

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="23"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2014"/> - * <input type="text" value="24"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by EDGX Exchange, Inc.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

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

EDGX Exchange, Inc. proposes to amend Rule 11.12, Limitation of Liability.

**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 * <input type="text" value="Christopher"/>	Last Name * <input type="text" value="Solgan"/>
Title * <input type="text" value="Regulatory Counsel"/>	
E-mail * <input type="text" value="csolgan@bats.com"/>	
Telephone * <input type="text" value="(201) 942-8321"/>	Fax <input type="text"/>

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title \*)

Date <input type="text" value="10/27/2014"/>	<input type="text" value="Regulatory Counsel"/>
By <input type="text" value="Christopher Solgan"/>	<input type="text" value="csolgan@bats.com"/>
(Name *)	

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

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 \***

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

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

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

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

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> EDGX Exchange, Inc. (the “Exchange” or “EDGX”) is filing with the Securities and Exchange Commission (“Commission”) a proposed rule change to amend Rule 11.12, Limitation of Liability, to harmonize its liability caps with those set forth under BATS Exchange, Inc. (“BATS”) Rule 11.16 and BATS Y-Exchange, Inc. (“BYX”) Rule 11.16.<sup>3</sup> The Exchange has designated the proposed rule change as non-controversial and provided the Commission with the notice required by Rule 19b-4(f)(6)(iii) under the Act.<sup>4</sup>

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

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The 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 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.

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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> See BATS Rule 11.16(d)(1) - (3); BYX Rule 11.16(d)(1) - (3).

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

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

Chris 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 Rule 11.12, Limitation of Liability, to harmonize its liability caps with those set forth under BATS Rule 11.16 and BYX Rule 11.16.<sup>5</sup> Earlier this year, the Exchange and its affiliate EDGA Exchange, Inc. (“EDGA”) received approval to effect a merger (the “Merger”) of the Exchange’s parent company, Direct Edge Holdings LLC, with BATS Global Markets, Inc., the parent of BATS and BYX (together with BATS, BYX, EDGA and EDGX, the “BGM Affiliated Exchanges”).<sup>6</sup> In the context of the Merger, the BGM Affiliated Exchanges are working to align certain rules, retaining only intended differences between the BGM Affiliated Exchanges. As part of this effort, BATS and BYX recently filed proposed rule changes with the Commission to amend paragraph (f) of Rule 11.16 to align with EDGA Rule 11.12(d)(3) and (e) as well as EDGX Rule 11.12(d)(3) and (e).<sup>7</sup> Thus, the proposal set

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<sup>5</sup> See supra note 3.

<sup>6</sup> See Securities Exchange Act Release No. 71449 (January 30, 2014), 79 FR 6961 (February 5, 2014) (SR-EDGX-2013-43; SR-EDGA-2013-34).

<sup>7</sup> See Securities Exchange Act Release Nos. 73356 (October 15, 2014) (SR-BATS-2014-045); and 73357 (October 15, 2014) (SR-BYX-2014-027). In sum, BATS and BYX amended Rule 11.16 to align with Exchange Rule 11.12 to provide members with additional time within which to submit a written claim for compensation for “losses resulting directly from the malfunction of the

forth below harmonizes remaining sections of Exchange Rule 11.12 and BATS and BYX Rules 11.16 by aligning the liability caps in order to provide consistent member reimbursement requirements for users of the BGM Affiliated Exchanges.<sup>8</sup>

Rule 11.12 currently states that, except as provided in subsection (d) of the Rule, the Exchange and its affiliates shall not be liable for any losses, damages, or other claims arising out of the Exchange or its use. Exchange Rule 11.16(d) provides a limited exception to its general limitation of liability that allows for the payment of compensation to Members for “losses resulting directly from the malfunction of the Exchange’s physical equipment, devices and/or programming or the negligent acts or omissions of its employees” (“Exchange Systems Issues”), subject to certain conditions. Subsection (d)(1) of Rule 11.12 limits the aggregate limits of all claims made by all Members during a single calendar month to the larger of \$500,000, or the amount of any recovery obtained by the Exchange under any applicable insurance maintained by the Exchange.

The Exchange now proposes to renumber subsection (d)(1) of the Rule 11.12 and adopt new subsections (d)(1) and (2) under Rule 11.12 to harmonize its liability caps with those set forth under existing rules of BATS and BYX.<sup>9</sup> Under the proposed rule change,

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Exchange’s physical equipment, devices and/or programming or the negligent acts or omissions of its employees” and add a new paragraph (g) to Rule 11.16 to permit the Exchange, subject to certain conditions and limitations, to compensate Members for certain losses incurred in connection with orders or portions of orders routed by the Exchange through its affiliated routing broker-dealer, BATS Trading, Inc., to Trading Centers where such losses are claimed by the Member to have resulted directly from a malfunction of the physical equipment, devices and/or programming, or the negligent acts or omissions of the employees, of such Trading Centers.

<sup>8</sup> The Exchange understands that EDGA is to file a proposed rule change with the Commission to adopt similar requirements.

<sup>9</sup> See supra note 3.

the Exchange would cap its liability for Exchange Systems Issues under proposed Rule 11.12(d)(1) and (2): (i) to a single Member at the greater of \$100,000 or the amount recovered under any applicable insurance policy on a single trading day; (ii) to all Members at the greater of \$250,000 or the amount recovered under any applicable insurance policy on a single trading day. Current Rule 11.12(d)(1) would be re-numbered as subsection (d)(3) and continue to cap the Exchange's liability to all Members at the greater of \$500,000 or the amount recovered under any applicable insurance policy in a single calendar month.<sup>10</sup>

The Exchange also proposes to amend Rule 11.12(d)(2) to align with the proposed liability caps for a single trading day. Specifically, proposed Rule 11.12(d)(2) would be amended to clarify that, to the extent that all claims resulting from Exchange Systems Issues cannot be fully satisfied because in the aggregate they exceed the applicable maximum amount of liability provided for, then the Exchange proposes to allocate the maximum amount among all such claims arising on a single trading day or during a single calendar month, as applicable, based on the proportion that each such claim bears to the sum of all such claims. Rule 11.12(d)(2) would also be renumbered as Rule 11.12(e).

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<sup>10</sup> The Exchange notes that under renumbered Rule 11.12(g)(4) any compensation paid to Members from reimbursement recovered from a Trading Center for a routed order will not count against the Exchange's liability limits set forth in Rule 11.12(d), nor any applicable insurance maintained by the Exchange. Securities Exchange Act Release Nos. 71061 (December 12, 2013), 78 FR 76685 (December 18, 2013) (SR-EDGA-2013-36) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend EDGX Rule 11.12, Limitations of Liability); and 71062 (December 12, 2013), 78 FR 76693 (December 18, 2013) (SR-EDGX-2013-45) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend EDGX Rule 11.12, Limitations of Liability).

The Exchange also proposes to amend Rule 11.12(e)(4) to align with the amended liability caps as well as to renumber other sections within Rule 11.12 to mirror BATS Rule 11.16 and BYX Rule 11.16.

Implementation Date

The Exchange intends to implement the proposed rule change on or about November 6, 2014, which is the anticipated operative date of recently filed BATS and BYX proposed rule changes to align BATS and BYX Rules 11.16 with EDGA and EDGX Rules 11.12(d)(3) and (e).<sup>11</sup> The Exchange will announce the implementation of the proposed rule change via a trading notice to be posted on the Exchange's website.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>12</sup> and furthers the objectives of Section 6(b)(5) of the Act,<sup>13</sup> in that it is designed 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 proposal, in effect, would allow the Exchange to ensure that compensation for a single incident did not exceed the monthly cap of \$500,000, thereby providing enabling the Exchange to possibly compensate Members for instances on multiple trading days per month subject to Rule 11.12(d)(3). The Exchange believes that the proposed rule change is not designed to permit unfair discrimination between customers, issuers, brokers or dealers. The proposed rule change

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<sup>11</sup> See supra note 7.

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

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

is substantially similar to the existing rules of BATS and BYX.<sup>14</sup> The proposed rule change is intended to align the liability caps for Member reimbursements with that currently provided by BATS and BYX in order to provide a consistent rules across the BGM Affiliated Exchanges. Consistent rules, in turn, will simplify the regulatory requirements for Members of the Exchange that are also participants on EDGA and EDGX. The proposed rule change would provide greater harmonization between EDGX and EDGA rules of similar purpose, resulting in greater uniformity and less burdensome and more efficient regulatory compliance. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The proposed rule change would not impose any burden on competition. The Exchange believes that the proposed rule changes will not burden intramarket competition because all Members would be subject to the same liability caps for claims resulting from Exchange Systems Issues. The proposed rule change is not designed to address any competitive issues but rather is designed to provide greater harmonization among Exchange and BATS and BYX rules of similar purpose, resulting in less burdensome and more efficient regulatory compliance for common members of the BGM Affiliated Exchanges.

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

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<sup>14</sup> See supra note 3.

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) or Section 19(b)(7)(D)

The proposed 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 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 (5) business days prior to the date of filing.<sup>17</sup>

As described above, the Exchange notes that the proposed change is directly

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

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

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

based on the rules of BATS and BYX.<sup>18</sup> Based on the foregoing, the proposed rule change does not present any unique issues not previously considered by the Commission, and the Exchange has accordingly designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>19</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>20</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. Waiver of the 30-day operative delay would provide permit the Exchange to implement the proposed rule change on or about November 6, 2014, which is the anticipated operative date of recently filed BATS and BYX proposed rule changes to align BATS and BYX Rules 11.16 with EDGA and EDGX Rules 11.12(d)(3) and (e).<sup>21</sup> Waiver of the operative delay is consistent with the protection of investors and the public interest because it will allow the Exchange to harmonize its rules across the BATS, BYX and the Exchange in a timely manner, thereby simplifying the regulatory requirements by Members of the Exchange that are also participants on BATS and BYX. Waiver of the operative delay is, therefore, consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the

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<sup>18</sup> See supra note 3.

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 C.F.R. 240.19b-4(f)(6).

<sup>21</sup> See supra note 7.

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

This proposed rule change is based on BATS Rule 11.16(d)(1) - (3) and BYX Rule 11.16(d)(1) - (3).<sup>22</sup>

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

(a) – (e) Not applicable.

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

(a) – (e) 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>22</sup> See supra note 3.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_; File No. SR-EDGX-2014-24)

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 11.12, Limitation of Liability

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 \_\_\_\_\_, EDGX Exchange, Inc. (the “Exchange” or “EDGX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. 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 filed a proposal to amend Rule 11.12, Limitation of Liability, to harmonize its liability caps with those set forth under BATS Exchange, Inc. (“BATS”) Rule 11.16 and BATS Y-Exchange, Inc. (“BYX”) Rule 11.16.<sup>5</sup>

The text of the proposed rule change is available at the Exchange’s website at

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

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

<sup>5</sup> See BATS Rule 11.16(d)(1) - (3); BYX Rule 11.16(d)(1) - (3).

<http://www.directedge.com/>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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 Exchange 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 Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant parts of such statements.

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

1. Purpose

The Exchange proposes to amend Rule 11.12, Limitation of Liability, to harmonize its liability caps with those set forth under BATS Rule 11.16 and BYX Rule 11.16.<sup>6</sup> Earlier this year, the Exchange and its affiliate EDGA Exchange, Inc. ("EDGA") received approval to effect a merger (the "Merger") of the Exchange's parent company, Direct Edge Holdings LLC, with BATS Global Markets, Inc., the parent of BATS and BYX (together with BATS, BYX, EDGA and EDGX, the "BGM Affiliated Exchanges").<sup>7</sup> In the context of the Merger, the BGM Affiliated Exchanges are working to align certain rules, retaining only intended differences between the BGM Affiliated

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<sup>6</sup> Id.

<sup>7</sup> See Securities Exchange Act Release No. 71449 (January 30, 2014), 79 FR 6961 (February 5, 2014) (SR-EDGX-2013-43; SR-EDGA-2013-34).

Exchanges. As part of this effort, BATS and BYX recently filed proposed rule changes with the Commission to amend paragraph (f) of Rule 11.16 to align with EDGA Rule 11.12(d)(3) and (e) as well as EDGX Rule 11.12(d)(3) and (e).<sup>8</sup> Thus, the proposal set forth below harmonizes remaining sections of Exchange Rule 11.12 and BATS and BYX Rules 11.16 by aligning the liability caps in order to provide consistent member reimbursement requirements for users of the BGM Affiliated Exchanges.<sup>9</sup>

Rule 11.12 currently states that, except as provided in subsection (d) of the Rule, the Exchange and its affiliates shall not be liable for any losses, damages, or other claims arising out of the Exchange or its use. Exchange Rule 11.16(d) provides a limited exception to its general limitation of liability that allows for the payment of compensation to Members for “losses resulting directly from the malfunction of the Exchange’s physical equipment, devices and/or programming or the negligent acts or omissions of its employees” (“Exchange Systems Issues”), subject to certain conditions. Subsection

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<sup>8</sup> See Securities Exchange Act Release Nos. 73356 (October 15, 2014) (SR-BATS-2014-045); and 73357 (October 15, 2014) (SR-BYX-2014-027). In sum, BATS and BYX amended Rule 11.16 to align with Exchange Rule 11.12 to provide members with additional time within which to submit a written claim for compensation for “losses resulting directly from the malfunction of the Exchange’s physical equipment, devices and/or programming or the negligent acts or omissions of its employees” and add a new paragraph (g) to Rule 11.16 to permit the Exchange, subject to certain conditions and limitations, to compensate Members for certain losses incurred in connection with orders or portions of orders routed by the Exchange through its affiliated routing broker-dealer, BATS Trading, Inc., to Trading Centers where such losses are claimed by the Member to have resulted directly from a malfunction of the physical equipment, devices and/or programming, or the negligent acts or omissions of the employees, of such Trading Centers.

<sup>9</sup> The Exchange understands that EDGA is to file a proposed rule change with the Commission to adopt similar requirements.

(d)(1) of Rule 11.12 limits the aggregate limits of all claims made by all Members during a single calendar month to the larger of \$500,000, or the amount of any recovery obtained by the Exchange under any applicable insurance maintained by the Exchange.

The Exchange now proposes to renumber subsection (d)(1) of the Rule 11.12 and adopt new subsections (d)(1) and (2) under Rule 11.12 to harmonize its liability caps with those set forth under existing rules of BATS and BYX.<sup>10</sup> Under the proposed rule change, the Exchange would cap its liability for Exchange Systems Issues under proposed Rule 11.12(d)(1) and (2): (i) to a single Member at the greater of \$100,000 or the amount recovered under any applicable insurance policy on a single trading day; (ii) to all Members at the greater of \$250,000 or the amount recovered under any applicable insurance policy on a single trading day. Current Rule 11.12(d)(1) would be renumbered as subsection (d)(3) and continue to cap the Exchange's liability to all Members at the greater of \$500,000 or the amount recovered under any applicable insurance policy in a single calendar month.<sup>11</sup>

The Exchange also proposes to amend Rule 11.12(d)(2) to align with the

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<sup>10</sup> See supra note 5.

<sup>11</sup> The Exchange notes that under renumbered Rule 11.12(g)(4) any compensation paid to Members from reimbursement recovered from a Trading Center for a routed order will not count against the Exchange's liability limits set forth in Rule 11.12(d), nor any applicable insurance maintained by the Exchange. Securities Exchange Act Release Nos. 71061 (December 12, 2013), 78 FR 76685 (December 18, 2013) (SR-EDGA-2013-36) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend EDGX Rule 11.12, Limitations of Liability); and 71062 (December 12, 2013), 78 FR 76693 (December 18, 2013) (SR-EDGX-2013-45) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend EDGX Rule 11.12, Limitations of Liability).

proposed liability caps for a single trading day. Specifically, proposed Rule 11.12(d)(2) would be amended to clarify that, to the extent that all claims resulting from Exchange Systems Issues cannot be fully satisfied because in the aggregate they exceed the applicable maximum amount of liability provided for, then the Exchange proposes to allocate the maximum amount among all such claims arising on a single trading day or during a single calendar month, as applicable, based on the proportion that each such claim bears to the sum of all such claims. Rule 11.12(d)(2) would also be renumbered as Rule 11.12(e).

The Exchange also proposes to amend Rule 11.12(e)(4) to align with the amended liability caps as well as to renumber other sections within Rule 11.12 to mirror BATS Rule 11.16 and BYX Rule 11.16.

#### Implementation Date

The Exchange intends to implement the proposed rule change on or about November 6, 2014, which is the anticipated operative date of recently filed BATS and BYX proposed rule changes to align BATS and BYX Rules 11.16 with EDGA and EDGX Rules 11.12(d)(3) and (e).<sup>12</sup> The Exchange will announce the implementation of the proposed rule change via a trading notice to be posted on the Exchange's website.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>13</sup> and furthers the objectives of Section 6(b)(5) of the Act,<sup>14</sup> in that it is

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<sup>12</sup> See supra note 8.

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

<sup>14</sup> 15 U.S.C. 78f(b)(5).

designed 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 proposal, in effect, would allow the Exchange to ensure that compensation for a single incident did not exceed the monthly cap of \$500,000, thereby providing enabling the Exchange to possibly compensate Members for instances on multiple trading days per month subject to Rule 11.12(d)(3). The Exchange believes that the proposed rule change is not designed to permit unfair discrimination between customers, issuers, brokers or dealers. The proposed rule change is substantially similar to the existing rules of BATS and BYX.<sup>15</sup> The proposed rule change is intended to align the liability caps for Member reimbursements with that currently provided by BATS and BYX in order to provide a consistent rules across the BGM Affiliated Exchanges. Consistent rules, in turn, will simplify the regulatory requirements for Members of the Exchange that are also participants on EDGA and EDGX. The proposed rule change would provide greater harmonization between EDGX and EDGA rules of similar purpose, resulting in greater uniformity and less burdensome and more efficient regulatory compliance. As such, the proposed rule change would foster cooperation and coordination with persons engaged in facilitating transactions in securities and would remove impediments to and perfect the mechanism of a free and open market and a national market system.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The proposed rule change would not impose any burden on competition. The

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<sup>15</sup> See supra note 5.

Exchange believes that the proposed rule changes will not burden intramarket competition because all Members would be subject to the same liability caps for claims resulting from Exchange Systems Issues. The proposed rule change is not designed to address any competitive issues but rather is designed to provide greater harmonization among Exchange and BATS and BYX rules of similar purpose, resulting in less burdensome and more efficient regulatory compliance for common members of the BGM Affiliated Exchanges.

(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 Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act<sup>16</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>17</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily temporarily suspend such rule change if it appears to the Commission that such action is: (1) necessary or appropriate in the public interest; (2) for the protection of investors; or (3) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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

<sup>17</sup> 17 C.F.R. 240.19b-4.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal 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 No. SR-EDGX-2014-24 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 No. SR-EDGX-2014-24. 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 am and 3:00 pm. Copies of such filing will also 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 No. SR-EDGX-2014-24 and should be submitted on or before [\_\_\_\_\_21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12).

## EXHIBIT 5

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

## CHAPTER XI. TRADING RULES

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## Rule 11.12. LIMITATION OF LIABILITY

(a) - (c) (No changes).

(d) NOTWITHSTANDING PARAGRAPH (a) ABOVE, AND SUBJECT TO THE EXPRESS LIMITS SET FORTH BELOW, THE EXCHANGE MAY COMPENSATE MEMBERS FOR LOSSES RESULTING DIRECTLY FROM THE MALFUNCTION OF THE EXCHANGE'S PHYSICAL EQUIPMENT, DEVICES AND/OR PROGRAMMING OR THE NEGLIGENT ACTS OR OMISSIONS OF ITS EMPLOYEES.

(1) AS TO ANY ONE OR MORE CLAIMS MADE BY A SINGLE MEMBER UNDER THIS RULE ON A SINGLE TRADING DAY, THE EXCHANGE SHALL NOT BE LIABLE IN EXCESS OF THE LARGER OF \$100,000, OR THE AMOUNT OF ANY RECOVERY OBTAINED BY THE EXCHANGE UNDER ANY APPLICABLE INSURANCE MAINTAINED BY THE EXCHANGE.

(2) AS TO THE AGGREGATE OF ALL CLAIMS MADE BY ALL MEMBERS UNDER THIS RULE ON A SINGLE TRADING DAY, THE EXCHANGE SHALL NOT BE LIABLE IN EXCESS OF THE LARGER OF \$250,000 OR THE AMOUNT OF ANY RECOVERY OBTAINED BY THE EXCHANGE UNDER ANY APPLICABLE INSURANCE MAINTAINED BY THE EXCHANGE.

([1]3) AS TO THE AGGREGATE OF ALL CLAIMS MADE BY ALL MEMBERS UNDER THIS RULE DURING A SINGLE CALENDAR MONTH, THE EXCHANGE SHALL NOT BE LIABLE IN EXCESS OF THE LARGER OF \$500,000, OR THE AMOUNT OF ANY RECOVERY OBTAINED BY THE EXCHANGE UNDER ANY APPLICABLE INSURANCE MAINTAINED BY THE EXCHANGE.

([2]e) IN THE EVENT THAT ALL OF THE CLAIMS MADE UNDER THIS RULE CANNOT BE FULLY SATISFIED BECAUSE IN THE AGGREGATE THEY EXCEED THE APPLICABLE MAXIMUM LIMITATIONS PROVIDED IN THIS RULE, THEN THE MAXIMUM PERMITTED AMOUNT WILL BE PROPORTIONALLY ALLOCATED AMONG ALL SUCH CLAIMS ARISING ON A SINGLE TRADING DAY OR DURING A SINGLE CALENDAR MONTH, AS APPLICABLE, BASED ON THE PROPORTION THAT EACH SUCH CLAIM BEARS TO THE SUM OF ALL SUCH CLAIMS.

([3]f) ALL CLAIMS FOR COMPENSATION PURSUANT TO THIS RULE SHALL BE IN WRITING AND MUST BE SUBMITTED NO LATER THAN 4:00 P.M. EASTERN TIME ON THE SECOND BUSINESS DAY FOLLOWING THE DAY ON WHICH THE USE OF THE EXCHANGE GAVE RISE TO SUCH CLAIMS, OR NO LATER THAN 1:00 P.M. EASTERN TIME IN THE EVENT OF AN EARLY MARKET CLOSE ON THE SECOND BUSINESS DAY FOLLOWING THE DAY ON WHICH THE USE OF THE EXCHANGE GAVE RISE TO SUCH CLAIMS.

ONCE IN RECEIPT OF A CLAIM, THE EXCHANGE WILL VERIFY THAT: (i) A VALID ORDER WAS ACCEPTED INTO THE EXCHANGE'S SYSTEMS; AND (ii) AN EXCHANGE SYSTEM FAILURE OR A NEGLIGENT ACT OR OMISSION OF AN EXCHANGE EMPLOYEE OCCURRED DURING THE EXECUTION OR HANDLING OF THAT ORDER.

([e]g) NOTWITHSTANDING PARAGRAPH (a) ABOVE, AND SUBJECT TO THE EXPRESS LIMITATIONS SET FORTH BELOW, THE EXCHANGE MAY COMPENSATE MEMBERS FOR LOSSES RELATED TO ORDERS OF MEMBERS ROUTED BY THE EXCHANGE THROUGH DE ROUTE TO A TRADING CENTER AND RESULTING DIRECTLY FROM THE MALFUNCTION OF THE PHYSICAL EQUIPMENT, DEVICES AND/OR PROGRAMMING, OR THE NEGLIGENT ACTS OR OMISSIONS OF THE EMPLOYEES, OF SUCH TRADING CENTER.

- (1) ALL CLAIMS FOR COMPENSATION PURSUANT TO THIS RULE SHALL BE IN WRITING. ONCE IN RECEIPT OF A CLAIM, THE EXCHANGE WILL VERIFY THAT: (i) A VALID ORDER FROM THE MEMBER WAS ACCEPTED AND ACKNOWLEDGED BY THE EXCHANGE; (ii) THE MEMBER'S ORDER, OR A PORTION THEREOF, WAS ROUTED BY THE EXCHANGE VIA DE ROUTE TO THE TRADING CENTER; AND (iii) THE MEMBER CLAIMS A LOSS AS A RESULT OF THE MALFUNCTION OF THE PHYSICAL EQUIPMENT, DEVICES AND/OR PROGRAMMING, OR THE NEGLIGENT ACTS OR OMISSIONS OF THE EMPLOYEES, OF SUCH TRADING CENTER. UPON VERIFICATION OF THE FOREGOING, THE EXCHANGE SHALL FORWARD THE CLAIM VIA DE ROUTE TO SUCH TRADING CENTER AS SOON AS REASONABLY PRACTICABLE.
- (2) IF AND TO THE EXTENT THAT THE EXCHANGE, VIA DE ROUTE, RECEIVES COMPENSATION, IN WHOLE OR IN PART, FROM A TRADING CENTER AS A RESULT OF A CLAIM SUBMITTED ON BEHALF OF A MEMBER, THE EXCHANGE SHALL PASS THE FULL AMOUNT OF SUCH COMPENSATION DIRECTLY TO THE MEMBER. ANY COMPENSATION TO MEMBERS FOR SUCH CLAIMS WILL BE PAID SOLELY FROM COMPENSATION, IF ANY, RECOVERED BY THE EXCHANGE VIA DE ROUTE FROM THE TRADING CENTER.
- (3) IN THE EVENT THAT ALL OF THE CLAIMS MADE UNDER THIS

- SUBPARAGRAPH ([e]g) AND DIRECTLY ATTRIBUTABLE TO THE SAME MALFUNCTION OR NEGLIGENT ACT OR OMISSION ARE NOT FULLY SATISFIED BY THE TRADING CENTER, THEN ANY AMOUNT OF COMPENSATION RECEIVED FROM THE TRADING CENTER WILL BE PROPORTIONALLY ALLOCATED AMONG ALL SUCH CLAIMS BASED ON THE PROPORTION THAT EACH SUCH CLAIM BEARS TO THE SUM OF ALL SUCH CLAIMS.
- (4) THE PASS-THROUGH OF ANY COMPENSATION TO A MEMBER IN ACCORDANCE WITH THIS SUBPARAGRAPH ([e]g) IS UNRELATED TO ANY OTHER CLAIMS FOR COMPENSATION THAT ARE MADE IN ACCORDANCE WITH, AND SUBJECT TO THE LIMITS OF, SUBPARAGRAPH (d)(3) OF THIS RULE 11.12. ACCORDINGLY, ANY SUCH COMPENSATION MADE PURSUANT TO THIS PARAGRAPH ([e]g) SHALL NOT REDUCE OR OTHERWISE AFFECT THE EXCHANGE'S [\$500,000 MONTHLY] LIABILITY LIMITS PURSUANT TO SUBPARAGRAPH (d)(1) - (3), OR ANY OTHER APPLICABLE INSURANCE MAINTAINED BY THE EXCHANGE.
- (5) THE EXCHANGE SHALL NOT BE LIABLE IN THE EVENT THAT THE TRADING CENTER IDENTIFIED IN A CLAIM FOR COMPENSATION MADE PURSUANT TO THIS PARAGRAPH ([e]g) WERE TO DENY SUCH CLAIM, IN WHOLE OR IN PART, FOR ANY REASON. UNDER NO CIRCUMSTANCES WILL THE EXCHANGES' INABILITY TO PROCURE COMPENSATION FROM A TRADING CENTER, IN WHOLE OR IN PART, AND FOR WHATEVER REASON, GIVE RISE TO A CLAIM FOR COMPENSATION FROM THE EXCHANGE PURSUANT TO PARAGRAPH (d) OF THIS RULE AS A NEGLIGENT ACT OR OMISSION OF AN EXCHANGE EMPLOYEE.

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