

## OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 10

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

File No.\* SR - 2014 - \* 20

Amendment No. (req. for Amendments \*) 2

Filing by EDGA Exchange, Inc.

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

Initial \*

☐

Amendment \*

☒

Withdrawal

☐

Section 19(b)(2) \*

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Section 19(b)(3)(A) \*

☐

Section 19(b)(3)(B) \*

☐

Rule

Pilot

☐

Extension of Time Period  
for Commission Action \*

☐

Date Expires \*

☐ 19b-4(f)(1)

☐ 19b-4(f)(4)

☐ 19b-4(f)(2)

☐ 19b-4(f)(5)

☐ 19b-4(f)(3)

☐ 19b-4(f)(6)

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

Section 806(e)(1) \*

☐

Section 806(e)(2) \*

☐

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

Section 3C(b)(2) \*

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Exhibit 2 Sent As Paper Document

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Exhibit 3 Sent As Paper Document

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## Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

## 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 \* Chris

Last Name \* Solgan

Title \* Regulatory Counsel

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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 11/12/2014

By Chris 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@bats.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.

**Partial Amendment No. 2 to SR-EDGA-2014-20**

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”) previously submitted a rule filing (SR-EDGA-2014-20) on August 1, 2014, which proposed to amend Rule 1.5 and Chapter XI of its rule book to include additional specificity regarding the current functionality of the Exchange’s System,<sup>3</sup> including the operation of its order types and order instructions (the “Initial Filing”). These changes are designed to update the rule book to reflect current system functionality and include: (i) further clarifying the Exchange’s trading sessions and hours of operation by amending Rule 11.1; (ii) describing the process for initial opening and re-opening after a trading halt by adding proposed Rule 11.7, Opening Process; (iii) amending the description of order types, order instructions, and their functionality by deleting the content of Rule 11.5, Order Types and Modifiers, renumbering it as Rule 11.8, and adding proposed Rule 11.6, Definitions; (iv) amending Rule 11.8, Priority of Orders, to provide additional specificity regarding the execution priority of orders and renumbering it as Rule 11.9; and (v) making a series of organizational and conforming changes to Rule 1.5, Rule 8.15, and Chapter XI. Unless otherwise stated,<sup>4</sup> the Exchange does not propose to substantively modify the operation of

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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> Exchange Rule 1.5(cc) defines “System” as “the electronic communications and trading facility designated by the Board through which securities orders of Users are consolidated for ranking, execution and, when applicable, routing away.”

<sup>4</sup> As discussed in more detail below, the Exchange proposes the following new System functionality:

- Proposed Rule 11.7(c). Alternatively set the price of the Opening Process for securities listed on either the New York Stock Exchange, Inc. or NYSE MKT LLC at the midpoint of the then prevailing NBBO when the first two-sided quotation published by the listing exchange after 9:30:00 a.m. Eastern Time, but before 9:45:00 a.m. Eastern Time if no first trade is reported by the listing exchange within one second of publication of the first two-sided quotation by the listing exchange.
- Proposed Rule 11.7(e). Alternatively set the price of a re-opening at the midpoint of the then prevailing NBBO when the first two-sided quotation is published by the listing exchange following the resumption of trading after a halt, suspension, or pause if no first trade is reported within one second of publication of the first two-sided quotation by the listing exchange.

any of the current defined order types or terms or the operation of the System; rather, it intends to provide additional specificity and transparency to Members, Users, and the investing public regarding the Exchange's order types and system functionality, and to organize its rules in a more intuitive and less complex manner.<sup>5</sup>

The proposed rule change was published for comment in the Federal Register on August 18, 2014.<sup>6</sup> The Commission received no comment letters in response to the proposed rule change. On November 4, 2014, the Exchange filed partial Amendment No. 1 to SR-EDGA-2014-20 to remove the proposed Single Re-Price instruction and Short Sale Single Re-Price instruction, provide additional rationale for the re-ranking of orders under proposed Rule 11.9(a)(2)(B), as well as make a series of non-substantive, corrective changes to the proposed rule change. The Exchange is filing this partial amendment No. 2 to SR-EDGA-2014-20 to add additional justification for a change that was included in the recently filed Amendment No. 1. This partial Amendment No. 2 also provides additional rationale for suspending the ability to execute at the Locking Price (as defined in the Initial Filing) for an order that is subject to the Hide Not Slide or Routed and Returned Re-Pricing instruction under proposed Rules 11.6(l)(1)(B) and 11.6(l)(1)(B)(i) and makes a non-substantive, corrective change.

This Amendment No. 2 makes the following changes to the pending Form 19b-4 and Exhibit 1:

The Exchange proposes to replace in its entirety the second paragraph

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- Proposed Rule 11.6(j)(1). Require that an order with a Market Peg instruction that is to be displayed by the System on the EDGA Book include an offset equal to or greater than one Minimum Price Variation.
  - Proposed Rule 11.6(n)(4). Permit an order with a Post Only Instruction to execute against an order resting on the EDGA Book where it is eligible to receive price improvement as described under the proposed rule.

<sup>5</sup> See Mary Jo White, Chair, Commission, Speech at the Sandler O'Neill & Partners, L.P. Global Exchange and Brokerage Conference, (June 5, 2014), available at <http://www.sec.gov/News/Speech/Detail/Speech/1370542004312#.VDwEPa10w6Y>. The Exchange is currently conducting a review of its System functionality and will file, as appropriate, any proposed rule changes necessary to clarify the operation of its order types not covered by this filing by November 1, 2014.

<sup>6</sup> See Securities Exchange Act Release No. 72812 (August 11, 2014), 79 FR 48824 (August 18, 2014).

under the heading, “General Priority” on page 56 of 242 and page 162 of 242 of the filing with the following:

The Exchange proposes to amend the above priority to state that it applies to equally priced trading interest other than where orders are re-ranked at the Locking Price after a Locking Quotation clears. The Exchange also proposes to amend the description of order types under proposed Rules 11.9(a)(2)(A)(i)-(iv) to be consistent with proposed Rule 11.8, Order Types. As amended, proposed Rule 11.9(a)(2)(A) would state that the System will execute equally priced trading interest within the System other than where orders are re-ranked at the Locking Price after a Locking Quotation clears in time priority in the following order: (i) the portion of a Limit order with a Displayed instruction; (ii) Limit Orders with a Non-Displayed instruction, the Reserve Quantity of Limit Orders, and MidPoint Peg Orders; (iii) MidPoint Discretionary Orders executed within their Discretionary Range and Limit Orders executed within their Discretionary Range; and (iv) Route Peg Orders.

The Exchange proposes to replace in its entirety the second paragraph under the heading, “Priority” on page 70 of 242 and pages 186 thru 187 of 242 of the filing with the following:

The first category of order priority is set forth under proposed Rule 11.9(a)(2)(A), which outlines the general priority of orders. The Exchange notes that the priority under proposed Rule 11.9(a)(2)(A) is substantively consistent with current Exchange Rule 11.8(a)(2). The Exchange is simply modifying the language to amend the description of order types under proposed Rules 11.9(a)(2)(A)(i)-(iv) to be consistent with proposed Rule 11.8, Order Types. As amended, proposed Rule 11.9(a)(2)(A) would state that the System will execute equally priced trading interest within the System in time priority in the following order: (i) the portion of a Limit Order with a Displayed instruction; (ii) Limit Orders with a Non-Displayed instruction, the Reserve Quantity of Limit Orders, and MidPoint Peg Orders; (iii) MidPoint Discretionary Orders executed within their Discretionary Range and Limit Orders executed within their Discretionary Range; and (iv) Route Peg Orders. The priority scheme outlined in proposed Rule 11.9(a)(2)(A) does not modify the Exchange’s existing functionality; it merely seeks to state that it applies to equally priced trading interest at prices other than the NBBO. The Exchange notes that MidPoint Peg Orders are currently covered by Rule 11.8(a)(2) in the second highest priority category as “non-displayed limit orders”, and thus, their designated priority is not changing through the proposal. However, the Exchange

believes that specifically identifying MidPoint Peg Orders in proposed Rule 11.9(a)(2)(A) along with Limit Orders with a Non-Displayed instruction and the Reserve Quantity of Limit Orders will eliminate any potential confusion, especially given the separate designation by the Exchange of MidPoint Peg Orders as a specific order type. Furthermore, the order priority set forth under Rule 11.9(a)(2)(A) is similar to the rules of other exchanges.<sup>7</sup>

The Exchange proposes to replace in its entirety the second paragraphs under the heading “Routed and Returned Re-Pricing (Rule 11.6(l)(B)(i))” on pages 21 through 22 of 242 and pages 106 through 107 of 242 of the filing with the following:

Under the Routed and Returned Re-Pricing instruction, a Limit Order that is returned to the EDGA Book after being routed to an away Trading Center with a limit price that would cause the order to be a Locking Quotation or Crossing Quotation of a quotation displayed by another Trading Center will be displayed by the System on the EDGA Book at a price that is one Minimum Price Variation lower (higher) than the Locking Price for orders to buy (sell), will be ranked at the Locking Price. If a contra-side order with a Post Only instruction that equals the Locking Price is subsequently entered and displayed by the System on the EDGA Book, the order subject to the Routed and Returned Re-Pricing instruction’s ability to execute at the Locking Price will be suspended unless and until there is no contra-side order displayed by the System on the EDGA Book that equals the Locking Price. However, in such case, an order subject to the Routed and Returned Re-Pricing instruction may execute against other orders at its displayed price. Each time the NBBO is updated, a buy (sell) order subject to the Routed and Returned Re-Pricing instruction will be further adjusted so that it continues to be displayed by the System on the EDGA Book at one Minimum Price Variation below (above) the NBO (NBB) and will be ranked at the Locking Price until the price of such order reaches its limit price, at which point it will remain displayed by the System on the EDGA Book at that price and cease to be further adjusted pursuant to the Routed and Returned Re-Pricing instruction. The order will receive a new time stamp when it is returned to the EDGA Book and each time it is subsequently re-ranked. Upon return to the EDGA Book after being routed away, the order will execute against any marketable contra-side liquidity on the EDGA Book and any remainder will be subject

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<sup>7</sup> See BZX Rule 11.12(a)(2); NYSE Arca Rule 7.36(a)(1); and Nasdaq Rule 4757.

to the Routed and Returned Re-Pricing instruction. Pursuant to Rule 11.9, all orders that are re-ranked and re-displayed pursuant to the Routed and Returned Re-Pricing instruction will retain their priority as compared to each other at the same price based upon the time such orders were initially received by the System.

### Statutory Basis

The Exchange believes that its proposal, as amended, remains 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.<sup>8</sup> In particular, the proposal remains consistent with Section 6(b)(5) of the Act,<sup>9</sup> 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, and, in general, protect investors and the public interest. The proposed rule change continues to be designed to support the principles of Section 11A(a)(1)<sup>10</sup> of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets. The Exchange believes that the proposed rule changes proposed by this partial Amendment No. 2 are consistent with the protection of investors and the public interest because the amendment adds additional justification for a change that was included in the recently filed Amendment No. 1, thereby benefitting Members, Users, and the investing by making the Exchange's rules and functionality easier to understand. This partial Amendment No. 2 also provides additional rationale for suspending the ability to execute at the Locking Price for an order that is subject to the Hide Not Slide or Routed and Returned Re-Pricing instruction under proposed Rules 11.6(l)(1)(B) and 11.6(l)(1)(B)(i) and makes a non-substantive, corrective change, providing further clarification to Members, Users, and the investing public regarding the operation of the Exchange's System.

### Orders Re-Ranked Upon Clearance of the Locking Price

The Exchange is also providing the following additional rationale for the re-ranking of orders under proposed Rule 11.9(a)(2)(B). The order priority set forth under proposed Rule 11.9(a)(2)(B) clarifies the priority of orders that utilize instructions that result in their being re-priced contingent upon a Locking Quotation or Crossing Quotation no longer existing. In such case, the System would re-price such orders to the Locking Price. Proposed Rule 11.9(a)(2)(B) would state that where an order is re-priced to the Locking Price after the Locking Quotation or Crossing Quotation no longer exists, the System will re-rank and

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<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 15 U.S. C. 78k-1(a)(1).

display such orders at the Locking Price in time priority in the following order: (i) ISO with a TIF instruction of Day that establishes a new NBBO at the Locking Price; (ii) Limit Orders to which the Hide Not Slide or Routed and Returned instruction has been applied; (iii) Limit Orders to which the Price Adjust instruction has been applied; and (iv) orders with a Pegged instruction. Under proposed Rule 11.6(1)(2), a Limit Order subject to the Hide Not Slide instruction will have its ability to execute at the Locking Price suspended where a contra-side displayed order on the EDGA Book that equals the Locking Price. The Exchange believes it is reasonable to grant priority to a Limit Order subject to the Hide Not Slide instruction ahead of a Limit Order subject to the Price Adjust instruction under proposed Rule 11.9(a)(2)(B) even where the Limit Order subject to the Hide Not Slide instruction's ability to execute at the Locking Price was previously suspended. As stated in the initial proposed rule change, the Exchange believes it is reasonable and appropriate to grant priority to Limit Orders subject to the Hide Not Slide instruction ahead of a Limit Order subject to the Price Adjust instruction because these orders are ranked at more aggressive prices when there is no contra-side displayed liquidity on the EDGA Book than orders subject to the Price Adjust instruction. Also, the Exchange seeks to encourage aggressively priced orders because Limit Orders subject to the Hide Not Slide instruction's ability to execute at the Locking Price could provide price improvement to incoming, contra-side orders. Under the Exchange's current fee structure, an incoming order with a Post Only instruction will remove liquidity at a price that locks or crosses such order because the Exchange provides a rebate to orders that remove liquidity, and thus, all orders with a Post Only instruction will remove liquidity upon entry at a locking or crossing price because it is economically advantageous for such orders to do so. Thus, a Limit Order subject to the Hide Not Slide instruction will execute and not post to the EDGA Book when the EDGA Book contains contra-side displayed liquidity at the Locking Price. Similarly, once a Limit Order with a Hide Not Slide instruction is posted to the EDGA Book, any incoming order that would lock or cross the ranked price of such order will remove liquidity, even if the incoming order is a Limit Order with a Post Only instruction. As described above, the Exchange has proposed to adopt a Post Only instruction at this time in the event its fee structure changes such that incoming orders may not always remove liquidity upon entry.

Even assuming a Limit Order with a Hide Not Slide instruction could be posted opposite a displayed order on the EDGA Book, and thus have its ability to execute at the Locking Price suspended, the Exchange believes it is reasonable and appropriate to grant priority to a Limit Order with a Hide Not Slide instruction ahead of an order with a Price Adjust instruction because, a User submitting a Limit Order subject to a Hide Not Slide instruction cannot control whether its ability to execute at the Locking Price will be suspended because it will not know at the time of entry whether a contra-side order may be subsequently posted to the EDGA Book and displayed at the Locking Price. Similarly, if the order is submitted when the EDGA Book contains contra-side



displayed liquidity at the Locking Price, and thus the User does know at the time of entry that its ability to execute at the Locking Price will be suspended, that User does not know and cannot control whether the contra-side order at the Locking Price will be cancelled or executed at the same time as all other Locking Quotations are cleared (and if they are not, the User's ability to the Locking Price will no longer be suspended but the order will not be re-priced and displayed). Furthermore, the Limit Order with a Hide Not Slide instruction will not know what order instructions are attached to other Limit Orders resting on the EDGA Book and, therefore, how such orders may be re-ranked upon clearance of the Locking Price. Suspending the ability of a Limit Order subject to Hide Not Slide instruction in such circumstances is reasonable and appropriate because it is designed to ensure that a later arriving contra-side order does not execute at the Locking Price when there is a contra-side order resting on the EDGA Book that is displayed at the Locking Price,<sup>11</sup> thereby avoiding an apparent violation of the displayed order's priority. However, in such case, an order subject to the Hide Not Slide instruction may execute against other orders at its displayed price. Lastly, the Exchange notes that a Limit Order will be automatically defaulted by the System to the Hide Not Slide instruction. As a result, a User must proactively elect the Price Adjust instruction resulting in their order being granted priority behind an order subject to the Hide Not Slide instruction in such circumstances. Therefore, the Exchange believes the above priority promotes just and equitable principles of trade because it is designed to reward orders that contribute to the price discovery process, provide potential price improvement, and appropriately awards priority to orders based on the aggressiveness of their pricing.

Request for Accelerated Approval of this Partial Amendment No. 2.

The Exchange believes that good cause for accelerated effectiveness of this partial Amendment No. 2 to the proposed rule change exists in light of the fact that the Commission previously published a notice in the Federal Register in relation to the Initial Rule Filing, the comment period in relation to that notice has concluded, and the modifications to the proposed rule changes proposed by this Amendment No. 2 are consistent with the protection of investors and the public interest because the amendment adds additional justification for a change that was included in the recently filed Amendment No. 1, thereby benefitting Members, Users, and the investing by making the Exchange's rules and functionality easier to understand. This partial Amendment No. 2 also provides additional rationale for suspending the ability to execute at the Locking Price for an order that is subject to the Hide Not Slide or Routed and Returned Re-Pricing instruction under proposed Rules 11.6(l)(1)(B) and 11.6(l)(1)(B)(i) and makes a non-substantive, corrective change, providing further clarification to Members, Users,

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<sup>11</sup> The Exchange notes that an order subject to the Routed and Returned Re-Pricing instruction will also have its ability to execute at the Locking Price suspended in such circumstances. See proposed Rule 11.6(l)(1)(B)(i).

and the investing public regarding the operation of the Exchange's System. Therefore, the Exchange respectfully requests acceleration of the effectiveness of the proposed rule change and Amendment No. 2. The Exchange respectfully requests that the Commission find good cause to accelerate approval.