shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer of the Exchange or other senior level employee designee must be taken by no later than the start of Regular Trading Hours on the trading day following the date on which the execution(s) under review occurred. Each Member involved in the transaction shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above. In the event that a single plan processor experiences a technology or systems issue that prevents the dissemination of price bands, the Exchange will make the determination of whether to nullify transactions based on paragraphs (a) through (h) above and (j) through (k) below.

(j) Multi-Day Event. A series of transactions in a particular security on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information resulting in a severe

valuation error for all such transactions (the "Event"). An Officer of the Exchange or senior level employee designee, acting on his or her own motion, shall take action to declare all transactions that occurred during the Event null and void not later than the start of trading on the day following the last transaction in the Event. If trading in the security is halted before the valuation error is corrected, an Officer of the Exchange or senior level employee designee shall take action to declare all transactions that occurred during the Event null and void prior to the resumption of trading. Notwithstanding the foregoing, no action can be taken pursuant to this paragraph with respect to any transactions that have reached settlement date or that result from an initial public offering of a security. To the extent transactions related to an Event occur on one or more other market centers, the Exchange will promptly coordinate with such other market center(s) to ensure consistent treatment of the transactions related to the Event, if practicable. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each Member involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2)-(4) above.

(k) Trading Halts. In the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of the Exchange, another market center or responsible single plan processor in connection with the transmittal or receipt of a regulatory trading halt, suspension or pause, an Officer of the Exchange or senior level employee designee, acting on his or her own motion, shall nullify any transaction in a security that occurs after the primary listing market for such security declares a regulatory trading halt, suspension or pause with respect to such security and before such regulatory trading halt, suspension or pause with respect to such security has officially ended according to the primary listing market. In addition, in the event a regulatory trading halt, suspension or pause is declared, then prematurely lifted in error and is then re-instituted, an Officer of the Exchange or senior level employee designee shall nullify transactions that occur before the official, final end of the halt, suspension or pause according to the primary listing market. Any action taken in connection with this paragraph shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction and in no circumstances later than the start of Regular Trading Hours on the trading day following the date of execution(s) under review. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each Member involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2)-(4) above.

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