

## OMB APPROVAL

OMB Number: 3235-0045  
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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 24

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

File No.\* SR - 2014 - \* 12  
 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) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires * <input type="text"/>			Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input checked="" type="checkbox"/> 19b-4(f)(6)		

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

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

Section 806(e)(1) \*

☐

Section 806(e)(2) \*

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Section 3C(b)(2) \*

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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 \*).

EDGA Exchange, Inc. proposes to amend EDGA Rule 11.5 regarding the Route Peg Order.

### 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.

(Title \*)

Date 04/29/2014

By Christopher Solgan

(Name \*)

Regulatory 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.

csolgan@directedge.com

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

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

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

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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

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> EDGA Exchange, Inc. (“EDGA” or the “Exchange”) proposes to amend the Route Peg Order under Rule 11.5(c)(14) to permit: (i) executions against routable orders that are equal to or less than the aggregate size of the Route Peg Order interest available at that price; and (ii) Users<sup>3</sup> to add a minimum execution quantity instruction. The Exchange has designated this proposal as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>4</sup>

The text of the proposed rule change is attached as Exhibit 5 and is available on the Exchange’s website at [www.directedge.com](http://www.directedge.com), at the Exchange’s principal office and at the Public Reference Room of the Securities and Exchange Commission (the “Commission”).

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Exchange submits the proposed rule change pursuant to authority delegated by the Board of Directors of the Exchange on February 11, 2014. Exchange staff will advise the Exchange’s Board of Directors of any action taken pursuant to delegated

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

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

<sup>3</sup> The term “User” is defined as “any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.” See Exchange Rule 1.5(ee).

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

authority. No other action is necessary for the filing of the rule change and, therefore, the Exchange's internal procedures with respect to the proposed change are complete.

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

Eric Swanson  
Executive Vice President and  
General Counsel  
(913) 815-7000

Christopher Solgan  
Regulatory Counsel  
(201) 942-8321

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

(a) Purpose

The Exchange proposes to amend the Route Peg Order under Rule 11.5(c)(14) to permit: (i) executions against routable orders that are equal to or less than the aggregate size of the Route Peg Order interest available at that price, which would replace the current requirement that routable orders be equal to or less than the size of an individual Route Peg Order; and (ii) Users to add a minimum execution quantity instruction.

A Route Peg Order is a non-displayed limit order that posts to the EDGA Book, and thereafter is eligible for execution at the national best bid ("NBB") for buy orders and national best offer ("NBO") for sell orders against routable orders that are equal to or less than the size of the Route Peg Order.<sup>5</sup> Route Peg Orders are passive, resting orders on the EDGA Book<sup>6</sup> and do not take liquidity. Route Peg Orders may be entered,

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<sup>5</sup> See Securities Exchange Act Release No. 67726 (August 24, 2012), 77 FR 52771 (August 30, 2012) (Order Approving the Route Peg Order).

<sup>6</sup> The "EDGA Book" is defined as "the System's electronic file of orders." See Exchange Rule 1.5(d).

cancelled, and cancelled/replaced prior to and during Regular Trading Hours.<sup>7</sup> Route Peg Orders are eligible for execution in a given security during Regular Trading Hours, except that, even after the commencement of Regular Trading Hours, Route Peg Orders are not eligible for execution (1) in the opening cross, and (2) until such time that regular session orders in that security can be posted to the EDGA Book. A Route Peg Order does not execute at a price that is inferior to a Protected Quotation, and is not be permitted to execute if the NBBO is locked or crossed. Any and all remaining, unexecuted Route Peg Orders are cancelled at the conclusion of Regular Trading Hours.

#### Aggregate Size

As noted above, Route Peg Orders will currently only trade with routable orders that are equal to or smaller in quantity than the order quantity of an individual Route Peg Order. The Exchange proposes to amend the operation of the Route Peg Order to permit it to execute against routable orders that are equal to or less than the aggregate size of the Route Peg Order interest available at that price. The Exchange believes this change would incentivize Users seeking large size executions to route orders to the Exchange by increasing opportunities for executions against Route Peg Orders. This proposed change to the Route Peg Order is similar to the operation of the Nasdaq Stock Market LLC's ("Nasdaq") Supplemental Order and NYSE Arca, Inc.'s ("NYSE Arca") Tracking Order, which both only execute if the size of the incoming order is less than or equal to the aggregate size of Supplemental Order or Tracking Order interest available at that price.<sup>8</sup>

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<sup>7</sup> "Regular Trading Hours" is defined as "the time between 9:30 a.m. and 4:00 p.m. Eastern Time." See Exchange Rule 1.5(y).

<sup>8</sup> See Nasdaq Rules 4751(f)(14), 4751(g) and 4757(a)(1)(D); see also NYSE Arca Rule 7.31(f).

### Minimum Execution Quantity

The Exchange also proposes to amend the Route Peg Order under Rule 11.5 to add optional functionality to allow Users to designate a minimum execution quantity. As proposed, a minimum execution quantity on a Route Peg order will no longer apply where the number of shares remaining after a partial execution are less than the minimum execution quantity. This proposed change is similar to the operation of NYSE Arca, Inc.'s Tracking Order, which permits Tracking Orders to include a minimum size requirement.<sup>9</sup> The Exchange believes that providing Users with the option to designate a minimum quantity for Route Peg Orders will promote the entry of liquidity at the Exchange because Users entering such orders will be assured of obtaining a larger sized execution. The Exchange believes that the proposed rule change could attract Users that are seeking larger executions to enter Route Peg Orders because by designating a minimum quantity, the submitting User would be assured that they are not traded against by smaller-sized interest.

### Implementation Date

The Exchange will announce the effective date of the proposed rule change in a Trading Notice to be published no later than 30 days following publication of the proposed rule change by the Commission.

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<sup>9</sup> On NYSE Arca, if the Tracking Order with a minimum size requirement is executed but not exhausted and the remaining portion of the Tracking Order is less than the minimum size requirement, NYSE Arca would cancel the Tracking Order. See NYSE Arca Rule 7.31(f). See also Securities Exchange Act Release No. 71366 (January 22, 2014), 79 FR 4515 (January 28, 2014) (SR-NYSEArca-2014-01) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Equities Rule 7.31 to Add a Minimum Execution Size Designation for Tracking Orders).

(b) Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>10</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>11</sup> in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

Aggregate Size

The Exchange believes that the proposal to permit executions against routable orders that are equal to or less than the aggregate size of the Route Peg Order interest available at that price would remove impediments to and perfect the mechanism of a free and open market and protect investors and the public interest because it would incentivize Users seeking large size executions to route orders to the Exchange by increasing opportunities for executions against Route Peg Orders in a manner similar to existing functionality available on Nasdaq and NYSE Arca.<sup>12</sup> The proposed rule change also encourages market participants to post liquidity at the NBBO on the Exchange through the use of Route Peg Orders, thereby promoting just and equitable principles of trade and removing impediments to and perfecting the mechanism of a free and open market and national market system. Moreover, the proposed rule changes would protect investors

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

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

<sup>12</sup> See supra note 8 and accompanying text.

and the public interest by increasing the probability of an execution on the Exchange at the NBBO in the event that the order would otherwise be shipped to an external destination and potentially miss an execution at the NBBO while in transit. Lastly, the Exchange does not believe that this will permit unfair discrimination among customers, brokers, or dealers because it will be available to all Users.

#### Minimum Execution Quantity

The Exchange also believes its proposal to amend the Route Peg Order under Rule 11.5 to add optional functionality to allow Users to designate a minimum execution quantity removes impediments to and perfects the mechanism of a free and open market and protects investors and the public interest because it would provide an incentive for Members seeking larger-sized executions both to post liquidity at the Exchange using this feature and to route larger-sized orders to the Exchange because of the potential for an execution against such liquidity. The Exchange further believes that adding an optional minimum quantity would remove impediments to and perfect the mechanism of a free and open market system because the proposed functionality is similar to functionality available at the NYSE Arca.<sup>13</sup> The Exchange believes it is appropriate to provide an option for Users seeking to provide such liquidity to not only designate a minimum execution quantity, but for a minimum execution quantity on a Route Peg order to no longer apply where the number of shares remaining after a partial execution are less than the minimum execution quantity. Doing so would permit Users to continue to have their Route Peg Orders eligible for execution in such circumstances. In such case, Users will have the option to cancel their Route Peg Order if they wish.

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<sup>13</sup> See supra note 9 and accompanying text.



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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes that the proposal will promote competition by enhancing the value of the Exchange's Route Peg Order by mirroring the function of similar order types offered by Nasdaq and NYSE Arca.<sup>14</sup>

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

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

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)<sup>15</sup> of the Act and Rule 19b-4(f)(6)<sup>16</sup> thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest; provided that the self-regulatory organization has given the Commission written

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<sup>14</sup> See supra notes 8 and 9 and accompanying text.

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

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

notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.<sup>17</sup>

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4<sup>18</sup> because the proposed rule change would not significantly affect investors or the public interest or impose a significant burden on competition because it is similar to the operation of Nasdaq's Supplemental Order and NYSE Arca's Tracking Order, both of which only execute if the size of the incoming order is less than or equal to the aggregate size of Supplemental Order or Tracking Order interest available at the price of the order.<sup>19</sup> The proposed change to permit Users to designate a minimum execution quantity is similar to the operation of NYSE Arca, Inc.'s Tracking Order, which permits Tracking Orders to include a minimum size requirement and further states that if the Tracking Order with a minimum size requirement is executed but not exhausted and the remaining portion of the Tracking Order is less than the minimum size requirement, NYSE Arca would cancel the Tracking Order.<sup>20</sup> The Exchange believes this difference is non-controversial as it would permit Users to continue to have their Route Peg Orders eligible for execution where the number of

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

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

<sup>19</sup> See supra note 8 and accompanying text.

<sup>20</sup> See supra note 9 and accompanying text.

shares remaining after a partial execution are less than the minimum execution quantity.

In such case, Users will have the option to cancel their Route Peg Order if they wish.

Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>21</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>22</sup>

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. The Exchange believes that waiver of the 30-day operative delay would permit Users with optional enhanced functionality and an increased probability of an execution on the Exchange at the NBBO in a timely manner. Waiver of the 30-day operative delay would also enable the Exchange to immediately compete with similar functionality available through like order types offered by Nasdaq and NYSE Arca.<sup>23</sup> Waiver of the operative delay is, therefore, consistent with the protection of investors and the public interest because it will immediately increase execution opportunities at the NBBO while also increasing the competitiveness of the Route Peg Order.

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily 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.

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

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<sup>21</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>22</sup> 17 CFR 240.19b-4(f)(6).

<sup>23</sup> See supra notes 8 and 9 and accompanying text.

The proposed change to the Route Peg Order is similar to the operation of Nasdaq's Supplemental Order and NYSE Arca's Tracking Order, both of which only execute if the size of the incoming order is less than or equal to the aggregate size of Supplemental Order or Tracking Order interest available at the price of the order.<sup>24</sup> The proposed change to permit Users to designate a minimum execution quantity is similar to the operation of NYSE Arca, Inc.'s Tracking Order, which permits Tracking Orders to include a minimum size requirement and further states that if the Tracking Order with a minimum size requirement is executed but not exhausted and the remaining portion of the Tracking Order is less than the minimum size requirement, NYSE Arca would cancel the Tracking Order.<sup>25</sup> The Exchange believes this difference is non-controversial as it would permit Users to continue to have their Route Peg Orders eligible for execution where the number of shares remaining after a partial execution are less than the minimum execution quantity. In such case, Users will have the option to cancel their Route Peg Order if they wish.

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

Exhibit 5 – Text of the Proposed Rule Change.

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<sup>24</sup> See supra note 8 and accompanying text.

<sup>25</sup> See supra note 9 and accompanying text.

## EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-EDGA-2014-12)

[Date]

Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend EDGA Rule 11.5 regarding the Route Peg Order

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on \_\_\_\_\_, 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 proposes to amend the Route Peg Order under Rule 11.5(c)(14) to permit: (i) executions against routable orders that are equal to or less than the aggregate size of the Route Peg Order interest available at that price; and (ii) Users<sup>3</sup> to add a minimum execution quantity instruction. All of the changes described herein are applicable to EDGA Members.

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

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

<sup>3</sup> The term “User” is defined as “any Member or Sponsored Participant who is authorized to obtain access to the System pursuant to Rule 11.3.” See Exchange Rule 1.5(ee).

The text of the proposed rule change is available on the Exchange's Internet website at [www.directedge.com](http://www.directedge.com), at the Exchange's principal office, and at the Public Reference Room of the Commission.

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

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

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

1. Purpose

The Exchange proposes to amend the Route Peg Order under Rule 11.5(c)(14) to permit: (i) executions against routable orders that are equal to or less than the aggregate size of the Route Peg Order interest available at that price, which would replace the current requirement that routable orders be equal to or less than the size of an individual Route Peg Order; and (ii) Users to add a minimum execution quantity instruction.

A Route Peg Order is a non-displayed limit order that posts to the EDGA Book, and thereafter is eligible for execution at the national best bid ("NBB") for buy orders and national best offer ("NBO") for sell orders against routable orders that are equal to or

less than the size of the Route Peg Order.<sup>4</sup> Route Peg Orders are passive, resting orders on the EDGA Book<sup>5</sup> and do not take liquidity. Route Peg Orders may be entered, cancelled, and cancelled/replaced prior to and during Regular Trading Hours.<sup>6</sup> Route Peg Orders are eligible for execution in a given security during Regular Trading Hours, except that, even after the commencement of Regular Trading Hours, Route Peg Orders are not eligible for execution (1) in the opening cross, and (2) until such time that regular session orders in that security can be posted to the EDGA Book. A Route Peg Order does not execute at a price that is inferior to a Protected Quotation, and is not be permitted to execute if the NBBO is locked or crossed. Any and all remaining, unexecuted Route Peg Orders are cancelled at the conclusion of Regular Trading Hours.

#### Aggregate Size

As noted above, Route Peg Orders will currently only trade with routable orders that are equal to or smaller in quantity than the order quantity of an individual Route Peg Order. The Exchange proposes to amend the operation of the Route Peg Order to permit it to execute against routable orders that are equal to or less than the aggregate size of the Route Peg Order interest available at that price. The Exchange believes this change would incentivize Users seeking large size executions to route orders to the Exchange by increasing opportunities for executions against Route Peg Orders. This proposed change to the Route Peg Order is similar to the operation of the Nasdaq Stock Market LLC's

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<sup>4</sup> See Securities Exchange Act Release No. 67726 (August 24, 2012), 77 FR 52771 (August 30, 2012) (Order Approving the Route Peg Order).

<sup>5</sup> The "EDGA Book" is defined as "the System's electronic file of orders." See Exchange Rule 1.5(d).

<sup>6</sup> "Regular Trading Hours" is defined as "the time between 9:30 a.m. and 4:00 p.m. Eastern Time." See Exchange Rule 1.5(y).

(“Nasdaq”) Supplemental Order and NYSE Arca, Inc.’s (“NYSE Arca”) Tracking Order, which both only execute if the size of the incoming order is less than or equal to the aggregate size of Supplemental Order or Tracking Order interest available at that price.<sup>7</sup>

#### Minimum Execution Quantity

The Exchange also proposes to amend the Route Peg Order under Rule 11.5 to add optional functionality to allow Users to designate a minimum execution quantity. As proposed, a minimum execution quantity on a Route Peg order will no longer apply where the number of shares remaining after a partial execution are less than the minimum execution quantity. This proposed change is similar to the operation of NYSE Arca, Inc.’s Tracking Order, which permits Tracking Orders to include a minimum size requirement.<sup>8</sup> The Exchange believes that providing Users with the option to designate a minimum quantity for Route Peg Orders will promote the entry of liquidity at the Exchange because Users entering such orders will be assured of obtaining a larger sized execution. The Exchange believes that the proposed rule change could attract Users that are seeking larger executions to enter Route Peg Orders because by designating a minimum quantity, the submitting User would be assured that they are not traded against by smaller-sized interest.

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<sup>7</sup> See Nasdaq Rules 4751(f)(14), 4751(g) and 4757(a)(1)(D); see also NYSE Arca Rule 7.31(f).

<sup>8</sup> On NYSE Arca, if the Tracking Order with a minimum size requirement is executed but not exhausted and the remaining portion of the Tracking Order is less than the minimum size requirement, NYSE Arca would cancel the Tracking Order. See NYSE Arca Rule 7.31(f). See also Securities Exchange Act Release No. 71366 (January 22, 2014), 79 FR 4515 (January 28, 2014) (SR-NYSEArca-2014-01) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Amending NYSE Arca Equities Rule 7.31 to Add a Minimum Execution Size Designation for Tracking Orders).



### Implementation Date

The Exchange will announce the effective date of the proposed rule change in a Trading Notice to be published no later than 30 days following publication of the proposed rule change by the Commission.

### 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>10</sup> in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

### Aggregate Size

The Exchange believes that the proposal to permit executions against routable orders that are equal to or less than the aggregate size of the Route Peg Order interest available at that price would remove impediments to and perfect the mechanism of a free and open market and protect investors and the public interest because it would incentivize Users seeking large size executions to route orders to the Exchange by increasing opportunities for executions against Route Peg Orders in a manner similar to existing functionality available on Nasdaq and NYSE Arca.<sup>11</sup> The proposed rule change also encourages market participants to post liquidity at the NBBO on the Exchange through

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<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<sup>11</sup> See supra note 8 and accompanying text.

the use of Route Peg Orders, thereby promoting just and equitable principles of trade and removing impediments to and perfecting the mechanism of a free and open market and national market system. Moreover, the proposed rule changes would protect investors and the public interest by increasing the probability of an execution on the Exchange at the NBBO in the event that the order would otherwise be shipped to an external destination and potentially miss an execution at the NBBO while in transit. Lastly, the Exchange does not believe that this will permit unfair discrimination among customers, brokers, or dealers because it will be available to all Users.

#### Minimum Execution Quantity

The Exchange also believes its proposal to amend the Route Peg Order under Rule 11.5 to add optional functionality to allow Users to designate a minimum execution quantity removes impediments to and perfects the mechanism of a free and open market and protects investors and the public interest because it would provide an incentive for Members seeking larger-sized executions both to post liquidity at the Exchange using this feature and to route larger-sized orders to the Exchange because of the potential for an execution against such liquidity. The Exchange further believes that adding an optional minimum quantity would remove impediments to and perfect the mechanism of a free and open market system because the proposed functionality is similar to functionality available at the NYSE Arca.<sup>12</sup> The Exchange believes it is appropriate to provide an option for Users seeking to provide such liquidity to not only designate a minimum execution quantity, but for a minimum execution quantity on a Route Peg order to no longer apply where the number of shares remaining after a partial execution are less than

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<sup>12</sup> See supra note 9 and accompanying text.

the minimum execution quantity. Doing so would permit Users to continue to have their Route Peg Orders eligible for execution in such circumstances. In such case, Users will have the option to cancel their Route Peg Order if they wish.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes that the proposal will promote competition by enhancing the value of the Exchange's Route Peg Order by mirroring the function of similar order types offered by Nasdaq and NYSE Arca.<sup>13</sup>

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

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

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

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

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<sup>13</sup> See supra notes 8 and 9 and accompanying text.

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

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

interest; provided that the self-regulatory organization has given the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.<sup>16</sup>

The Exchange believes that the proposed rule change meets the criteria of subparagraph (f)(6) of Rule 19b-4<sup>17</sup> because the proposed rule change would not significantly affect investors or the public interest or impose a significant burden on competition because it is similar to the operation of Nasdaq's Supplemental Order and NYSE Arca's Tracking Order, both of which only execute if the size of the incoming order is less than or equal to the aggregate size of Supplemental Order or Tracking Order interest available at the price of the order.<sup>18</sup> The proposed change to permit Users to designate a minimum execution quantity is similar to the operation of NYSE Arca, Inc.'s Tracking Order, which permits Tracking Orders to include a minimum size requirement and further states that if the Tracking Order with a minimum size requirement is executed but not exhausted and the remaining portion of the Tracking Order is less than the minimum size requirement, NYSE Arca would cancel the Tracking Order.<sup>19</sup> The

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

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

<sup>18</sup> See supra note 8 and accompanying text.

<sup>19</sup> See supra note 9 and accompanying text.

Exchange believes this difference is non-controversial as it would permit Users to continue to have their Route Peg Orders eligible for execution where the number of shares remaining after a partial execution are less than the minimum execution quantity. In such case, Users will have the option to cancel their Route Peg Order if they wish. Accordingly, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>20</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>21</sup>

The Exchange respectfully requests that the Commission waive the 30-day operative delay period after which a proposed rule change under Rule 19b-4(f)(6) becomes effective. The Exchange believes that waiver of the 30-day operative delay would permit Users with optional enhanced functionality and an increased probability of an execution on the Exchange at the NBBO in a timely manner. Waiver of the 30-day operative delay would also enable the Exchange to immediately compete with similar functionality available through like order types offered by Nasdaq and NYSE Arca.<sup>22</sup> Waiver of the operative delay is, therefore, consistent with the protection of investors and the public interest because it will immediately increase execution opportunities at the NBBO while also increasing the competitiveness of the Route Peg Order.

At any time within sixty (60) days of the filing of such proposed rule change, the Commission may summarily 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.

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<sup>20</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>21</sup> 17 CFR 240.19b-4(f)(6).

<sup>22</sup> See supra notes 8 and 9 and accompanying text.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-EDGA-2014-12 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-2014-12. 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-2014-12 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>23</sup> 17 CFR 200.30-3(a)(12).

## EXHIBIT 5

Proposed new language is underlined; proposed deletions are in [brackets].

Rules of EDGA Exchange, Inc.

## CHAPTER XI. Trading Rules

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## Rule 11.5. Orders and Modifiers

(a) – (b) (No change).

(c)(1) – (13) (No change).

(14) Route Peg Order. A non-displayed limit order that posts to the EDGA Book, and thereafter is eligible for execution at the NBB for buy orders and NBO for sell orders against routable orders that are equal to or less than the aggregate size of the Route Peg Order interest available at that price. Route Peg Orders are passive, resting orders on the EDGA Book and do not take liquidity. A User may specify a minimum execution quantity for a Route Peg Order. A minimum execution quantity instruction on a Route Peg order will no longer apply where the number of shares remaining after a partial execution are less than the minimum execution quantity. Route Peg Orders may be entered, cancelled, and cancelled/replaced prior to and during Regular Trading Hours. Route Peg Orders are eligible for execution in a given security during Regular Trading Hours, except that, even after the commencement of Regular Trading Hours, Route Peg Orders are not eligible for execution (1) in the opening cross, and (2) until such time that regular session orders in that security can be posted to the EDGA Book. A Route Peg Order does not execute at a price that is inferior to a Protected Quotation, and is not be permitted to execute if the NBBO is locked or crossed. Any and all remaining, unexecuted Route Peg Orders are cancelled at the conclusion of Regular Trading Hours.

(15) – (19) (No change).

(d) – (e) (No change).

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