

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 160	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2015 - * 03	Amendment No. (req. for Amendments *)
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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. proposed to amend certain rules to adopt or align system functionality with that currently offered by BATS Exchange, Inc. and BATS Y-Exchange, Inc.

**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

E-mail \* csolgan@bats.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 01/08/2015      Regulatory Counsel

By Chris Solgan      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 \***

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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

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 certain rules to adopt or align system functionality with that currently offered by BATS Exchange, Inc. (“BZX”) and BATS Y-Exchange, Inc. (“BYX”, collectively with BZX, “BATS”) in order to provide a consistent technology offering amongst the Exchange and its affiliates. These changes are described in detail below and include amending: (i) Rule 11.1 regarding the Exchange’s trading sessions and hours of operation; (ii) Rule 11.6, Definitions; (iii) Rule 11.7, Opening Process; (iv) Rule 11.8, Order Types; (v) Rule 11.9, Priority of Orders; (vi) Rule 11.10, Order Execution; (vii) Rule 11.11, Routing to Away Trading Centers; and (viii) Rule 11.21, Retail Orders.

The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on BATS. The Exchange notes that the proposed rule text is based on the rules and is different only to the extent necessary to conform to the Exchange’s current rules. 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>3</sup>

(b) The Exchange does not believe that the proposed rule change will have

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

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.

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

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 (together with BATS, EDGA and EDGX, the "BGM Affiliated Exchanges").<sup>4</sup> In the context of the Merger, the BGM Affiliated Exchanges are working to migrate EDGX and

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<sup>4</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).

EDGA onto the BATS technology platform, and align certain system functionality, retaining only intended differences between the BGM Affiliated Exchanges. As a result of these efforts, the Exchange proposes to amend: (i) Rule 11.1 regarding the Exchange's trading sessions and hours of operation; (ii) Rule 11.6, Definitions; (iii) Rule 11.7, Opening Process; (iv) Rule 11.8, Order Types; (v) Rule 11.9, Priority of Orders; (vi) Rule 11.10, Order Execution; (vii) Rule 11.11, Routing to Away Trading Centers; and (vi) Rule 11.21, Retail Orders.

The proposed amendments are intended to align certain system functionality with that currently offered by BATS in order to provide a consistent technology offering for Users<sup>5</sup> of the BGM Affiliated Exchanges. The Exchange notes that the proposed rule text is based on the BATS Rule and is different only to the extent necessary to conform to the Exchange's current rules.<sup>6</sup> The proposed amendments do not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on BATS or BYX.

### **Rule 11.1, Hours of Trading and Trading Days**

Current Functionality. Rule 11.1 sets forth when orders may be entered into the System<sup>7</sup> and outlines a User's ability to select the trading sessions for which an order

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<sup>5</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>6</sup> To the extent a proposed rule change is based on an existing BATS Rule, the language of the BATS and Exchange Rules may differ to extent necessary to conform with existing Exchange rule text or to account for details or descriptions included in the Exchange Rules but not currently included in BATS rules based on the current structure of such rules.

<sup>7</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

may be eligible for execution. Proposed Rule 11.1(a)(1), Session Indicator, describes each of the Exchange's existing trading sessions. A User may select the particular trading sessions for which their order(s) may be eligible for execution. Specifically, orders designated as: "Pre-Opening Session" are eligible for execution between 8:00 a.m. Eastern Time and 4:00 p.m. Eastern Time; "Regular Session" are eligible for execution between the completion of the Opening Process or a Contingent Open as defined in proposed Rule 11.7 (described below), whichever occurs first, and 4:00 p.m. Eastern Time, unless otherwise noted;<sup>8</sup> "Post-Closing Session" are eligible for execution between the start of the Regular Session and 8:00 p.m. Eastern Time; and "All Sessions" are eligible for execution between 8:00 a.m. and 8:00 p.m. Eastern Time.

Under Rule 11.1(a)(1), orders may be entered into the System from 6:00 a.m. until 8:00 p.m. Eastern Time, but orders entered between 6:00 a.m. and 8:00 a.m. Eastern Time are not eligible for execution until the start of the session selected by the User. All orders are eligible for execution during the Regular Session. A User may designate that their order to be eligible for the Pre-Opening and/or Post-Closing Sessions. If the User does not select a particular session or sessions, the order will default to the Regular Session only.

Proposed Functionality. To align with BATS functionality, the Exchange proposes to amend Rule 11.1(a)(1) to allow Users to designate when their order is

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are consolidated for ranking, execution and, when applicable, routing away."

<sup>8</sup> Beginning at 9:30:00 a.m. Eastern Time, the System will accept: (i) incoming orders designated as Intermarket Sweep Orders ("ISOs"), and (ii) orders with a time-in-force instruction other than Regular Hours Only. This is to assist Members' compliance with Rule 611 of Regulation NMS.

eligible for execution by selecting the desired Time-In-Force (“TIF”) instruction under Exchange Rule 11.6(q)<sup>9</sup> and not by selecting a particular trading session, as is currently required. Therefore, the Exchange proposes to delete references to the Pre-Opening Session, Regular Session, Post-Closing Session, and All Sessions indicators set forth under Rule 11.1(a)(1)(A) – (D). These session indicators will no longer be available upon completion of the technology integration and Users will designate the session(s) during which their order is eligible for execution by selecting the desired TIF instruction under Exchange Rule 11.6(q). The Exchange also proposes to no longer default orders to the Regular Session where another session indicator is not selected by the User. Thus, Users will be required to select a TIF instruction. Pre-Opening Session<sup>10</sup> and Post-Closing Session<sup>11</sup> will continue to be defined under Exchange Rule 1.5. The Exchange also proposes to retain but relocate the definition of Regular Session to Rule 1.5 as new paragraph (hh).

The Exchange also proposes to amend Rule 11.1(a)(1) to align with recent rule changes filed with the Commission by BATS.<sup>12</sup> As proposed, orders entered between 6:00 a.m. and 8:00 a.m. Eastern Time are not eligible for execution until the start of the Pre-Opening Session or Regular Trading Hours, depending on the time-in-force selected

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<sup>9</sup> The Exchange also proposes to and its TIF instructions under Rule 11.6(q) to align with BATS Rule 11.9(b). The changes are described in more detail below.

<sup>10</sup> Pre-Opening Session is defined as “the time between 8:00 a.m. and 9:30 a.m. Eastern Time.” See Exchange Rule 1.5(s).

<sup>11</sup> Post-Closing Session is defined as “the time between 4:00 p.m. and 8:00 p.m. Eastern Time.” See Exchange Rule 1.5(r).

<sup>12</sup> See Securities Exchange Act Release Nos. 73745 (December 4, 2014), 79 FR 73359 (December 10, 2014) (SR-BATS-2014-062); 73744 (December 4, 2014), 79 FR 73369 (December 10, 2014) (SR-BYX-2014-036).

by the User. The Exchange proposes to further amend Rule 11.1(a)(1) to state that the following orders will not be accepted prior to 8:00 a.m. Eastern Time: orders with a Post Only instruction, ISOs, Market Orders with a TIF instruction other than Regular Hours Only (“RHO”), orders with a Minimum Execution Quantity instruction that also include a TIF instruction of RHO, and all orders with a TIF instruction of Immediate or Cancel (“IOC”) or Fill Or Kill (“FOK”). At the commencement of the Pre-Opening Session, orders entered between 6:00 a.m. and 8:00 a.m. Eastern Time orders will be handled in time sequence, beginning with the order with the oldest time stamp, and will be placed on the EDGX Book, routed, cancelled, or executed in accordance with the terms of the order.

#### **Rule 11.6, Definitions**

Rule 11.6, Definitions, sets forth in one rule current defined terms and order instructions that are utilized in Chapter XI. Rule 11.6 also includes additional defined terms and instructions to aid in describing System functionality and the operation of the Exchange’s order types. The Exchange proposes to amend Rule 11.6 to align certain sections with BATS functionality and rules as part of the technology integration. These changes are described below and include: (i) amending subparagraph (a) regarding Attribution; (ii) amending paragraph (d) regarding Discretionary Range; (iii) amending paragraph (h) regarding Minimum Execution Quantity; (iv) amending subparagraph (j) regarding the Pegged order instruction; (v) amending subparagraph (k) regarding the definition of Permitted Price; (vi) amending subparagraph (l)(1)(A) regarding the Price Adjust Re-Pricing instruction to allow for multiple re-pricing; (vii) deleting subparagraph (l)(1)(B)(i) to decommission the Routed and Returned Re-Pricing instruction; (viii)

amending subparagraph (l)(2) to decommission Short Sale Price Adjust and Short Sale Price Sliding, and adopt the BATS short sale re-pricing process; (ix) amending subparagraph (l)(3) to include re-pricing of orders of Odd Lot size;<sup>13</sup> (x) amending subparagraph (m)(1) regarding Replenishment Amounts; (xi) amending subparagraph (m)(2) regarding the Super Aggressive order instruction; and (xii) amending subparagraph (q) regarding TIF instructions. As stated above, the proposed amendments to Rule 11.6 do not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on BZX or BYX.<sup>14</sup> Each of these amendments are described in more detail below.

*Attribution (Rule 11.6(a))*

Pursuant to Rule 11.6(a), where a User includes an Attributable instruction with an order, the User's Market Participant Identifier ("MPID") is visible via the Exchange's Book Feed.<sup>15</sup> Conversely, if an order is to be Non-Attributable,<sup>16</sup> the User's MPID is not visible via the Exchange's Book Feed. Under Exchange Rule 11.6(a)(1), unless the User elects otherwise, all orders are automatically defaulted by the System to Non-Attributable. Further, under Rule 11.6(a)(2), a User may elect an order to be Attributable on an order-by-order basis or instruct the Exchange to default all of its orders as Attributable on a port-by-port basis. However, pursuant to Rule 11.6(a), if a User

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<sup>13</sup> An "Odd Lot" is defined as "any amount less than a Round Lot. See Exchange Rule 11.8(s)(2).

<sup>14</sup> See supra note 6.

<sup>15</sup> See EDGX Rule 11.6(a). The EDGX Book Feed is a data feed that contains all displayed orders for listed securities trading on EDGX, order executions, order cancellations, order modifications, order identification numbers, and administrative messages. See Exchange Rule 13.8(a).

<sup>16</sup> See Exchange Rule 11.6(a)(1).

instructs the Exchange to default all its orders as Attributable on a particular port, such User would not be able to designate any order from that port as Non-Attributable.

The Exchange proposes to amend Rule 11.6(a)(2) to provide Users with additional flexibility when designating all of its orders as Attributable on a particular port consistent with BATS functionality. As amended, Rule 11.6(a)(2) would provide a User that instructs the Exchange to default all of its orders as Attributable on a particular port the ability to override that setting and designate an individual order from that port as Non-Attributable. This proposed rule change is representative of additional detail with regard to the operation of orders with an Attributable instruction in the Exchange's rules. While the proposed rule change is not directly based on an existing BATS Rule, as BATS rules do not currently address port level settings with respect to attribution, the Exchange believes that amending its current rule text to accurately describe how a Member may designate their orders as Attributable or Non-Attributable will provide them with increased transparency regarding how the System operates.

Amendments to Retail Attribution (Rule 11.21(e)). The Exchange proposes to make similar amendments to the attribution of Retail Orders.<sup>17</sup> Under Rule 11.21(e), a User may designate a Retail Order to be identified as Retail on the EDGX Book Feed on

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<sup>17</sup> A Retail Order is defined as (i) an agency order or riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person; (ii) is submitted to EDGX by a Member, provided that no change is made to the terms of the order; and (iii) the order does not originate from a trading algorithm or any other computerized methodology. See Footnote 4 of the Exchange's Fee Schedule available at <http://www.directedge.com/Trading/EDGXFeeSchedule.aspx>; Securities Exchange Act Release No. 68310 (November 28, 2012), 77 FR 71860 (December 4, 2012) (SR-EDGX-2012-47) (Notice of Filing and Immediate Effectiveness); Securities Exchange Act Release No. 69378 (April 15, 2013), 78 FR 23617 (April 19, 2013) (SR-EDGX-2013-13) (Notice of Filing and Immediate Effectiveness).

an order-by-order basis. A User may also instruct the Exchange to identify all of its Retail Orders as Retail on a port-by-port basis where that port is also designated as a Retail Order Port. However, if a User instructs the Exchange to identify all of its Retail Orders as Retail on a Retail Order Port, it will not be able to designate any Retail Order from that port as Attributable or as Non-Attributable. The Exchange proposes to amend Rule 11.21(e) to provide Users additional flexibility when designating all of its Retail Order be identified as Retail on a particular port consistent with BATS functionality.<sup>18</sup> As amended, Rule 11.6(a)(2) would provide a User that instructs the Exchange identify all of its Retail Orders as Retail on a particular port the ability to override that setting and designate an individual Retail Order from that port as Attributable or Non-Attributable.

*Cancel Back (Rule 11.6(b))*

Cancel Back is an instruction a User may attach to an order instructing the System to cancel an order, when, if displayed by the System on the EDGX Book<sup>19</sup> at the time of entry, the order would create a violation of Rule 610(d) of Regulation NMS, Rule 201 of Regulation SHO, or the order cannot otherwise be executed or posted by the System to the EDGX Book at its limit price.

The Exchange proposes to amend the definition of Cancel Back to remove the

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<sup>18</sup> See Securities Exchange Act Release Nos. 73237 (September 26, 2014), 79 FR 59537 (October 2, 2014) (SR-BATS-2014-043) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt Rule 11.24 to Permit Members to Designate Their Retail Orders To Be Identified as Retail on the Exchange's Proprietary Data Feeds); 73236 (September 26, 2014), 79 FR 59541 (October 2, 2014) (SR-BYX-2014-024) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt Rule 11.24 to Permit Members to Designate Their Retail Orders To Be Identified as Retail on the Exchange's Proprietary Data Feeds).

<sup>19</sup> The term "EDGX Book" is defined as "the System's electronic file of orders." See EDGX Rule 1.5(d).

requirement that the order only be cancelled where it creates a violation of Rule 610(d) of Regulation NMS, Rule 201 of Regulation SHO, or cannot otherwise be executed or posted by the System to the EDGX Book at its limit price upon entry. Removal of the phrase “upon entry” from Rule 11.6(b) would enable an order with a Cancel Back instruction that is posted to the EDGX Book to be cancelled if it subsequently creates a violation of Rule 610(d) of Regulation NMS, Rule 201 of Regulation SHO, or the cannot otherwise be executed or continue to be posted by the System to the EDGX Book at its limit price. The proposed amendment would align the operation of the Exchange’s Cancel Back instruction with current BATS Rule 11.13.<sup>20</sup>

*Discretionary Range (Rule 11.6(d))*

Discretionary Range is an instruction the User may attach to an order to buy (sell) a stated amount of a security at a specified, displayed price with discretion to execute up (down) to a specified, non-displayed price. The Exchange proposes to remove the prohibition that the Discretionary Range of an order to buy (sell) cannot be more than \$0.99 higher (lower) than the order’s displayed price because, upon migration of the Exchange onto BATS technology, the Discretionary Range of an order will not be limited to \$0.99. This proposed rule change is representative of additional detail with regard to the operation of orders with Discretionary Range in the Exchange’s rules. In addition, no such limitation is included in BATS or BYX Rules 11.9(c)(10) regarding Discretionary

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<sup>20</sup> Under BATS Rule 11.13, “an order will be cancelled back to the User if, based on market conditions, User instructions, applicable Exchange Rules and/or the Act and the rules and regulations thereunder, such order is not executable, cannot be routed to another Trading Center pursuant to Rule 11.13(a)(2) below and cannot be posted to the BATS Book.” The cancelling back of an order under Rule 11.13 is not limited to cancellation upon entry. See also BATS Rule 11.9(g)(1)(D).

Orders and the BATS systems effectively do not incorporate such a limitation.

*Minimum Execution Quantity (Rule 11.6(h))*

Minimum Execution Quantity is an instruction a User may attach to an order with a Non-Displayed<sup>21</sup> instruction requiring the System to execute the order only to the extent that a minimum quantity can be satisfied by execution against a single order or multiple aggregated orders simultaneously. Unless the User elects otherwise, any shares remaining after a partial execution will be executed at a size that is equal to or exceeds the Minimum Execution Quantity. Thus, under current Exchange Rules and functionality a User can elect that a Minimum Execution Quantity only apply to an initial execution but not any remaining shares after such execution. The Exchange proposes to amend Minimum Execution Quantity to reflect that, upon migration of the Exchange onto BATS technology, any shares remaining after a partial execution will continue to be executed at a size that is equal to or exceeds the Minimum Execution Quantity, regardless of the Users instructions. A User who wishes otherwise may cancel and resubmit their order without a Minimum Execution Quantity. In addition, currently the Minimum Execution Quantity instruction will not apply where the number of shares remaining after a partial execution are less than the quantity provided in the instruction. As amended, in such case, the Minimum Execution Quantity will equal the number of remaining shares, which is similar to current Exchange functionality. Like above, a User who wishes otherwise may cancel and resubmit their order with a new Minimum Execution Quantity. As

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<sup>21</sup> The term “Non-Displayed” is defined as “[a]n instruction the User may attach to an order stating that the order is not to be displayed by the System on the EDGX Book.” See Exchange Rule 1.5(e)(2).

amended, the Minimum Execution Quantity instruction will operate similarly to the BATS Minimum Quantity Order under BATS Rule 11.9(c)(5).<sup>22</sup>

*Pegged (Rule 11.6(j))*

Current Functionality. An order with a Pegged instruction enables a User to specify that the order's price will peg to a price a certain amount away from the NBB or NBO (offset). If an order with a Pegged instruction displayed on the Exchange would lock the market, the price of the order will be automatically adjusted by the System to one Minimum Price Variation below the current NBO (for bids) or to one Minimum Price Variation above the current NBB (for offers). A new time stamp is created for the order each time it is automatically adjusted and orders with a Pegged instruction are not eligible for routing pursuant to Rule 11.11. For purposes of the Pegged instruction, the System's calculation of the NBBO does not take into account any orders with Pegged instructions that are resting on the EDGX Book. An order with a Pegged instruction is cancelled if an NBB or NBO, as applicable, is no longer available.

An order with a Pegged instruction may be a Market Peg or Primary Peg. An order that includes a Primary Peg instruction will have its price pegged by the System to the NBB, for a buy order, or the NBO for a sell order. A User may, but is not required to,

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<sup>22</sup> See Securities Exchange Act Release Nos. 72646 (July 21, 2014), 79 FR 43516 (July 25, 2014) (SR-BATS-2014-027) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.9, 11.12, 11.18, 21.1 and 21.7 of BATS Exchange, Inc.); 72647 (July 21, 2014), 79 FR 43522 (July 25, 2014) (SR-BYX-2014-010) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.9, 11.12, and 11.18 of BATS Y-Exchange, Inc.). As amended, Exchange Rule 11.6(h) only differs from BATS Rule 11.9(c)(5) to extent necessary to conform with existing rule text or to account for details or descriptions currently included in the Exchange's Rule that are not included in BATS Rule 11.9(c)(5).

select an offset equal to or greater than one Minimum Price Variation<sup>23</sup> above or below the NBB or NBO that the order is pegged to. An order with a Primary Peg instruction is currently eligible to join the Exchange's Best Bid or Offer ("Exchange BBO") when the EDGX Book has been locked or crossed by another market. If an order with a Primary Peg instruction creates a Locking Quotation<sup>24</sup> or Crossing Quotation,<sup>25</sup> the price of the order is automatically adjusted by the System to one Minimum Price Variation below the current NBO (for bids) or to one Minimum Price Variation above the current NBB (for offers).

An order that includes a Market Peg instruction will have its price pegged by the System to the NBB, for a sell order, or the NBO, for a buy order. An order with a Market Peg instruction that is to be displayed by the System on the EDGX Book must include an

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<sup>23</sup> The term "Minimum Price Variation" is defined as "[b]ids, offers, or orders in securities traded on the Exchange shall not be made in an increment smaller than: (i) \$0.01 if those bids, offers, or orders are priced equal to or greater than \$1.00 per share; or (ii) \$0.0001 if those bids, offers, or orders are priced less than \$1.00 per share; or (iii) any other increment established by the Commission for any security which has been granted an exemption from the minimum price increments requirements of SEC Rule 612(a) or 612(b) of Regulation NMS." See Exchange Rule 11.6(i).

<sup>24</sup> The term "Locking Quotation" is defined as "[t]he display of a bid for an NMS stock at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(d) of Regulation NMS." See Exchange Rule 11.6(g).

<sup>25</sup> The term "Crossing Quotation" is defined as "[t]he display of a bid (offer) for an NMS stock at a price that is higher (lower) than the price of an offer (bid) for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(d) of Regulation NMS." See Exchange Rule 11.6(c).

offset for an order to buy (sell) that is equal to or greater than one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to. If a User does not select an offset, the System will automatically include an offset on an order to buy (sell) that is equal to one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to. For an order with a Non-Displayed instruction, a User may, but is not required to, select an offset for an order to buy (sell) that is equal to or greater than one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to.

Proposed Functionality. The Exchange proposes to amend the Pegged instruction under Rule 11.6(j) to align with BATS Rule 11.9(c)(8).<sup>26</sup> First, the Exchange proposes to no longer cancel an order with a Pegged instruction where the NBB or NBO, as applicable, is no longer available. In such case, instead of being cancelled, the order will not be eligible for execution. The order will receive a new time stamp and be eligible for execution where the NBB or NBO it is pegged to becomes available.

Second, the Exchange proposes to amend the Market Peg instruction under Rule 11.6(j)(1) to state that such orders are not eligible for display on the EDGX Book. As a result, the Exchange also proposes to delete the requirement that an order with a Market Peg instruction that is to be displayed on the EDGX Book must include an offset for an

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<sup>26</sup> See Securities Exchange Act Release Nos. 73188 (September 23, 2014), 79 FR 58004 (September 26, 2014) (SR-BATS-2014-041) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 11.9 of BATS Exchange, Inc.); 73190 (September 23, 2014), 79 FR 58019 (September 26, 2014) (SR-BYX-2014-022) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 11.9 of BATS Y-Exchange, Inc.). As amended, Exchange Rule 11.6(j) only differs from BATS Rule 11.9(c)(8) to extent necessary to conform with existing rule text or to account for details or descriptions currently included in the Exchange's Rule that are not included in BATS Rule 11.9(c)(8).

order to buy (sell) that is equal to or greater than one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to.

Third, the Exchange proposed to amend the Primary Peg instruction under Rule 11.6(j)(2) to define an offset equal to or greater than one Minimum Price Variation above or below the NBB or NBO that the order is pegged to as the “Primary Offset Amount”. The Exchange also proposes to specify that the Primary Offset Amount for an order with a Primary Peg instruction that is to be displayed on the EDGX Book must result in the price of such order being inferior to or equal to the inside quote on the same side of the market.

Fourth, the Exchange proposes to amend the provisions governing the operation of an order with a Primary Peg instruction during a locked or crossed market. As proposed, an order with a Primary Peg instruction will no longer be able to join the Exchange BBO when the EDGX Book is locked or crossed by another market. When the EDGX Book is crossed by another market, the Exchange proposes to automatically adjust an order with a Primary Peg instruction to the current NBO (for bids) or the current NBB (for offers). For example, assume the NBBO is \$10.08 x \$10.09. An order with a Primary Peg instruction to buy with a limit price of \$10.10 is entered and displayed by the System at \$10.08, the current NBB. Assume the NBO updates to \$10.07, resulting in a crossed market. The order with a Primary Peg instruction to buy would then be pegged and displayed at \$10.07, the updated NBO.

Rule 11.6(j)(2) will continue to require that an order with a Primary Peg instruction that would otherwise be a Locking Quotation or Crossing Quotation be automatically adjusted by the System to one Minimum Price Variation below the current

NBO (for bids) or to one Minimum Price Variation above the current NBB (for offers). For example, assume the NBBO is \$10.09 x \$10.08, resulting in a crossed market. An order with a Primary Peg instruction to buy with a limit price of \$10.10 is entered and displayed by the System at \$10.07, one Minimum Price Variation below the current NBB. Assume the NBBO is updated to \$10.08 x \$10.09, the order with a Primary Peg instruction to buy would then be pegged and displayed at \$10.08, the updated NBB now that the market is no longer crossed. This proposed rule change is representative of additional detail with regard to the operation of orders with a Pegged instruction during locked or crossed markets that is currently included in Rule 11.6(j) and is consistent with Exchange's current re-pricing options under Rule 11.6(l), as well as Exchange Rule 11.10(f) and BATS Rule 11.20(a)(3), which outline the prohibition against displaying locking and crossing quotations under Rule 610 of Regulation NMS.

*Permitted Price (Rule 11.6(k))*

Permitted Price is currently defined as the price at which a sell order will be priced, ranked and displayed at one Minimum Price Variation above the NBB. As amended, the definition of Permitted Price will only state that it is the price that the order is displayed at one Minimum Price Variation above the NBBO.<sup>27</sup> This is to update the definition of Permitted Price to reflect the decommissioning of the Short Sale Price Adjust and Short Sale Price Sliding instructions and the proposed amendment that an order with both a Short Sale instruction and Hide Not Slide instruction will be ranked at the mid-point of the NBBO, but displayed at the Permitted Price discussed below. While

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<sup>27</sup> The proposed definition of Permitted Price is also similar to that of other exchange. See e.g., Nasdaq Rule 4763(e); NYSE MKT Rule 440B(e); Rule 7016(f)(v)(C).

the amended definition of Permitted Price is not identical to the definition of Permitted Price under BATS Rules, any differences are necessary to conform the proposed rule text with the other proposed rule changes described above.

*Re-Pricing (Rule 11.6(l))*

The Exchange currently offers re-pricing instructions which, in all cases, result in the ranking and/or display of an order at a price other than the order's limit price in order to comply with applicable securities laws and Exchange Rules. Specifically, the Exchange's re-pricing instructions are designed to permit Users to comply with Rule 610(d) of Regulation NMS or Rule 201 of Regulation SHO. Rule 11.6(l) sets forth the re-pricing instructions currently available to Users with regard to Regulation NMS compliance – Price Adjust, Hide Not Slide, and Routed and Returned Re-Pricing, and with regard to Regulation SHO compliance – Short Sale Price Adjust and Short Sale Price Sliding. The Exchange now proposes to amend its re-pricing instructions to streamline the re-pricing options available to Users in order to align Exchange functionality with that of BATS.

*Re-Pricing Instructions to Comply with Rule 610(d) of Regulation NMS*

The Exchange proposes to amend its re-pricing instructions to comply with Rule 610(d) of Regulation NMS as follows: (i) amend the Price Adjust instruction to enable Users to elect that their order be adjusted multiple times in response to changes in the NBBO; and (ii) delete Routed and Returned Re-Pricing.

Routed and Returned Re-Pricing (Rule 11.6(l)(1)(B)(i)). The Exchange proposes to delete the Routed and Returned Re-Pricing instruction under Rule 11.6(l)(1)(B)(i). Pursuant to current Exchange Rules and Functionality, under the Routed and Returned

Re-Pricing instruction, a Limit Order that is returned to the EDGX 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 will be displayed by the System on the EDGX Book at a price that is one Minimum Price Variation lower (higher) than the Locking Price<sup>28</sup> for orders to buy (sell), will be ranked at the midpoint of the NBBO with discretion to execute at the Locking 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 EDGX Book at one Minimum Price Variation below (above) the NBO (NBB) and will be ranked at the updated midpoint of the NBBO with discretion to execute 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 EDGX 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 EDGX Book and each time it is subsequently re-ranked.

Upon completion of the migration of the Exchange to BATS technology, Limit Orders that are returned to the EDGX 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 will be subject to the Exchange's standard re-pricing instructions; i.e., automatically defaulted by the System to the Price Adjust Re-Pricing instruction, unless the User affirmatively elects the Cancel Back instruction or the Hide Not Slide

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<sup>28</sup> The term "Locking Price" is defined as "the price at which an order to buy (sell), that if displayed by the System on the EDGX Book, either upon entry into the System, or upon return to the System after being routed away, would be a Locking Quotation." See Exchange Rule 11.6(i).

instruction. The Exchange also proposes to remove a reference to the Routed and Returned Re-Pricing instruction from Rule 11.6(l)(1)(B).

Price Adjust Re-Pricing (Rule 11.6(l)(1)(A)). Under the Price Adjust instruction, where a buy (sell) order would be a Locking Quotation or Crossing Quotation if displayed by the System on the EDGX Book at the time of entry, the order will be displayed and ranked<sup>29</sup> at a price that is one Minimum Price Variation lower (higher) than the Locking Price. The order will be displayed and ranked by the System on the EDGX Book at the Locking Price if: (i) the NBBO changes such that the order, if displayed at the Locking Price, would not be a Locking Quotation or Crossing Quotation, including where an ISO with a TIF instruction of Day is entered into the System and displayed on the EDGX Book on the same side of the market as the order at a price that is equal to or more aggressive than the Locking Price.<sup>30</sup> An order re-priced as set forth above would not be subject to further re-ranking and will be displayed by the System on the EDGX Book at the Locking Price until executed or cancelled by the User. The order will receive a new time stamp at the time it is re-ranked.

The Exchange proposes to amend the Price Adjust instruction to provide Users with additional flexibility by enabling them to elect that their order be adjusted multiple times in response to changes in the NBBO. The ranked and displayed prices of an order subject to the Price Adjust instruction will only be adjusted once, unless the User elects

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<sup>29</sup> For purposes of the description of the re-pricing instructions under proposed Rule 11.6(l), the terms “ranked” and “priced” are synonymous and used interchangeably.

<sup>30</sup> See Division of Trading and Markets: Response to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS, Question 5.02, available at <http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm> (last visited March 6, 2014).

that the order be adjusted multiple times in response to changes to the prevailing NBBO. Unless a User has elected the multiple re-pricing option, the order would not be subject to further re-ranking and will be displayed on the EDGX Book at the Locking Price until executed or cancelled by the User. An order subject to the multiple re-pricing option will be further re-ranked and re-displayed to the extent it can permissibly be ranked and displayed at a more aggressive price based on changes to the prevailing NBBO. Multiple re-pricing pursuant to Price Adjust would be optional and would have to be explicitly selected by a User before it will be applied. Orders subject to multiple re-pricing for Price Adjust will be permitted to move all the way back to their most aggressive price, whereas orders subject to Price Adjust may not be adjusted to their most aggressive price, depending upon market conditions and the limit price of the order upon entry. The Exchange notes that this functionality is identical to the operation of BATS Rule 11.9(g)(2).<sup>31</sup> The Exchange does not propose to amend any other aspect of the Price Adjust instruction.

As an example of multiple re-pricing for Price Adjust assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at \$10.10 per share and a posted and displayed offer to sell 100 shares at \$10.14 per share. Assume the NBBO is \$10.10 by \$10.12. If the Exchange receives a non-routable bid to buy 100 shares at \$10.13 per share, the Exchange would rank and display the order to buy at \$10.11

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<sup>31</sup> See Securities Exchange Act Release Nos. 73359 (October 15, 2014), 79 FR 63003 (October 21, 2014) (SR-BATS-2014-038) (Order Granting Approval of Proposed Rule Change to Rule 11.9 of the BATS Exchange, Inc. to Add Price Adjust Functionality); and 73366 (October 15, 2014), 79 FR 62993 (October 21, 2014) (SR-BYX-2014-019) (Order Granting Approval of Proposed Rule Change to Rule 11.9 of the BATS Y-Exchange, Inc. to Add Price Adjust Functionality).

because displaying the bid at \$10.13 would cross an external market's Protected Offer to sell for \$10.12. If the NBO then moved to \$10.13, the Exchange would un-slide the bid to buy and rank and display it at \$10.12. Under existing Price Adjust functionality, the Exchange does not further adjust the ranked or displayed price following this un-slide. However, under multiple re-pricing for Price Adjust if the NBO then moved to \$10.14, the Exchange would un-slide the bid to buy and rank and display it at its full limit price of \$10.13.

*Re-Pricing Instructions to Comply with Rule 201 of Regulation SHO*

The Exchange proposes to amend its Re-Pricing instructions to comply with Rule 201 of Regulation SHO by deleting Short Sale Price Adjust and Short Sale Price Sliding and adopting a new, streamlined rule to align with BATS Rule 11.9(g)(5).

Current Functionality. The Exchange currently offers two re-pricing instructions to comply with Rule 201 of Regulation SHO – Short Sale Price Adjust and Short Sale Price Sliding. Under the Short Sale Price Adjust instruction, an order to sell with a Short Sale instruction will be ranked and displayed by the System on the EDGX Book at the Permitted Price. Following the initial ranking, the order will, to the extent the NBB declines, continue to be re-ranked and displayed by the System on the EDGX Book at the Permitted Price down to the order's limit price. The Short Sale Price Sliding instruction operates similarly to the Short Sale Price Adjust instruction; except that after its initial ranking, the order will, to the extent the NBB declines, be re-ranked and displayed by the System on the EDGX Book one additional time at a price that is equal to the NBB at the time the order was received by the System. In both cases, the order to sell with a Short Sale instruction will receive a new time stamp each time it is re-ranked.

Proposed Functionality. The Exchange proposes to delete the Short Sale Price Adjust and Short Sale Price Sliding and adopt a new, streamlined rule to align with BATS Rule 11.9(g)(5). Under the amended Rule 11.6(l)(2), an order to sell with a Short Sale instruction that, at the time of entry, could not be executed or displayed in compliance with Rule 201 of Regulation SHO will be re-priced by the System at the Permitted Price. BATS Rule 11.9(g)(5) states that the default short sale re-pricing process will only re-price an order upon entry, while amended Rule 11.6(l)(2) will also permit it be re-priced one additional time to reflect a decline in the NBB. This is similar to the Exchange's Short Sale Price Sliding under Rule 11.6(l)(2)(B) which states that an order may be re-priced one additional time to reflect a decline in the NBB.

As proposed, depending upon the instructions of a User, to reflect declines in the NBB the System will continue to re-price and re-display a short sale order at the Permitted Price down to the order's limit price. In the event the NBB changes such that the price of an order with a Non-Displayed instruction subject to Rule 201 of Regulation SHO would be a Locking Quotation or Crossing Quotation, the order will receive a new time stamp, and will be re-priced by the System to the mid-point of the NBBO. Like the Short Sale Price Adjust process that is to be decommissioned, an order to sell with a Short Sale instruction and a Price Adjust instruction that is re-priced will be ranked at the Permitted Price. In addition, like the Short Sale Price Sliding process that the Exchange proposes to decommission, an order to sell with a Short Sale instruction and a Hide Not Slide instruction that is re-priced will be ranked at the mid-point of the NBBO.

Like BATS Rule 11.9(g)(5), amended Rule 11.6(l)(2) would state that: (i) when a Short Sale Circuit Breaker is in effect, the System will execute a sell order with a

Displayed and Short Sale instruction at the price of the NBB if, at the time of initial display of the sell order with a Short Sale instruction, the order was at a price above the then current NBB; (ii) orders with a Short Exempt instruction will not be subject to re-pricing under amended Rule 11.6(1)(2); and (iii) the re-pricing instructions to comply with Rule 610(d) of Regulation NMS will be continue to be ignored for an order to sell with a Short Sale instruction when a Short Sale Circuit Breaker is in effect and the re-pricing instructions to comply with Rule 201 of Regulation SHO under this Rule will apply.

Re-Pricing of Orders with a Non-Displayed Instruction and Odd Lot Orders (Rule 11.6(1)(3))

Rule 11.6(1)(3) currently sets forth the re-pricing process for orders with a Non-Displayed instruction priced better than the midpoint of the NBBO. The Exchange proposes to expand this rule to include the re-pricing of Odd Lot Orders priced better than the midpoint of the NBBO. As amended, both an order with a Non-Displayed instruction or an order with an Odd Lot size that is priced better than the midpoint of the NBBO will be ranked at the midpoint of the NBBO with discretion to execute to its limit price. For securities priced equal to or greater than \$1.00 where the midpoint of the NBBO is in an increment smaller than \$0.01, an order buy (sell) with an Odd Lot size and a Displayed instruction priced better than the midpoint of the NBBO will be displayed at the next full penny increment below (above) the midpoint of the NBBO. The price of the order is automatically re-ranked by the System in response to changes in the NBBO until it reaches its limit price. A new time stamp is created for the order each time the midpoint of the NBBO changes. Pursuant to Rule 11.9, all orders with a Non-Displayed instruction and orders with an Odd Lot size that are re-ranked to the midpoint

of the NBBO will retain their priority as compared to other orders with a Non-Displayed instruction and orders with an Odd Lot size, respectively, based upon the time such orders were ranked at the midpoint of the NBBO. For example, assume the NBBO is \$10.00 x \$10.03. If an incoming order with an Odd Lot size and a Non-Display instruction is entered into the System to buy at \$10.02, it will be ranked by the System at \$10.015 with discretion to \$10.02, its limit price. If an incoming order with an Odd Lot size and a Display instruction is entered into the System to buy at \$10.02, it will be displayed by the System at \$10.01 and ranked by the System at \$10.015 with discretion to \$10.02, its limit price.

While a User may affirmatively elect that a buy (sell) order with a Non-Displayed instruction Cancel Back when the order's limit price is greater (less) than the NBO (NBB), they will be unable to do so for an order with an Odd Lot size. In such case, the User may cancel the order.

Currently, orders of Odd Lot size are not displayed on the EDGX Book and, therefore, are covered by the Rule 11.6(1)(3)'s current re-pricing process for orders with a Non-Displayed instruction. BATS rules do not restrict orders of Odd-Lot size from being displayed on the BATS system. Upon migration of the Exchange onto BATS technology, orders of Odd Lot size may be displayed on the EDGX Book but will continue to be re-priced as described above in order to maintain the Exchange's current handling of orders of an Odd Lot size. In addition, the Exchange believes displaying orders of Odd Lot size in securities priced greater than or equal to \$1.00 where the midpoint of the NBBO is in an increment smaller than \$0.01, as described above, is reasonable as it is designed to ensure the Exchange does not display an order at an

impermissible sub-penny increment in violation of Rule 612 of Regulation NMS.

Therefore, the Exchange proposes to specify that orders of Odd Lot size will be subject to re-pricing Exchange's re-pricing process under Rule 11.6(1)(3).

*Reserve Quantity and Replenishment Amounts (Rule 11.6(m))*

Current Functionality. If the portion of the order with a Displayed instruction is reduced to less than a Round Lot, the System will, in accordance with the User's instruction, replenish the displayed quantity from the Reserve Quantity by at least a single Round-Lot using either the Random or Fixed Replenishment instructions. A new time stamp is created for the displayed quantity of the order each time it is replenished from the Reserve Quantity, while the Reserve Quantity retains the time stamp of its original entry. Where the combined amount of the displayed quantity and Reserve Quantity of an order are reduced to less than one Round Lot, the order converts to an order with a Displayed instruction and be treated as Displayed for purposes of execution priority under Rule 11.9.

Proposed Functionality. The Exchange proposes to amend Rule 11.6(m) to align with BATS Rule 11.9(c)(1).<sup>32</sup> First, the Exchange proposes to no longer require that the displayed quantity from the Reserve Quantity be replenished by at least a single Round-Lot. Instead, the displayed quantity will be replenished in accordance with the replenishment instruction the User selects. Specifically, like on BATS, Users will be required to designate the original display quantity of an order, which is also the amount to which an order is replenished (unless the remainder of an order is smaller than the original displayed quantity) under the current replenishment functionality. The Exchange

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<sup>32</sup> See supra note 22.

refers to this quantity as “max floor” in its specifications. The Exchange proposes to add a defined term of “Max Floor” to Rule 11.6(m), which would be a mandatory value entered by a User that will determine the quantity of the order to be initially displayed by the System and will also be used to determine the replenishment amount under both replenishment options described below. If the remainder of an order is less than the replenishment amount, the Exchange will replenish and display the entire remainder of the order.

Second, the Exchange proposes to amend the time stamp functionality of an order with a Reserve Quantity. Currently, when an order is replenished from Reserve Quantity, the displayed quantity receives a new time stamp while the Reserve Quantity retains the time stamp of its original entry. As amended, a new time stamp will be created for the displayed quantity and Reserve Quantity of the order each time it is replenished from the Reserve Quantity. This is functionality is identical to functionality set forth in BATS Rule 11.12(a)(5).<sup>33</sup>

Random Replenishment is an instruction that a User may attach to an order with Reserve Quantity where replenishment quantities for the order are randomly determined by the System within a replenishment range established by the User. The Exchange proposes to minor amendments to the operation of Random Replenishment to align with BATS Rule 11.9(c)(1).<sup>34</sup> Currently, both the actual quantity of the order that will be initially displayed by the System on the EDGX Book and subsequent displayed replenishment quantities are randomly determined by the System within a replenishment

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<sup>33</sup> Id.

<sup>34</sup> Id.

range established by the User. As amended, only the replenishment quantities for the order will be randomly determined by the System within a replenishment range established by the User. A User will be required to select a replenishment value and Max Floor. The Max Floor will be the initial quantity to be displayed. The displayed replenishment quantities will then be determined by the System by randomly selecting a number of shares within a replenishment range that is between: (i) the Max Floor minus the replenishment value; and (ii) the Max Floor plus the replenishment value. The displayed replenishment quantities randomly determined by the System will no longer be limited to Round Lots. Nor will the replenishment quantity be within a replenishment range that is between the quantity around which the replenishment range is established plus or minus the replenishment value. In addition, the Exchange will no longer prohibit the displayed replenishment quantity from: (i) exceeding the remaining Reserve Quantity of the order; (ii) from being less than a single Round Lot or greater than the remaining unexecuted shares in the order.

In addition to the changes set forth above, the Exchange proposes to modify Rule 11.10(e)(3) to state that the Max Floor set for an order can be modified through the use of a replace message rather than requiring a User to cancel and re-enter an order. The Exchange also proposes to modify Rule 11.9(a)(4) to align with BATS Rule 11.12(a)(3)<sup>35</sup> to make clear that a modification to the Max Floor of an order with a Reserve Quantity will not cause such order to lose priority. When a replenishment occurs (based on the new Max Floor), the order will receive a new timestamp, and thus, will have a new priority.

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Id.

Under Fixed Replenishment, the displayed quantity of an order is replenished for a Fixed Replenishment quantity designated by the User. The Fixed Replenishment quantity for the order equals the initial displayed quantity designated by the User. The Exchange proposes to amend Rule 11.6(m) to specify that the Fixed Replenishment quantity will be the Max Floor designated by the User. In addition, Rule 11.6(m) will also specify that Fixed Replenishment will apply to any order for which Random Replenishment has not been selected. Lastly, like proposed for Random Replenishment discussed above, the Exchange will no longer prohibit the displayed replenishment quantity from being less than a single Round Lot or greater than the remaining unexecuted shares in the order. As amended, Fixed Replenishment will be identical to BATS Rule 11.9(c)(1)(B).<sup>36</sup>

*Super Aggressive (Rule 11.6(n)(2))*

Super Aggressive is an order instruction that directs the System to route the order if an away Trading Center locks or crosses the limit price of the order resting on the EDGX Book. Like BATS Rule 11.13(a)(4)(B), the Exchange proposes to also permit a User to designate an order as Super Aggressive solely to routable orders posted to the EDGX Book with remaining size of an Odd Lot.<sup>37</sup> To the extent the amended text of

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<sup>36</sup> See supra note 22.

<sup>37</sup> See Securities Exchange Act Release Nos. 73295 (October 3, 2014), 79 FR 61117 (October 9, 2014) (SR-BATS-2014-044) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Rules 11.13 and 21.9 of the BATS Exchange, Inc.); and 73296 (October 3, 2014), 79 FR 61121 (October 9, 2014) (SR-BYX-2014-026) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Rule 11.13 of the BATS Y-Exchange, Inc.). As amended, Exchange Rule 11.6(n)(2) only differs from BATS Rule 11.13(a)(4)(B) to extent necessary to conform the rule with existing Exchange rule text or to account for details or descriptions currently included in the Exchange's Rule but not included in BATS Rule 11.13(a)(4)(B).

Exchange Rule 11.6(n)(2) differs from BATS Rule 11.13(a)(4)(B), such differences are necessary to conform the rule with existing rule text, and in this case, to account for details or descriptions currently included in BATS Rule 11.13(a)(4)(B) that are not necessary under the structure of the Exchange's Rules.

*Time-In-Force (Rule 11.6(q))*

The Exchange proposes to amend its TIF instructions to align with BATS Rule 11.9(b). To the extent the amended text of Exchange Rule 11.6(q) differs from BATS Rule 11.9(b), such differences are necessary to conform the rule with existing Exchange rule text or to account for details or descriptions currently included in the Exchange's Rule but not included in BATS Rule 11.9(b). Where necessary, the Exchange has proposed rule changes consistent with the Exchange's operation on BATS technology, which the Exchange also believes are consistent with User expectations of how the System operates.

First, the Exchange proposes minor modifications to align the definition of IOC with BATS Rule 11.9(b)(1), the most notable of which is to specify that an order with a TIF instruction of IOC is eligible for routing. BATS rules do not restrict an order with an IOC instruction from being eligible for routing. In addition, permitting orders with an IOC instruction to be eligible for routing is consistent with BATS technology as well as with Users' expectations to use orders with an IOC instruction in combination with available routing functionality and strategies. As amended, an IOC would be an instruction the User may attach to an order stating the order is to be executed in whole or in part as soon as such order is received. The portion not executed immediately on the Exchange or another trading center is treated as cancelled and is not posted to the EDGX

Book.

Second, the Exchange proposes to amend the definition of the Day TIF instruction to state that an order with a TIF instruction of Day, if not executed, expires at the end of Regular Trading Hours and not at the end of the specified trading session. In addition, orders with a Day TIF instruction will be eligible for execution as soon as received by the Exchange. Therefore, the Exchange proposes to no longer require that any order with a Day instruction entered into the System before the start of the specified trading session will be placed by the System in a pending state and activated for potential execution upon the start of that trading session. Lastly, any Day Order entered into the System before the opening for business on the Exchange as determined pursuant to Rule 11.1 (which is currently 6:00 a.m.), or after the closing of Regular Trading Hours, will be rejected.

Third, Good-'til Time will be renamed as Good-'til Day ("GTD"). GTD will continue to be defined as an instruction the User may attach to an order specifying the time of day at which the order expires. Any unexecuted portion of an order with a TIF instruction of GTD will be continue to be cancelled at the expiration of the User's specified time, which can be no later than the close of the Post-Market Session. A User will no longer be able to designate that an order with a GTD instruction be cancelled at the end of a specified trading session(s).

Lastly, the Exchange proposes to adopt two new TIF instructions which are currently available on BATS:<sup>38</sup> Good 'til Extended Day ("GTX") and RHO. GTX will be defined as an instruction the User may attach to an order to buy or sell which, if not executed, will be cancelled by the close of the Post-Market Session. RHO will be

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<sup>38</sup> See supra note 22.

defined as an instruction a User may attach to an order designating it for execution only during Regular Trading Hours, which includes the Opening Process and Re-Opening Process following a halt suspension or pause. The proposed definition of RHO under Exchange Rule 11.6(q)(6) is substantially similar to BYX Rule 11.9(b)(7) and any differences are necessary to conform the rule with existing Exchange rule text or to account for details or descriptions currently included in the Exchange's rules but not in BYX Rule 11.9(b)(7). The Exchange notes that the proposed definition of RHO is also similar to BZX Rule 11.9(b)(7) but such rule includes additional detail not necessary in the proposed rule because the Exchange does not have any listed securities or a separate process for handling such listed securities whereas BZX does.

#### **Rule 11.7, Opening Process**

The Exchange proposes to amend Rule 11.7 regarding the Opening Process to align with BATS Rule 11.24 and BYX Rule 11.23.<sup>39</sup> The Exchange proposes to modify paragraph (a) to specify that buy or sell orders that wish to participate in the Opening Process are to include a TIF instruction of RHO and that any order that does not include a TIF instruction of RHO will not be eligible for participation in the Opening Process. Paragraph (a)(1) would be amended to make clear that only orders without a TIF

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<sup>39</sup> See Securities Exchange Act Release Nos. 73473 (October 30, 2014), 79 FR 65744 (November 5, 2014) (SR-BATS-2014-037) (Order Granting Approval of Proposed Rule Change to Establish an Opening Process for Non-BATS-Listed Securities); and 73472 (November 5, 2014), 79 FR 65735 (October 9, 2014) (SR-BYX-2014-018) (Order Granting Approval of Proposed Rule Change to Establish an Opening Process). As amended, Exchange Rule 11.7 only differs from BZX Rule 11.24 and BYX Rule 11.23 to extent necessary to conform the rule with existing Exchange rule text or to account for details or descriptions currently included in the Exchange's Rule but not contained in BZX or BYX rules.

instruction of RHO and ISOs designated RHO may execute against eligible Pre-Opening Session contra-side interest resting in the EDGX Book in the time period between the start of 9:30 a.m. Eastern Time and the Exchange's Opening Process or a Contingent Open, as described in paragraph (b) and (d).<sup>40</sup> Orders with a TIF instruction of IOC or FOK will continue to be eligible for execution during this time period as they would be considered orders without a TIF instruction of RHO. Paragraph (a)(1) would also state that any unexecuted portion of an ISO that is designated RHO will be converted into a non-ISO and be queued for participation in the Opening Process.

Paragraph (a)(2) would be amended to state that all orders that include a TIF instruction of RHO may participate in the Opening Process except: Limit Orders with a Post Only instruction, the Discretionary Range of Limit Orders, and ISOs not modified by Rule 11.7(a)(1), and orders with a Minimum Execution Quantity instruction. Limit Orders with a Discretionary Range may participate up to their ranked limit price for buy orders or down to their ranked limit price for sell orders, rather than up or down to their discretionary price, as is currently allowed. Orders with a TIF instruction of IOC or FOK will continue to be ineligible for execution in the Opening Process as they would not be able to also include a TIF instruction of RHO. Orders with a Stop Price or Stop Limit Price instruction will be eligible to participate in the Opening Process where their stop prices have been triggered.

Paragraph (b) defines the process by which the System will attempt to match buy and sell orders that are executable at the midpoint of the NBBO. The Exchange does not propose to alter this process other than to define it as the Opening Match. In addition, the

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<sup>40</sup> See supra note 8.

Exchange propose to include in paragraph (b) that all ERSTP modifiers, as defined in Rule 11.10(d), will be ignored as it relates to executions occurring during the Opening Match.

Paragraph (d) sets forth the Exchange's Contingent Open process that occurs when the conditions to establish the price of the Opening Process set forth under Rule 11.7(c) do not occur by 9:45:00 a.m. Eastern Time. In such case, orders will be placed on the EDGX Book, routed, cancelled, or executed in accordance with the terms of the order. The Exchange proposes to state under paragraph (d) that the orders will be handled in time sequence, beginning with the order with the oldest time stamp. The Exchange also proposes to remove the prohibition from paragraph (b) that MidPoint Match ("MPM") Orders, as defined in Rule 11.8(d), will not be eligible for execution until the conditions set forth under Rule 11.7(c) above for determining the price of the Opening Process have been met. MPM Orders are currently only eligible for execution during the Regular Session. As discussed in more detail below, the Exchange proposes to enable MPM Orders to be also eligible for execution during the Pre-Opening Session and Post Closing Session. Therefore, the Exchange proposes to remove this restriction on MPM Orders from Rule 11.7(d).

Paragraph (e) of Exchange Rule 11.7 states that re-openings after a halt, suspension or pause will occur at the midpoint of the: (i) first NBBO subsequent to the first reported trade on the listing exchange following the resumption of trading after a halt, suspension, or pause; or (ii) then prevailing NBBO when the first two-sided quotation published by the listing exchange following the resumption of trading after a halt, suspension, or pause 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. The Exchange proposes to add additional language to paragraph (e) to align with BATS Rule 11.24 and BYX Rule 11.23. First, the Exchange proposes to specify that while a security is subject to a halt, suspension, or pause in trading, the Exchange will accept orders eligible pursuant to paragraph (a)(2) described above for queuing prior to the resumption of trading in the security for participation in the Re-Opening Process. In addition, proposed paragraph (e)(2) would specify that the Re-Opening Process will occur in the same manner described in paragraphs (a)(2) and (b) of Rule 11.7, with the following exceptions: (1) orders without a TIF instruction of RHO will be eligible for participation in the Re-Opening Process, but orders that include a TIF instruction of IOC or FOK, a Post Only instruction or Minimum Execution Quantity instruction will be cancelled or rejected, as applicable, and any ISO that does not include a TIF instruction of IOC or FOK will be converted into a non-ISO and be queued for participation in the Re-Opening Process. Proposed paragraph (e)(2) would state that where neither of the conditions required to establish the price of the Re-Opening Process in paragraph (1) above have occurred, the security may be opened for trading at the discretion of the Exchange. Where the security is opened by the Exchange subject to this discretion, orders will be handled in the same manner described in paragraph (d) regarding a Contingent Open. Proposed paragraphs (e)(1) – (2) would be substantially similar to the functionality set forth in BATS Rule 11.24(e)(1) – (2) and BYX Rule 11.23(e)(1) – (2).

### **Rule 11.8, Order Types**

The Exchange proposes to amend the order types set forth under Rule 11.8 to align their operation with existing BATS Rule and functionality.

Market Orders (Rule 11.8(a)). The Exchange proposes to amend paragraph (a)(2) to state that Market Orders may also include a TIF instruction of RHO and any portion of a Market Order with a TIF instruction of RHO will be cancelled immediately following the Opening or Re-Opening Process in which it is not executed, unless it is eligible to be displayed on the EDGX Book pursuant to Rule 11.8(a)(4). A Market Order being canceled immediately following the Opening or Re-Opening Process if not executed is a natural extension of the Opening Process. Exchange Rule 11.7(b) states that upon conclusion of the Opening Process, any remaining orders will be placed on the EDGX Book, cancelled, executed, or routed to an away in accordance with Rule 11.11. As a result, the Market Order will be cancelled unless it is eligible to be displayed on the EDGX Book pursuant to Rule 11.8(a)(4).

Under current Rule 11.10(a)(3)(A), where a non-routable buy (sell) Market Order is entered into the System and the NBO (NBB) is greater (less) than the Upper (Lower) Price Band, such order will be posted by the System to the EDGX Book and priced at the Upper (Lower) Price Band, unless (i) the order includes a TIF instruction of IOC or FOK, in which case it will be cancelled if not executed, or (ii) the User entered a Cancel Back instruction. The Exchange proposes to specify, consistent with BATS Rule 11.9(a)(2),<sup>41</sup> that a Market Order to buy (sell) that is posted by the System to the EDGX Book and displayed at the Upper (Lower) Price Band will be re-priced and displayed at the Upper

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<sup>41</sup> See Securities Exchange Act Release Nos. 73875 (December 18, 2014) (SR-BATS-2014-068) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.0(a)(2) and 11.18(e) of the BATS Exchange, Inc.); and 73874 (December 18, 2014) (SR-BYX-2014-039) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.0(a)(2) and 11.18(e) of the BATS Y-Exchange, Inc.).

(Lower) Price Band if Price Bands move such that the price of the resting Market Order to buy (sell) would be above (below) the Upper (Lower) Price Band or if the Price Bands move such that the order is no longer posted and displayed at the most aggressive permissible price. The System shall re-price such displayed interest to the most aggressive permissible price until the order is executed in its entirety or cancelled. In addition, the amended rule would state that a Market Order that includes both a TIF instruction of RHO and a Short Sale instruction that cannot be executed because of the existence of a Short Sale Circuit Breaker will be posted and displayed by the System to the EDGX Book and priced in accordance with the Short Sale Re-Price instruction described in Rule 11.6(l)(2).

Currently, with the exception of a Market Order with a Destination-on-Open instruction, any portion of a Market Order that would execute at a price more than the greater of \$0.50 or 5 percent worse than the consolidated last sale as published by the responsible single plan processor at the time the order is entered into the System will be cancelled. As amended, such order will be cancelled where they would execute at a price more than \$0.50 or 5 percent worse than the NBBO at the time the order initially reaches the Exchange, whichever is greater. This is identical to BATS Rule 11.9(a)(2).

Limit Orders (Rule 11.8(b)). The Exchange proposes to state that a Limit Order may also include a TIF instruction of RHO or GTX, in addition to IOC, FOK, Day or GTD. In addition, Limit Orders with a TIF instruction of IOC that do not include a Book Only<sup>42</sup> instruction and will be eligible for routing away pursuant to Rule 11.11, while

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<sup>42</sup> Book Only is an order instruction stating that an order will be matched against an order on the EDGX Book or posted to the EDGX Book, but will not route to an away Trading Center. See EDGX Rule 11.6(n)(3).

Limit Orders with a TIF instruction of FOK will not. This is designed to provide additional detail regarding the operation of Limit Order and is consistent with BATS Rule 11.13(a)(2), which states, in sum, that “[w]ith respect to an order that is eligible for routing, the System will designate orders as IOCs and will cause such orders to be routed to one or more Trading Centers.”

Rule 11.8(b)(11) describes the application of the re-pricing instruction to comply with Regulation SHO to Limit Orders. The Exchange proposes to amend this paragraph to reflect the decommissioning of Short Sale Price Adjust and Short Sale Price Sliding in order to align and streamline its short sale pricing functionality with BATS Rule 11.9(g)(5) with no substantive differences from existing BATS Rules or functionality. The Exchange also proposes to delete Rule 11.8(b)(12) regarding the re-pricing of Routed and Returned orders as this functionality will not be available upon the Exchange being migrated to BATS technology as discussed above. Lastly, the Exchange proposes to renumber Rule 11.8(b)(13) regarding the re-pricing of non-displayed orders as 11.8(b)(12) and rename it “Re-Pricing of Non-Displayed Limit Orders and Limit Orders of Odd Lot Size” and to make minor amendments to correspond to the re-pricing of orders of Odd Lot size discussed above.

ISOs (Rule 11.8(c)). The Exchange proposes to state that an ISO may also include a TIF instruction of RHO or GTX, in addition to IOC, Day or GTD. The Exchange also proposes to amend Rule 11.8(c) to reflect the ISO with a Post Only and TIF instruction of GTD, GTX, or Day will no longer be eligible for the Re-Pricing Instructions to Comply with Rule 610 of Regulation NMS or Rule 201 of Regulation SHO. Also, as amended, an ISO that includes a Post Only instruction and a TIF

instruction of GTD, GTX, or Day will be cancelled if the System is displaying orders at the Locking Price at the time of entry unless such order removes liquidity pursuant to current Rule 11.6(n)(4), which governs the execution of orders with a Post Only instruction against resting liquidity on the EDGX Book. Such orders that also include a Short Sale instruction that cannot be executed or displayed at their limit price at the time of entry because of the existence of a Short Sale Circuit Breaker will also be cancelled. This proposed rule change is representative of additional detail with regard to the re-pricing of ISOs that, if displayed on the EDGX Book, would be a Locking or Crossing Quotation in the Exchange's rules. Cancelling ISOs in the above situations is reasonable because ISOs would no longer be eligible for the Re-Pricing Instructions to comply with Rule 610 of Regulation NMS or 201 of Regulation SHO, thereby ensuring the Exchange does not post an order that would lock or cross the market or violate Rule 201 Regulation SHO consistent with BATS functionality. The Exchange notes, however, that absent a Short Sale Circuit Breaker being in effect, an ISO that includes a Post Only instruction and TIF instruction of GTD, GTX, or Day will remove liquidity when the System is displaying an order at the Locking price if the value of such execution equals or exceeds the value of such execution if the order instead posted to the EDGX Book and provided liquidity, including applicable fees and rebates, under current Rule 11.6(n)(4).

MPM Orders (Rule 11.8(d)). The Exchange proposes amend Rule 11.8(d) to reflect the operation of MPM orders once the Exchange is migrated onto BATS technology. As amended, the rule would specify that an MPM Order will not be eligible for execution when an NBBO is not available. In such case, an MPM Order would rest on the EDGX Book and would not be eligible for execution in the System until an NBBO

is available. The Exchange believes MPM Orders being ineligible for execution when no NBBO exists is reasonable and consistent with a User's intent and the purpose of the order type. A User entering an MPM Order is doing so to receive an execution at the mid-point of the NBBO and a mid-point does not exist in the absence of an NBBO. The MPM order will receive a new time stamp when an NBBO becomes available and a new midpoint of the NBBO is established. In such case, all MPM orders that are ranked at the midpoint of the NBBO will retain their priority as compared to each other based upon the time such orders were initially received by the System.

The Exchange proposes to state that an MPM Order may also include a TIF instruction of RHO or GTX, in addition to IOC, FOK, Day or GTD. In addition, Users will be able to enter MPM Orders as an Odd Lot, in addition to a Round Lot or Mixed Lot. Currently, MPM Orders may only be executed during the Regular Session. Upon migration of the Exchange onto BATS technology, MPM Order will also be eligible for execution during the Pre-Opening Session and Post Closing Session. While MPM Orders may be submitted to be executed during the Opening Process described in Rule 11.7(c), any Minimum Execution Quantity instruction on an MPM Order will not be applied during the Opening Process. Lastly, MPM Orders will be eligible for execution during the Regular Session in the event of a Contingent Open as described in Rule 11.7(d), regardless of whether the conditions set forth under Rule 11.7(c) for determining the price of the Opening Process have been met. Lastly, the Exchange proposes to specify that MPM Orders may include a Book Only instruction.

NBBO Offset Peg Order (Rule 11.8(e)). The Exchange proposes to change the name of the NBBO Offset Peg Order to the Market Maker Peg Order, which is the

equivalent order type on BATS.<sup>43</sup> A Market Maker Peg Order is a Limit Order that, upon entry or at the beginning of Regular Trading Hours, as applicable, will be automatically priced by the System at the Designated Percentage<sup>44</sup> away from the last reported sale, rather than then current NBO (in the case of an order to buy) or NBB (in the case of an order to sell), as is currently the case. A Market Maker Peg order may also include a TIF instruction of RHO or GTD, in addition to Day. Market Maker Peg Orders may also be entered as Odd Lots, in addition to Round Lots and Mixed Lots.

The Exchange also proposes to add definitions for Designated Percentage and Defined Limit under Rule 11.8(e) to account for securities priced below \$1. For purposes of Market Maker Peg Order pricing, the Designated Percentage shall be the same as set forth in Rules 11.20(d)(2)(D) and 11.20(d)(2)(E), except that the Designated Percentage for securities priced below \$1 as set forth in Rule 11.20(d)(2)(E) shall be 28%. For purposes of Market Maker Peg Order pricing, the Defined Limit shall be the same as set forth in Rules 11.20(d)(2)(F) and 11.20(d)(2)(G), except that the Defined Limit for securities priced below \$1 as set forth in Rule 11.20(d)(2)(G) shall be 29.5%. The proposed changes to Rule 11.8(e) are similar to the functionality set forth in BATS Rule 11.9(c)(16).

Route Peg Order (Rule 11.8(f)). The Exchange proposes to change the name of the Route Peg Order to the Supplemental Peg Order, which is the equivalent order type on BATS.<sup>45</sup> The Exchange also proposes to specify that a Supplemental Peg Order to

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<sup>43</sup> See BATS Rule 11.9(c)(16).

<sup>44</sup> The term Designated Percentage is defined in Exchange Rule 11.20(d)(2)(D) and (E).

<sup>45</sup> See BATS Rule 11.9(c)(19).

buy (sell) will not be eligible for execution when an NBB (NBO) is not available. In such case, a Supplemental Peg Order to buy (sell) would rest on the EDGX Book and would not be eligible for execution in the System until an NBB (NBO) exists. This functionality is similar to that proposed for the MPM Order described above, and is based upon BATS Rule 11.9(c)(19). The Exchange believes Supplemental Peg Orders being ineligible for execution when an NBB or NBO is not available is reasonable and consistent with a User's intent and the purpose of the order type. A User entering a Supplemental Peg Order is doing so to receive an execution at the NBBO against an order that is in the process of being routed away. If no NBBO exists, there is no price at which to execute the Supplemental Peg Order.

A Supplemental Peg Order may include a TIF instruction of GTX or RHO, in addition to GTD or Day. Supplemental Peg Orders may also be entered as Odd Lots, in addition to Round Lots and Mixed Lots. As amended, a Supplemental Peg Order will be eligible for execution during the Pre-Opening Session, Regular Session, and Post-Closing Session. Therefore, the Exchange proposes to remove the restriction that Supplemental Peg Orders: (i) may only be entered, cancelled, and cancelled/replaced prior to and during the Regular Session; (ii) are only eligible for execution during the Regular Session, but not until such time that orders in that security during the Regular Session can be posted by the System to the EDGX Book. Any remaining unexecuted Supplemental Peg Orders are cancelled at the conclusion of the Regular Session. Supplemental Peg Orders will continue to be ineligible for execution in the Opening Process. The proposed changes to Rule 11.8(f) regarding Route Peg Orders are similar to BATS Rule 11.9(c)(19).

**Rule 11.9, Priority of Orders**

The Exchange proposes to amend Rule 11.9 to align with BATS functionality and BATS Rule 11.12 regarding how orders with certain instructions are to be ranked by the System: (i) at a price other than the midpoint of the NBBO; (ii) at the midpoint of the NBBO; and (iii) where buy (sell) orders utilize instructions that cause them to be ranked by the System upon clearance of a Locking Quotation.<sup>46</sup> The proposed amendment to Rules 11.9(a)(4) and (6) are described under the amendments to Reserve Quantity discussed above.

Prices Other than the Midpoint of the NBBO. Rule 11.9(a)(2)(A) currently states that the System will execute equally priced trading interest within the System at prices other than at the midpoint of the NBBO or 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 and the Reserve Quantity of Limit Orders; (iii) Limit Orders executed within their Discretionary Range; and (iv) Route Peg Orders. As amended, the System will rank equally priced trading interest in such circumstances in the following order: (i) the portion of a Limit Order with a Displayed instruction; (ii) Limit Orders with a Non-Displayed instruction; (iii) Orders with a Pegged and Non-Displayed instruction; (iv) Reserve Quantity of Limit Orders; (v) Limit Orders executed within their Discretionary Range; and (vi) Supplemental Peg Orders. Orders will be substantially ranked in same order except that, as amended, orders with a Pegged and Non-Displayed

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<sup>46</sup> For purposes of priority under proposed Rule 11.9(a)(2)(A), (B) and (C), the Exchange notes that orders of Odd Lot, Round Lot, or Mixed Lot size are treated equally.

instruction will be distinguished from and placed behind Limit Orders with a Non-Displayed Instruction. In turn, the Reserve Quantity of Limit Orders will be separated from and placed behind Limit Orders with a Non-Displayed instruction and orders with a Pegged and Non-Displayed instruction. The Exchange believes it is reasonable to rank orders with a Pegged and Non-Displayed instruction behind Limit Orders with a Displayed instruction and Limit Orders with a Non-Displayed instruction because this priority sequence incentivizes the use of displayed liquidity on the EDGX Book as well as orders that provide liquidity at a specific limit price. These proposed changes are substantially similar to BATS functionality and Rules 11.12(a)(2). The Exchange notes that BATS Rule 11.12(a)(2) does not currently specify that BATS Pegged Orders referenced in the priority rule are limited to Pegged Orders that are not displayed on BATS, however, the Exchange represents that BATS technology does treat Pegged Orders displayed on BATS as displayed orders and that only Pegged Orders that are not displayed on BATS are afforded later priority than displayed orders and other non-displayed orders. Thus, the Exchange's proposal (which would limit the later priority treatment to orders with a Pegged instruction and a Non-Displayed instruction) is consistent with BATS technology.

At the Midpoint of the NBBO. Rule 11.9(a)(2)(B) currently states that the System will execute trading interest priced at the midpoint of the NBBO within the System in time priority in the following order: (i) Limit Orders to which the Hide Not Slide or Routed And Returned Re-Pricing instruction has been applied; (ii) MidPoint Match Orders; (iii) Limit Orders with a Non-Displayed instruction; and (iv) Limit Orders executed within their Discretionary Range. As amended, the System will rank equally

priced trading interest in such circumstances in the following order: (i) Limit Orders to which the Hide Not Slide instruction has been applied; (ii) MidPoint Match Orders; (iii) Limit Orders with a Non-Displayed instruction; (iv) Orders with a Pegged instruction; (v) Reserve Quantity of Limit Orders; and (vi) Limit Orders executed within their Discretionary Range. Thus, orders will be substantially ranked in same order except that, as amended, orders with a Pegged instruction will be distinguished from and placed behind Limit Orders with a Non-Displayed instruction. In turn, the Reserve Quantity of Limit Orders will be separated from and placed behind Limit Orders with a Non-Displayed instruction and orders with a Pegged instruction. In addition, the Exchange proposes to remove a reference to the Routed and Returned Re-Pricing instruction because, as described above, it will be decommissioned upon migration of the Exchange onto BATS technology.

Orders Re-Ranked upon Clearance of a Locking Quotation. The Exchange does not propose to make any changes to the ranking of orders that are re-ranked upon clearance of a Locking Quotation other than to remove a reference to the Routed and Returned Re-Pricing instruction because, as described above, it will be decommissioned upon migration of the Exchange onto BATS technology.

#### **Rule 11.10, Order Execution**

Rule 11.10(a)(2) summarizes the Exchange compliance with Regulation NMS. The rule states that for any execution to occur during Regular Trading Hours, the price must be equal to or better than the Protected NBBO, unless the order is marked ISO or unless the execution falls within another exception set forth in Rule 611(b) of Regulation NMS. For any execution to occur during the Pre-Opening Session or the Post-Closing

Session, the price must be equal to or better than the highest bid or lowest offer in the EDGX Book or disseminated by the responsible single plan processor, unless the order is marked ISO. To align Rule 11.10(a)(2) with BATS Rule 11.13, the Exchange proposed to further state that such executions may occur during the Pre-Opening Session or the Post-Closing Session where a Protected Bid is crossing a Protected Offer. A User may, in such circumstance, instruct the Exchange to cancel any incoming order from such User in the event a Protected Bid is crossing a Protected Offer.

To further align Exchange Rule 11.10(a)(2) with BATS Rule 11.13, Rule 11.10(a)(2) will state that notwithstanding the above, in the event that a Protected Bid is crossing a Protected Offer, whether during or outside of Regular Trading Hours, unless an order is marked ISO, the Exchange will not execute any portion of a bid at a price more than the greater of 5 cents or 0.5 percent higher than the lowest Protected Offer or any portion of an offer that would execute at a price more than the greater of 5 cents or 0.5 percent lower than the highest Protected Bid.

The Exchange also proposes to amend Rule 11.12(e)(3) to mirror BATS Rule 11.9(e)(3). Rule 11.12 currently states that only the price and quantity terms of the order may be changed by a Replace Message (including changing a Limit Order to a Market Order). As amended, Rule 11.12 would also allow the Stop Price, the sell long indicator, Short Sale instruction, and Max Floor to be changed by a Replace Message.

#### **Rule 11.11, Routing to Away Trading Centers**

The Exchange proposes to amend Rule 11.11, which describe the Exchange's

routing options align with BATS Rule 11.13.<sup>47</sup> In doing so, the Exchange proposes to eliminate obsolete routing options, modify certain routing options, and add to Rule 11.11 to offer many of the same routing options offered by BATS. The Exchange notes that the proposed rule text is based on the Rule 11.13 of BATS and is different only to the extent necessary to conform to the Exchange's current rules. The Exchange believes that it is appropriate to amend its routing options as described below to ensure consistency with BATS Rule upon migration of the Exchange onto BATS technology.

Deletions. The Exchange also proposes to delete from Rule 11.11 the following routing options that will be decommissioned upon migration of the Exchange onto BATS technology: ROBA, ROBX, ROBY, ROPA, IOCX, IOCT, and SWPC. Each of these routing options are described below.

- ROBA. The Exchange proposes to delete the ROBA routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to BATS. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.
- ROBX. The Exchange proposes to delete the ROBX routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to Nasdaq BX Exchange. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.
- ROBY. The Exchange proposes to delete the ROBY routing option under which

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<sup>47</sup> The Exchange notes that BATS recently amended its Rule 11.13 to harmonize certain of its routing options with the Exchange. See supra note 37.

- an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to BYX. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.
- ROPA. The Exchange proposes to delete the ROPA routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to NYSE Arca. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.
  - IOCX. The Exchange proposes to delete the IOCX routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to EDGA. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.
  - IOCT. The Exchange proposes to delete the IOCT routing option under which an order checks the System for available shares and then is sent to destinations on the System routing table. If shares remain unexecuted after routing, they are sent, with a Time-in-Force instruction of IOC, to EDGA. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.
  - SWPC. The Exchange proposes to delete the SWPC routing option under which an order checks the System for available shares and then is sent to only Protected Quotations and only for displayed size. To the extent that any portion of the order is unexecuted, the remainder is posted on the EDGX Book at the order's limit price. The entire SWPC order will not be cancelled back to the User immediately

if at the time of entry there is an insufficient share quantity in the SWPC order to fulfill the displayed size of all Protected Quotations. The Exchange also proposes to delete a reference to SWPC in Rule 11.11(d).

The Exchange believes that it is appropriate to eliminate the above routing options because they will be decommissioned upon migration of the Exchange onto BATS technology and are unlikely to be offered by the Exchange in the near future.

Additions. The Exchange proposes to add a Destination Specific routing option, which is currently offered by BATS.<sup>48</sup> Destination Specific is a routing option under which an order checks the System for available shares and then is sent to an away trading center or centers specified by the User. The Destination Specific routing option is also similar to the Exchange's current Destination Specified order instruction in Rule 11.6(n)(5), in that both allow the User to select the destination the order shall be routed to. The only differences are that under the Destination Specific order instruction, the order is first exposed to the EDGX Book before routing and if the order is not executed in full after routing away will be processed by the Exchange as described in Exchange Rule 11.10(a)(4), unless the User has provided instructions that the order reside on the book of the relevant away Trading Center.

The Exchange also proposes to add a Post to Away routing option, which is currently offered by BATS.<sup>49</sup> Post to Away is a routing option under which the System will route the remainder of a routed order to and posts such order on the order book of a destination on the System routing table as specified by the User. The Post to Away

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<sup>48</sup> See BATS Rule 11.13(a)(3)(E).

<sup>49</sup> See BATS Rule 11.13(a)(3)(H).

routing option is an alternative to either cancelling a routed order back to a User or posting such order to the BATS Book to the extent an order is not completely filled through the routing process. The Post to Away routing option can be combined with the following routing options: ROUT, ROUX, and ROUE.<sup>50</sup> As a result of adding the Post to Away routing option, the Exchange proposes to amend Rule 11.11(g)(3) to remove now redundant language that a User may instruct that any remainder of the order may be posted to the EDGX Book or another destination on the System routing table.

Lastly, the Exchange also proposes to specify for ROOC, ROUE, ROUT and ROUX that the entering User may select either Route To Improve (“RTI”) or Route To Fill (“RTF”). RTI may route to multiple destinations at a single price level simultaneously while RTF may route to multiple destinations and at multiple price levels simultaneously. RTI is similar to the RTI routing option available under BYX Rule 11.13(a)(3)(G).

Modifications. First, the Exchange proposes to modify Rule 11.11(a) regarding Regulation SHO to reflect the elimination of Short Sale Price Adjust and Short Sale Price Sliding discussed above, as well as to replace the phrase “the short sale price restriction” with the defined term “Short Sale Circuit Breaker.” The later change does not change the meaning of Rule 11.11(a) and simply ensures a consistent use of defined terms throughout the Exchange’s Rules.

Second, the Exchange proposes to modify the following routing options to ensure

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<sup>50</sup> The Exchange notes that Post to Away under BATS Rule 11.13(a)(3)(H) may be combined with more routing options than are proposed above. This is because BATS rules include additional routing options that are eligible to be posted to an away destination that are not currently available on the Exchange or that are eligible to be combined with the Post to Away routing strategy.

consistency with BATS Rule: ROUC, INET, ROLF, ROOC, SWPA, and SWPB. Each of these modifications are described below.

- **ROUC.** ROUC is a routing option under which an order checks the System for available shares and then is sent to destinations on the System routing table, Nasdaq OMX BX, and NYSE. If shares remain unexecuted after routing, they are posted on the EDGX Book. The Exchange proposes to amend the ROUC routing option to state that any remaining shares will not be posted to EDGX Book where the User instructs the Exchange otherwise.
- **INET.** INET is a routing option under which an order will check the System for available shares and then will be sent to Nasdaq. If shares remain unexecuted after routing through the INET routing option, they will be posted on the Nasdaq book. The Exchange proposes to amend the INET routing option to state that any remaining shares will not be posted to Nasdaq where the User instructs the Exchange otherwise.
- **ROLF.** ROLF is a routing option under which an order will check the System for available shares and then will be sent to LavaFlow ECN. The Exchange proposes to amend the ROLF routing option to states that any remaining shares will be cancelled unless the User instructs otherwise.
- **ROOC.** ROOC is a routing option for orders that the entering firm wishes to designate for participation in the opening, re-opening (following a halt, suspension, or pause), or closing process of a primary listing market (BATS, NYSE, Nasdaq, NYSE MKT, or NYSE Arca) if received before the opening/re-opening/closing time of such market. The Exchange proposes to amend the

ROOC routing option to add BATS to the list of primary listing markets and to specify that, due to current system limitations, orders in BATS listed securities designated for participation in the re-opening process on BATS following a halt, suspension, or pause will remain on the EDGX Book and be eligible for execution once the halt, suspension, or pause has been lifted. Lastly, to ensure consistency with the ROOC routing option available on BATS, the Exchange proposes to states that any remaining shares will either be posted to the EDGX Book, executed, or routed to destinations on the System routing table, rather than like a ROUT routing option under Rule 11.11(g)(3). The proposed modifications to the ROOC routing option is similar to the ROOC routing option available under BYX Rule 11.13(a)(3)(N).

- **SWPA.** SWPA is a routing option under which an order checks the System for available shares and then is sent to only Protected Quotations and only for displayed size. The entire SWPA order will not be cancelled back to the User immediately if at the time of entry there is an insufficient share quantity in the SWPA order to fulfill the displayed size of all Protected Quotations. The Exchange proposes to amend the SWPA routing option to state that, rather than cancelling any remaining unexecuted shares, those shares will be posted to the EDGX Book at the order's limit price, unless otherwise instructed by the User. This is consistent with BATS Rule 11.13(a)(2)(A), which states that any unfilled balance of a Limit Order will be posted to the BATS book.
- **SWPB.** SWPB is a routing option under which an order checks the System for available shares and then is sent to only Protected Quotations and only for

displayed size. The entire SWPB order will be cancelled back to the User immediately if at the time of entry there is an insufficient share quantity in the SWPB order to fulfill the displayed size of all Protected Quotations. Like as proposes for SWPA above, the Exchange proposes to amend the SWPB routing option to state that, rather than cancelling any remaining unexecuted shares, those shares will be posted to the EDGX Book at the order's limit price, unless otherwise instructed by the User. This is consistent with BATS Rule 11.13(a)(2)(A), which states that any unfilled balance of a Limit Order will be posted to the BATS book.

#### Implementation Date

The Exchange intends to implement the proposed rule change on or about January 12, 2015, which is the anticipated date upon which the migration of the Exchange to the BATS technology platform will be complete.<sup>51</sup>

#### (b) Statutory Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Act<sup>52</sup> and further the objectives of Section 6(b)(5) of the Act<sup>53</sup> because they are designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to foster cooperation and coordination with persons engaged in facilitating transactions in

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<sup>51</sup> Implementation of the proposed rule change on or about January 12, 2015 is contingent upon the Commission granting a waiver of the 30-day operative delay. 17 CFR 240.19b-4(f)(6)(iii).

<sup>52</sup> 15 U.S.C. 78f(b).

<sup>53</sup> 15 U.S.C. 78f(b)(5).

securities, and, in general, to protect investors and the public interest. The proposed rule change also is designed to support the principles of Section 11A(a)(1)<sup>54</sup> of the Act in that it seeks to assure fair competition among brokers and dealers and among exchange markets.

The proposed rule changes are generally intended to add or align certain system functionality currently offered by BATS in order to provide a consistent technology offering for the BGM Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes and maintenance by Users of the Exchange that are also participants on BATS. The proposed rule changes would also provide Users with access to functionality that is generally available on markets other than the BGM Affiliated Exchanges and may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on BATS. The Exchange notes that the proposed rule text is based on the BATS Rule and is different only to the extent necessary to conform to the Exchange's current rules. To the extent a proposed rule change is based on an existing BATS Rule, the language of the BATS and Exchange Rules may differ to extent necessary to conform with existing Exchange rule text or to account for details or descriptions included in the Exchange's Rules but not in the applicable BATS rule. Where possible, the Exchange has mirrored BATS rules, because consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange's

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<sup>54</sup> 15 U.S.C. 78k-1(a)(1).

operations for Members of the Exchange that are also participants on BATS. The proposed rule change would provide greater harmonization between the rules of the BGM Affiliated Exchanges, 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. The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to understand. Where necessary, the Exchange has proposed language consistent with the Exchange's operations on BATS technology, even if there are specific details not contained in the current structure of BATS rules. The Exchange believes it is consistent with the Act to maintain its current structure and such detail, rather than removing such details simply to conform to the structure or format of BATS rules, again because the Exchange believes this will increase the understanding of the Exchange's operations for all Members of the Exchange.

Re-Pricing (Rule 11.6(l)). The Exchange believes that the proposed changes to Rule 11.6(l) are consistent with Section 6(b)(5) of the Act,<sup>55</sup> as well as Rule 610 of Regulation NMS<sup>56</sup> and Rule 201 of Regulation SHO.<sup>57</sup> Rule 610(d) requires exchanges to establish, maintain, and enforce rules that require members reasonably to avoid

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<sup>55</sup> 15 U.S.C. 78f(b)(5).

<sup>56</sup> 17 CFR 242.610.

<sup>57</sup> 17 CFR 242.201.

“[d]isplaying quotations that lock or cross any protected quotation in an NMS stock.”<sup>58</sup>

Such rules must be “reasonably designed to assure the reconciliation of locked or crossed quotations in an NMS stock,” and must “prohibit ... members from engaging in a pattern or practice of displaying quotations that lock or cross any quotation in an NMS stock.”<sup>59</sup>

Thus, the amendments to the Price Adjust instruction proposed by the Exchange will assist Users by displaying orders at permissible prices. Similarly, Rule 201 of Regulation SHO<sup>60</sup> requires trading centers to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution or display of a short sale order at a price at or below the current NBB under certain circumstances.

The Exchange believes that the proposed optional multiple re-pricing for Price Adjust is consistent with Section 6(b)(5) of the Act,<sup>61</sup> as well as Rule 610 of Regulation NMS.<sup>62</sup> The Exchange is not modifying the overall functionality of Price Adjust, which, to avoid locking or crossing quotations of other market centers, displays orders at permissible prices while retaining a price at which the User is willing to buy or sell, in the event display at such price or an execution at such price becomes possible. Instead, the Exchange is making changes to adopt an optional multiple re-pricing under Price Adjust and align with other similar re-pricing instructions under BATS Rule 11.9(g)(2).<sup>63</sup> The Exchange also believes decommissioning the Routed and Returned Re-Pricing option is

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<sup>58</sup> 17 CFR 242.610(d).

<sup>59</sup> Id.

<sup>60</sup> 17 CFR 242.201.

<sup>61</sup> 15 U.S.C. 78f(b)(5).

<sup>62</sup> 17 CFR 242.610.

<sup>63</sup> See supra note 31.

consistent with the Act because those Users who would wish to engage in multiple re-pricing upon return to the Exchange may select the option multiple re-pricing for Price Adjust as discussed above.

The Exchange also believes that cancelling ISOs with a TIF instruction of GTD, GTX, or Day and not subjecting them to the re-pricing instructions to comply with Rule 610 of Regulation NMS or Rule 201 of Regulation SHO is consistent with Section 6(b)(5) of the Act,<sup>64</sup> as well as Rule 610 of Regulation NMS<sup>65</sup> and Rule 201 of Regulation SHO.<sup>66</sup> As amended, an ISO that includes a TIF instruction of GTD, GTX, or Day will be cancelled if the System is displaying orders at the Locking Price at the time of entry. Such orders that also include a Short Sale instruction that cannot be executed or displayed at their limit price at the time of entry because of the existence of a Short Sale Circuit Breaker will also be cancelled. Such orders are cancelled in order to avoid a potential violation of Rule 610(d) of Regulation NMS or Rule 201 of Regulation SHO and is, therefore, consistent with the Act.

The Exchange believes that the proposed changes to its Re-Pricing Instructions to Comply with Rule 201 of Regulation SHO are consistent with Section 6(b)(5) of the Act,<sup>67</sup> as well as Rule 201 of Regulation SHO.<sup>68</sup> The Exchange proposes to streamline and simplify its available re-pricing instructions by deleting Short Sale Price Adjust and Short Sale Price Sliding and adopting a new, streamlined rule to align with BATS Rule

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<sup>64</sup> 15 U.S.C. 78f(b)(5).

<sup>65</sup> 17 CFR 242.610.

<sup>66</sup> 17 CFR 242.201.

<sup>67</sup> 15 U.S.C. 78f(b)(5).

<sup>68</sup> 17 CFR 242.201.

11.9(g)(5), with the following differences. Rule 11.6(1)(2) states that an order to sell with a Short Sale instruction and a Price Adjust instruction that is re-priced will be ranked at the Permitted Price and that an order to sell with a Short Sale instruction and a Hide Not Slide instruction that is re-priced pursuant to this paragraph will be ranked at the mid-point of the NBBO. BATS Rule 11.9(g)(5) states that the default short sale re-pricing process will only re-price an order upon entry, while amended Rule 11.6(1)(2) will also permit it be re-priced one additional time to reflect a decline in the NBB. The Exchange's short sale price sliding will operate the same for Users of Price Adjust on BATS while Users who select Hide Not Slide will be ranked at the mid-point of the NBBO, like was previously available via Short Sale Price Sliding. The proposed rule change would provide greater harmonization between the rules of the BGM Affiliated Exchanges, 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.

The Exchange believes that the proposed changes to its Re-Pricing of Order with a Non-Displayed Instruction Priced Better than the mid-point of the NBBO to also include Odd Lots is consistent with Section 6(b)(5) of the Act.<sup>69</sup> Doing so would provide Members with additional specificity as to how their orders of Odd Lot size are handled, thereby fostering cooperation and coordination with persons engaged in facilitating transactions in securities and removing impediments to and perfecting the mechanism of

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<sup>69</sup> 15 U.S.C. 78f(b)(5).

a free and open market and a national market system. In addition, ranking orders of Odd Lot size to the mid-point of the NBBO in such cases would enable the System to avoid an internal cross on the EDGX Book (e.g., an order to buy (sell) that is priced higher (lower) than a Mid-Point Match order to sell (buy)). The Exchange believes an internally crossed book is not indicative of a fair and orderly market because a User may receive a worse price if its order is executed during a crossed market rather than if the System executed the trade while the EDGX Book was not internally crossed. Therefore, the Exchange believes the proposed rule change will promote just and equitable principles of trade, removes impediments to, and perfects the mechanism of, a free and open market and a national market system.

Opening Process (Rule 11.7). The amended description of the Opening Process in Rule 11.7 is designed to promote just and equitable principles of trade and remove impediments to, and perfect the mechanism of, a free and open market system because it would align with BZX Rule 11.24 and BYX Rule 11.23 as it relates to:<sup>70</sup> (i) which orders may participate in the process; (ii) how the price of the Opening Transaction is determined; and (iii) the process for late openings and re-openings. The Opening Process and their related rules would be identical across the BGM Affiliated Exchanges, and will therefore, contribute to the protection of investors and the public interest by avoiding investor confusion and providing consistent functionality across the BGM Affiliated Exchanges. Lastly, and as stated above, the amendment to Rule 11.7 is based on BATS Rule 11.24 and BYX Rule 11.23, both of which were recently approved by the

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<sup>70</sup> See supra note 39.

Commission.<sup>71</sup>

Order Types (Rule 11.8). The Exchange believes that the proposed changes to its order types under Rule 11.8 in order to align their functionality with BATS rules are consistent with Section 6(b)(5) of the Act,<sup>72</sup> because these changes are designed to provide Members with additional specificity as to how their orders will be handled upon migration of the Exchange onto BATS technologies, thereby fostering cooperation and coordination with persons engaged in facilitating transactions in securities and removing impediments to and perfecting the mechanism of a free and open market and a national market system. Each order type was amended to update the TIF instructions that would be available upon migration of the Exchange onto BATS technology. In addition, the proposed amendments are designed to align their operation with like order types on BATS and do not propose any additional functionality. For example, Market Orders under Rule 11.8(a) is to be amended to reflect the execution parameters under BATS Rule 11.9(a)(2). The amendments to Limit Orders under Rule 11.8(b) and ISOs under Rule 11.8(c) are designed to update TIF instruction available to each order type. In addition, the changes are designed to update the Re-Pricing options available to Limit Order and ISOs to reflect the decommissioning of Routed and Returned as well as the streamlining of the Re-Pricing Options to Comply with Regulations SHO to align with BATS rules. In sum, the amendments to MPM Orders under Rule 11.8(d) and Supplemental Peg Orders under rule 11.8(f) simply clarify their operation during a locked or crossed market as well as expand their eligibility for execution from the Regular

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<sup>71</sup> Id.

<sup>72</sup> 15 U.S.C. 78f(b)(5).

Session to also include the Pre-Opening Session and Post-Closing Session. Lastly, the proposed changes to Rule 11.8(e) regarding NBBO Offset Peg Orders are based on BATS Rule 11.9(c)(17). The proposed changes to Rule 11.8(f) regarding Route Peg Orders are based on BATS Rule 11.9(c)(19).

The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on BATS. Therefore, the proposed rule change would provide greater harmonization between the rules of the BGM Affiliated Exchanges, 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.

Priority (Rule 11.9). The Exchange also believes its proposed amendments to Rule 11.9 to regarding the priority of orders promotes just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system by providing Members, Users, and the investing public with greater transparency regarding how the System operates. The Exchange proposes to amend Rule 11.9 to align with BATS functionality and BATS Rules 11.12 regarding how orders with certain instructions are to be ranked by the System: (i) at a price other than the midpoint of the NBBO; (ii) at the midpoint of the NBBO; and (iii) where orders utilize instructions that cause them to be ranked by the System upon clearance of a Locking Quotation providing valuable, clear information to Members, Users, and the investing public on how their orders would be executed. As amended, orders will be

substantially ranked in same order as under current rules except that orders with a Pegged instruction will be distinguished from and placed behind Limit Orders with a Non-Displayed Instruction. In turn, the Reserve Quantity of Limit Orders will be separated from and placed behind Limit Orders with a Non-Displayed instruction and orders with a Pegged and Non-Displayed instruction. These changes are made to align Exchange Rule 11.9 with the functionality set forth in BATS Rule 11.12, as described above. The Exchange believes that the proposed rule changes regarding order priority will provide greater transparency and further clarity on how the various order types will be assigned priority under various scenarios, thereby assisting Members, Users and the investing public in understanding the manner in which the System may execute their orders.

Routing (Rule 11.11). The Exchange believes that the proposed changes to Rule 11.11) are consistent with Section 6(b)(5) of the Act.<sup>73</sup> As noted above, the proposed rule changes to add functionality are intended to add certain system functionality currently offered by BATS in order to provide consistent routing options across the BGM Affiliated Exchanges. A consistent offering, in turn, will simplify the implementation, changes and maintenance by Users of the Exchange that are also participants on BATS. The proposed rule changes would also provide Users with access to functionality that may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. As explained elsewhere in this proposal, all of the proposed routing options are similar to routing strategies on other market centers, including BATS. The proposed rule change would provide greater harmonization between the routing options available amongst the BGM

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<sup>73</sup> 15 U.S.C. 78f(b)(5).

Affiliated Exchanges, resulting in greater uniformity and less burdensome and more efficient regulatory compliance.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the BGM Affiliated Exchanges. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it is one of several changes necessary to achieve a consistent technology offering by the BGM Affiliated Exchanges.

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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)<sup>74</sup> of the Act and Rule 19b-4(f)(6)<sup>75</sup> thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B)

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<sup>74</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>75</sup> 17 CFR 240.19b-4(f)(6).

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>76</sup>

As described above, the Exchange notes that the proposed change is directly based on the rules of BATS or current BATS functionality.<sup>77</sup> The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on BATS or BYX. The Exchange notes that the proposed rule text is based on the BATS Rule and is different only to the extent necessary to conform to the Exchange's current rules or, where necessary, to reflect the Exchange's operations on BATS technology, even if there are specific details not contained in the current structure of BATS rules. The Exchange believes it is consistent with the Act to maintain its current structure and such detail, rather than removing such details simply to conform to the structure or format of BATS rules, again because the

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<sup>76</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>77</sup> See BATS Rules 11.1, 11.9(a)(2), 11.9(b), 11.9(c)(1), 11.9(c)(5), 11.9(c)(8), 11.9(c)(10), 11.9(c)(17), 11.9(c)(19), 11.9(e)(3), 11.9(g)(5), 11.9(g)(1)(D), 11.12, and 11.13, BZX Rule 11.24, and BYX Rule 11.23. See also *supra* notes 12, 18, 20, 22, 26, 31, 37, 39, and 41.

Exchange believes this will increase the understanding of the Exchange's operations for all Members of the Exchange. 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>78</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>79</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 January 12, 2015, which is the anticipated upon which the migration of the Exchange to the BATS technology platform will be complete. 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 rules available to Members of the Exchange that are also participants on BATS. Since completion of the Merger, both Members and the BGM Affiliated Exchange have made numerous systems changes in preparation for the technology migration occurring on January 12, 2015. The Exchange has issued frequent updates to Members informing them the BGM Affiliated Exchange technology migration changes as well as its anticipated time line so that Members may make the requisite system changes. In addition, the Exchange has conducted multiple testing opportunities for Members to ensure both the Member's and Exchange system will operate in accordance with the

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

<sup>79</sup> 17 C.F.R. 240.19b-4(f)(6).

proposed rule change on January 12, 2015. Waiver of the operative delay is, therefore, consistent with the protection of investors and the public interest because it will enable to the Exchange to implement the proposed rule change in January 12, 2015.

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 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

The proposed changes to Rule 11.1(a)(1) are based on BATS Rule 11.1.<sup>80</sup>

The proposed changes to Rule 11.6(b) regarding Cancel Back is based on BATS Rule 11.13.

The proposed changes to Rule 11.6(d) regarding Discretionary Range are based on BATS Rule 11.9(c)(10).

The proposed changes to Rule 11.6(h) regarding Minimum Execution Quantity are based on BATS Rule 11.9(c)(5).

The proposed change to Pegged under Rule 11.6(j) are based on BATS Rule 11.9(c)(8).<sup>81</sup>

The proposed changes to the Re-Pricing Instructions to Comply with Rule 201 of Regulation SHO under Rule 11.6(l)(2) are based on BATS Rule 11.9(g)(5), with the following differences. Rule 11.6(l)(2) states that an order to sell with a Short Sale instruction and a Price Adjust instruction that is re-priced will be ranked at the Permitted

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<sup>80</sup> See supra note 12.

<sup>81</sup> See supra note 26.

Price and that an order to sell with a Short Sale instruction and a Hide Not Slide instruction that is re-priced pursuant to this paragraph will be ranked at the mid-point of the NBBO. BATS Rule 11.9(g)(5) states that the default short sale re-pricing process will only re-price an order upon entry, while amended Rule 11.6(l)(2) will also permit it be re-priced one additional time to reflect a decline in the NBB.

The proposed changes to Reserve Quantity under Rule 11.6(m) are based on BATS Rule 11.9(c)(1). The proposed changes to Rule 11.10(e)(3) to state that the Max Floor set for an order can be modified through the use of a replace message rather than requiring a User to cancel and re-enter an order is based on BATS Rule 11.9(e)(3). The proposed changes to Rule 11.9(a)(4) regarding the priority of an order with a Reserve Quantity are based on BATS Rule 11.12(a)(3).

The proposed changes to Rule 11.6(n)(2) regarding Super Aggressive are based on BATS Rule 11.13(a)(4)(B).

The proposed changes to Rule 11.6(q) regarding TIF instructions are based on BATS Rule 11.9(b).

The proposed changes to Rule 11.7 regarding the Opening Process are based on BATS Rule 11.24 and BYX Rule 11.23.

The proposed changes to Rule 11.8(a) regarding Market Orders are based on BATS Rule 11.9(a)(2).

The proposed changes to Rule 11.8(e) regarding NBBO Offset Peg Orders are based on BATS Rule 11.9(c)(17).

The proposed changes to Rule 11.8(f) regarding Route Peg Orders are based on BATS Rule 11.9(c)(19).

The proposed changes to Rule 11.9 regarding the priority of orders are based on BATS Rule 11.12.

The proposed changes to Rule 11.10(a)(2) regarding compliance with Regulation NMS are based on BATS Rule 11.13.

The proposed changes to Rule 11.10(e)(3) regarding cancel/replace are based on BATS Rule 11.9(e)(3).

The proposed changes to Rule 11.11 regarding Routing to Away Trading Centers are based on BATS Rule 11.13.

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.

EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_\_ ; File No. SR-EDGX-2015-03)

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Certain Rules to Adopt or Align System Functionality With That Currently Offered by BATS Exchange, Inc. and BATS Y-Exchange, Inc.

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 certain rules to adopt or align system functionality with that currently offered by BATS Exchange, Inc. (“BZX”) and BATS Y-Exchange, Inc. (“BYX”, collectively with BZX, “BATS”) in order to provide a consistent technology offering amongst the Exchange and its affiliates. These changes are

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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).

described in detail below and include amending: (i) Rule 11.1 regarding the Exchange's trading sessions and hours of operation; (ii) Rule 11.6, Definitions; (iii) Rule 11.7, Opening Process; (iv) Rule 11.8, Order Types; (v) Rule 11.9, Priority of Orders; (vi) Rule 11.10, Order Execution; (vii) Rule 11.11, Routing to Away Trading Centers; and (viii) Rule 11.21, Retail Orders.

The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on BATS. The Exchange notes that the proposed rule text is based on the rules and is different only to the extent necessary to conform to the Exchange's current rules.

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.

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

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 (together with BATS, EDGA and EDGX, the “BGM Affiliated Exchanges”).<sup>5</sup> In the context of the Merger, the BGM Affiliated Exchanges are working to migrate EDGX and EDGA onto the BATS technology platform, and align certain system functionality, retaining only intended differences between the BGM Affiliated Exchanges. As a result of these efforts, the Exchange proposes to amend: (i) Rule 11.1 regarding the Exchange’s trading sessions and hours of operation; (ii) Rule 11.6, Definitions; (iii) Rule 11.7, Opening Process; (iv) Rule 11.8, Order Types; (v) Rule 11.9, Priority of Orders; (vi) Rule 11.10, Order Execution; (vii) Rule 11.11, Routing to Away Trading Centers; and (vi) Rule 11.21, Retail Orders.

The proposed amendments are intended to align certain system functionality with that currently offered by BATS in order to provide a consistent technology offering for Users<sup>6</sup> of the BGM Affiliated Exchanges. The Exchange notes that the proposed rule text is based on the BATS Rule and is different only to the extent necessary to conform to the Exchange’s current rules.<sup>7</sup> The proposed amendments do not propose to implement new

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<sup>5</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>6</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>7</sup> To the extent a proposed rule change is based on an existing BATS Rule, the language of the BATS and Exchange Rules may differ to extent necessary to conform with existing Exchange rule text or to account for details or descriptions

or unique functionality that has not been previously filed with the Commission or is not available on BATS or BYX.

**Rule 11.1, Hours of Trading and Trading Days**

Current Functionality. Rule 11.1 sets forth when orders may be entered into the System<sup>8</sup> and outlines a User's ability to select the trading sessions for which an order may be eligible for execution. Proposed Rule 11.1(a)(1), Session Indicator, describes each of the Exchange's existing trading sessions. A User may select the particular trading sessions for which their order(s) may be eligible for execution. Specifically, orders designated as: "Pre-Opening Session" are eligible for execution between 8:00 a.m. Eastern Time and 4:00 p.m. Eastern Time; "Regular Session" are eligible for execution between the completion of the Opening Process or a Contingent Open as defined in proposed Rule 11.7 (described below), whichever occurs first, and 4:00 p.m. Eastern Time, unless otherwise noted;<sup>9</sup> "Post-Closing Session" are eligible for execution between the start of the Regular Session and 8:00 p.m. Eastern Time; and "All Sessions" are eligible for execution between 8:00 a.m. and 8:00 p.m. Eastern Time.

Under Rule 11.1(a)(1), orders may be entered into the System from 6:00 a.m. until 8:00 p.m. Eastern Time, but orders entered between 6:00 a.m. and 8:00 a.m. Eastern

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included in the Exchange Rules but not currently included in BATS rules based on the current structure of such rules.

<sup>8</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>9</sup> Beginning at 9:30:00 a.m. Eastern Time, the System will accept: (i) incoming orders designated as Intermarket Sweep Orders ("ISOs"), and (ii) orders with a time-in-force instruction other than Regular Hours Only. This is to assist Members' compliance with Rule 611 of Regulation NMS.

Time are not eligible for execution until the start of the session selected by the User. All orders are eligible for execution during the Regular Session. A User may designate that their order to be eligible for the Pre-Opening and/or Post-Closing Sessions. If the User does not select a particular session or sessions, the order will default to the Regular Session only.

Proposed Functionality. To align with BATS functionality, the Exchange proposes to amend Rule 11.1(a)(1) to allow Users to designate when their order is eligible for execution by selecting the desired Time-In-Force (“TIF”) instruction under Exchange Rule 11.6(q)<sup>10</sup> and not by selecting a particular trading session, as is currently required. Therefore, the Exchange proposes to delete references to the Pre-Opening Session, Regular Session, Post-Closing Session, and All Sessions indicators set forth under Rule 11.1(a)(1)(A) – (D). These session indicators will no longer be available upon completion of the technology integration and Users will designate the session(s) during which their order is eligible for execution by selecting the desired TIF instruction under Exchange Rule 11.6(q). The Exchange also proposes to no longer default orders to the Regular Session where another session indicator is not selected by the User. Thus, Users will be required to select a TIF instruction. Pre-Opening Session<sup>11</sup> and Post-Closing Session<sup>12</sup> will continue to be defined under Exchange Rule 1.5. The Exchange

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<sup>10</sup> The Exchange also proposes to amend its TIF instructions under Rule 11.6(q) to align with BATS Rule 11.9(b). The changes are described in more detail below.

<sup>11</sup> Pre-Opening Session is defined as “the time between 8:00 a.m. and 9:30 a.m. Eastern Time.” See Exchange Rule 1.5(s).

<sup>12</sup> Post-Closing Session is defined as “the time between 4:00 p.m. and 8:00 p.m. Eastern Time.” See Exchange Rule 1.5(r).

also proposes to retain but relocate the definition of Regular Session to Rule 1.5 as new paragraph (hh).

The Exchange also proposes to amend Rule 11.1(a)(1) to align with recent rule changes filed with the Commission by BATS.<sup>13</sup> As proposed, orders entered between 6:00 a.m. and 8:00 a.m. Eastern Time are not eligible for execution until the start of the Pre-Opening Session or Regular Trading Hours, depending on the time-in-force selected by the User. The Exchange proposes to further amend Rule 11.1(a)(1) to state that the following orders will not be accepted prior to 8:00 a.m. Eastern Time: orders with a Post Only instruction, ISOs, Market Orders with a TIF instruction other than Regular Hours Only (“RHO”), orders with a Minimum Execution Quantity instruction that also include a TIF instruction of RHO, and all orders with a TIF instruction of Immediate or Cancel (“IOC”) or Fill Or Kill (“FOK”). At the commencement of the Pre-Opening Session, orders entered between 6:00 a.m. and 8:00 a.m. Eastern Time orders will be handled in time sequence, beginning with the order with the oldest time stamp, and will be placed on the EDGX Book, routed, cancelled, or executed in accordance with the terms of the order.

### **Rule 11.6, Definitions**

Rule 11.6, Definitions, sets forth in one rule current defined terms and order instructions that are utilized in Chapter XI. Rule 11.6 also includes additional defined terms and instructions to aid in describing System functionality and the operation of the

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<sup>13</sup> See Securities Exchange Act Release Nos. 73745 (December 4, 2014), 79 FR 73359 (December 10, 2014) (SR-BATS-2014-062); 73744 (December 4, 2014), 79 FR 73369 (December 10, 2014) (SR-BYX-2014-036).

Exchange's order types. The Exchange proposes to amend Rule 11.6 to align certain sections with BATS functionality and rules as part of the technology integration. These changes are described below and include: (i) amending subparagraph (a) regarding Attribution; (ii) amending paragraph (d) regarding Discretionary Range; (iii) amending paragraph (h) regarding Minimum Execution Quantity; (iv) amending subparagraph (j) regarding the Pegged order instruction; (v) amending subparagraph (k) regarding the definition of Permitted Price; (vi) amending subparagraph (l)(1)(A) regarding the Price Adjust Re-Pricing instruction to allow for multiple re-pricing; (vii) deleting subparagraph (l)(1)(B)(i) to decommission the Routed and Returned Re-Pricing instruction; (viii) amending subparagraph (l)(2) to decommission Short Sale Price Adjust and Short Sale Price Sliding, and adopt the BATS short sale re-pricing process; (ix) amending subparagraph (l)(3) to include re-pricing of orders of Odd Lot size;<sup>14</sup> (x) amending subparagraph (m)(1) regarding Replenishment Amounts; (xi) amending subparagraph (m)(2) regarding the Super Aggressive order instruction; and (xii) amending subparagraph (q) regarding TIF instructions. As stated above, the proposed amendments to Rule 11.6 do not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on BZX or BYX.<sup>15</sup> Each of these amendments are described in more detail below.

*Attribution (Rule 11.6(a))*

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<sup>14</sup> An "Odd Lot" is defined as "any amount less than a Round Lot. See Exchange Rule 11.8(s)(2).

<sup>15</sup> See supra note 7.

Pursuant to Rule 11.6(a), where a User includes an Attributable instruction with an order, the User's Market Participant Identifier ("MPID") is visible via the Exchange's Book Feed.<sup>16</sup> Conversely, if an order is to be Non-Attributable,<sup>17</sup> the User's MPID is not visible via the Exchange's Book Feed. Under Exchange Rule 11.6(a)(1), unless the User elects otherwise, all orders are automatically defaulted by the System to Non-Attributable. Further, under Rule 11.6(a)(2), a User may elect an order to be Attributable on an order-by-order basis or instruct the Exchange to default all of its orders as Attributable on a port-by-port basis. However, pursuant to Rule 11.6(a), if a User instructs the Exchange to default all its orders as Attributable on a particular port, such User would not be able to designate any order from that port as Non-Attributable.

The Exchange proposes to amend Rule 11.6(a)(2) to provide Users with additional flexibility when designating all of its orders as Attributable on a particular port consistent with BATS functionality. As amended, Rule 11.6(a)(2) would provide a User that instructs the Exchange to default all of its orders as Attributable on a particular port the ability to override that setting and designate an individual order from that port as Non-Attributable. This proposed rule change is representative of additional detail with regard to the operation of orders with an Attributable instruction in the Exchange's rules. While the proposed rule change is not directly based on an existing BATS Rule, as BATS rules do not currently address port level settings with respect to attribution, the Exchange

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<sup>16</sup> See EDGX Rule 11.6(a). The EDGX Book Feed is a data feed that contains all displayed orders for listed securities trading on EDGX, order executions, order cancellations, order modifications, order identification numbers, and administrative messages. See Exchange Rule 13.8(a).

<sup>17</sup> See Exchange Rule 11.6(a)(1).

believes that amending its current rule text to accurately describe how a Member may designate their orders as Attributable or Non-Attributable will provide them with increased transparency regarding how the System operates.

Amendments to Retail Attribution (Rule 11.21(e)). The Exchange proposes to make similar amendments to the attribution of Retail Orders.<sup>18</sup> Under Rule 11.21(e), a User may designate a Retail Order to be identified as Retail on the EDGX Book Feed on an order-by-order basis. A User may also instruct the Exchange to identify all of its Retail Orders as Retail on a port-by-port basis where that port is also designated as a Retail Order Port. However, if a User instructs the Exchange to identify all of its Retail Orders as Retail on a Retail Order Port, it will not be able to designate any Retail Order from that port as Attributable or as Non-Attributable. The Exchange proposes to amend Rule 11.21(e) to provide Users additional flexibility when designating all of its Retail Order be identified as Retail on a particular port consistent with BATS functionality.<sup>19</sup>

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<sup>18</sup> A Retail Order is defined as (i) an agency order or riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person; (ii) is submitted to EDGX by a Member, provided that no change is made to the terms of the order; and (iii) the order does not originate from a trading algorithm or any other computerized methodology. See Footnote 4 of the Exchange's Fee Schedule available at <http://www.directedge.com/Trading/EDGXFeeSchedule.aspx>; Securities Exchange Act Release No. 68310 (November 28, 2012), 77 FR 71860 (December 4, 2012) (SR-EDGX-2012-47) (Notice of Filing and Immediate Effectiveness); Securities Exchange Act Release No. 69378 (April 15, 2013), 78 FR 23617 (April 19, 2013) (SR-EDGX-2013-13) (Notice of Filing and Immediate Effectiveness).

<sup>19</sup> See Securities Exchange Act Release Nos. 73237 (September 26, 2014), 79 FR 59537 (October 2, 2014) (SR-BATS-2014-043) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt Rule 11.24 to Permit Members to Designate Their Retail Orders To Be Identified as Retail on the Exchange's Proprietary Data Feeds); 73236 (September 26, 2014), 79 FR 59541 (October 2, 2014) (SR-BYX-2014-024) (Notice of Filing and Immediate Effectiveness of a

As amended, Rule 11.6(a)(2) would provide a User that instructs the Exchange identify all of its Retail Orders as Retail on a particular port the ability to override that setting and designate an individual Retail Order from that port as Attributable or Non-Attributable.

*Cancel Back (Rule 11.6(b))*

Cancel Back is an instruction a User may attach to an order instructing the System to cancel an order, when, if displayed by the System on the EDGX Book<sup>20</sup> at the time of entry, the order would create a violation of Rule 610(d) of Regulation NMS, Rule 201 of Regulation SHO, or the order cannot otherwise be executed or posted by the System to the EDGX Book at its limit price.

The Exchange proposes to amend the definition of Cancel Back to remove the requirement that the order only be cancelled where it creates a violation of Rule 610(d) of Regulation NMS, Rule 201 of Regulation SHO, or cannot otherwise be executed or posted by the System to the EDGX Book at its limit price upon entry. Removal of the phrase “upon entry” from Rule 11.6(b) would enable an order with a Cancel Back instruction that is posted to the EDGX Book to be cancelled if it subsequently creates a violation of Rule 610(d) of Regulation NMS, Rule 201 of Regulation SHO, or the cannot otherwise be executed or continue to be posted by the System to the EDGX Book at its limit price. The proposed amendment would align the operation of the Exchange’s

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Proposed Rule Change to Adopt Rule 11.24 to Permit Members to Designate Their Retail Orders To Be Identified as Retail on the Exchange’s Proprietary Data Feeds).

<sup>20</sup> The term “EDGX Book” is defined as “the System’s electronic file of orders.” See EDGX Rule 1.5(d).

Cancel Back instruction with current BATS Rule 11.13.<sup>21</sup>

*Discretionary Range (Rule 11.6(d))*

Discretionary Range is an instruction the User may attach to an order to buy (sell) a stated amount of a security at a specified, displayed price with discretion to execute up (down) to a specified, non-displayed price. The Exchange proposes to remove the prohibition that the Discretionary Range of an order to buy (sell) cannot be more than \$0.99 higher (lower) than the order's displayed price because, upon migration of the Exchange onto BATS technology, the Discretionary Range of an order will not be limited to \$0.99. This proposed rule change is representative of additional detail with regard to the operation of orders with Discretionary Range in the Exchange's rules. In addition, no such limitation is included in BATS or BYX Rules 11.9(c)(10) regarding Discretionary Orders and the BATS systems effectively do not incorporate such a limitation.

*Minimum Execution Quantity (Rule 11.6(h))*

Minimum Execution Quantity is an instruction a User may attach to an order with a Non-Displayed<sup>22</sup> instruction requiring the System to execute the order only to the extent that a minimum quantity can be satisfied by execution against a single order or multiple aggregated orders simultaneously. Unless the User elects otherwise, any shares

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<sup>21</sup> Under BATS Rule 11.13, "an order will be cancelled back to the User if, based on market conditions, User instructions, applicable Exchange Rules and/or the Act and the rules and regulations thereunder, such order is not executable, cannot be routed to another Trading Center pursuant to Rule 11.13(a)(2) below and cannot be posted to the BATS Book." The cancelling back of an order under Rule 11.13 is not limited to cancellation upon entry. See also BATS Rule 11.9(g)(1)(D).

<sup>22</sup> The term "Non-Displayed" is defined as "[a]n instruction the User may attach to an order stating that the order is not to be displayed by the System on the EDGX Book." See Exchange Rule 1.5(e)(2).

remaining after a partial execution will be executed at a size that is equal to or exceeds the Minimum Execution Quantity. Thus, under current Exchange Rules and functionality a User can elect that a Minimum Execution Quantity only apply to an initial execution but not any remaining shares after such execution. The Exchange proposes to amend Minimum Execution Quantity to reflect that, upon migration of the Exchange onto BATS technology, any shares remaining after a partial execution will continue to be executed at a size that is equal to or exceeds the Minimum Execution Quantity, regardless of the Users instructions. A User who wishes otherwise may cancel and resubmit their order without a Minimum Execution Quantity. In addition, currently the Minimum Execution Quantity instruction will not apply where the number of shares remaining after a partial execution are less than the quantity provided in the instruction. As amended, in such case, the Minimum Execution Quantity will equal the number of remaining shares, which is similar to current Exchange functionality. Like above, a User who wishes otherwise may cancel and resubmit their order with a new Minimum Execution Quantity. As amended, the Minimum Execution Quantity instruction will operate similarly to the BATS Minimum Quantity Order under BATS Rule 11.9(c)(5).<sup>23</sup>

*Pegged (Rule 11.6(j))*

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<sup>23</sup> See Securities Exchange Act Release Nos. 72646 (July 21, 2014), 79 FR 43516 (July 25, 2014) (SR-BATS-2014-027) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.9, 11.12, 11.18, 21.1 and 21.7 of BATS Exchange, Inc.); 72647 (July 21, 2014), 79 FR 43522 (July 25, 2014) (SR-BYX-2014-010) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.9, 11.12, and 11.18 of BATS Y-Exchange, Inc.). As amended, Exchange Rule 11.6(h) only differs from BATS Rule 11.9(c)(5) to extent necessary to conform with existing rule text or to account for details or descriptions currently included in the Exchange's Rule that are not included in BATS Rule 11.9(c)(5).

Current Functionality. An order with a Pegged instruction enables a User to specify that the order's price will peg to a price a certain amount away from the NBB or NBO (offset). If an order with a Pegged instruction displayed on the Exchange would lock the market, the price of the order will be automatically adjusted by the System to one Minimum Price Variation below the current NBO (for bids) or to one Minimum Price Variation above the current NBB (for offers). A new time stamp is created for the order each time it is automatically adjusted and orders with a Pegged instruction are not eligible for routing pursuant to Rule 11.11. For purposes of the Pegged instruction, the System's calculation of the NBBO does not take into account any orders with Pegged instructions that are resting on the EDGX Book. An order with a Pegged instruction is cancelled if an NBB or NBO, as applicable, is no longer available.

An order with a Pegged instruction may be a Market Peg or Primary Peg. An order that includes a Primary Peg instruction will have its price pegged by the System to the NBB, for a buy order, or the NBO for a sell order. A User may, but is not required to, select an offset equal to or greater than one Minimum Price Variation<sup>24</sup> above or below the NBB or NBO that the order is pegged to. An order with a Primary Peg instruction is currently eligible to join the Exchange's Best Bid or Offer ("Exchange BBO") when the

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<sup>24</sup> The term "Minimum Price Variation" is defined as "[b]ids, offers, or orders in securities traded on the Exchange shall not be made in an increment smaller than: (i) \$0.01 if those bids, offers, or orders are priced equal to or greater than \$1.00 per share; or (ii) \$0.0001 if those bids, offers, or orders are priced less than \$1.00 per share; or (iii) any other increment established by the Commission for any security which has been granted an exemption from the minimum price increments requirements of SEC Rule 612(a) or 612(b) of Regulation NMS." See Exchange Rule 11.6(i).

EDGX Book has been locked or crossed by another market. If an order with a Primary Peg instruction creates a Locking Quotation<sup>25</sup> or Crossing Quotation,<sup>26</sup> the price of the order is automatically adjusted by the System to one Minimum Price Variation below the current NBO (for bids) or to one Minimum Price Variation above the current NBB (for offers).

An order that includes a Market Peg instruction will have its price pegged by the System to the NBB, for a sell order, or the NBO, for a buy order. An order with a Market Peg instruction that is to be displayed by the System on the EDGX Book must include an offset for an order to buy (sell) that is equal to or greater than one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to. If a User does not select an offset, the System will automatically include an offset on an order to buy (sell) that is equal to one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to. For an order with a Non-Displayed instruction, a User may, but is not required to, select an offset for an order to buy (sell) that is equal to or greater than one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to.

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<sup>25</sup> The term “Locking Quotation” is defined as “[t]he display of a bid for an NMS stock at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(d) of Regulation NMS.” See Exchange Rule 11.6(g).

<sup>26</sup> The term “Crossing Quotation” is defined as “[t]he display of a bid (offer) for an NMS stock at a price that is higher (lower) than the price of an offer (bid) for such NMS stock previously disseminated pursuant to an effective national market system plan in violation of Rule 610(d) of Regulation NMS.” See Exchange Rule 11.6(c).

Proposed Functionality. The Exchange proposes to amend the Pegged instruction under Rule 11.6(j) to align with BATS Rule 11.9(c)(8).<sup>27</sup> First, the Exchange proposes to no longer cancel an order with a Pegged instruction where the NBB or NBO, as applicable, is no longer available. In such case, instead of being cancelled, the order will not be eligible for execution. The order will receive a new time stamp and be eligible for execution where the NBB or NBO it is pegged to becomes available.

Second, the Exchange proposes to amend the Market Peg instruction under Rule 11.6(j)(1) to state that such orders are not eligible for display on the EDGX Book. As a result, the Exchange also proposes to delete the requirement that an order with a Market Peg instruction that is to be displayed on the EDGX Book must include an offset for an order to buy (sell) that is equal to or greater than one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to.

Third, the Exchange proposed to amend the Primary Peg instruction under Rule 11.6(j)(2) to define an offset equal to or greater than one Minimum Price Variation above or below the NBB or NBO that the order is pegged to as the “Primary Offset Amount”. The Exchange also proposes to specify that the Primary Offset Amount for an order with a Primary Peg instruction that is to be displayed on the EDGX Book must result in the

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<sup>27</sup> See Securities Exchange Act Release Nos. 73188 (September 23, 2014), 79 FR 58004 (September 26, 2014) (SR-BATS-2014-041) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 11.9 of BATS Exchange, Inc.); 73190 (September 23, 2014), 79 FR 58019 (September 26, 2014) (SR-BYX-2014-022) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rule 11.9 of BATS Y-Exchange, Inc.). As amended, Exchange Rule 11.6(j) only differs from BATS Rule 11.9(c)(8) to extent necessary to conform with existing rule text or to account for details or descriptions currently included in the Exchange’s Rule that are not included in BATS Rule 11.9(c)(8).

price of such order being inferior to or equal to the inside quote on the same side of the market.

Fourth, the Exchange proposes to amend the provisions governing the operation of an order with a Primary Peg instruction during a locked or crossed market. As proposed, an order with a Primary Peg instruction will no longer be able to join the Exchange BBO when the EDGX Book is locked or crossed by another market. When the EDGX Book is crossed by another market, the Exchange proposes to automatically adjust an order with a Primary Peg instruction to the current NBO (for bids) or the current NBB (for offers). For example, assume the NBBO is \$10.08 x \$10.09. An order with a Primary Peg instruction to buy with a limit price of \$10.10 is entered and displayed by the System at \$10.08, the current NBB. Assume the NBO updates to \$10.07, resulting in a crossed market. The order with a Primary Peg instruction to buy would then be pegged and displayed at \$10.07, the updated NBO.

Rule 11.6(j)(2) will continue to require that an order with a Primary Peg instruction that would otherwise be a Locking Quotation or Crossing Quotation be automatically adjusted by the System to one Minimum Price Variation below the current NBO (for bids) or to one Minimum Price Variation above the current NBB (for offers). For example, assume the NBBO is \$10.09 x \$10.08, resulting in a crossed market. An order with a Primary Peg instruction to buy with a limit price of \$10.10 is entered and displayed by the System at \$10.07, one Minimum Price Variation below the current NBB. Assume the NBBO is updated to \$10.08 x \$10.09, the order with a Primary Peg instruction to buy would then be pegged and displayed at \$10.08, the updated NBB now that the market is no longer crossed. This proposed rule change is representative of

additional detail with regard to the operation of orders with a Pegged instruction during locked or crossed markets that is currently included in Rule 11.6(j) and is consistent with Exchange's current re-pricing options under Rule 11.6(l), as well as Exchange Rule 11.10(f) and BATS Rule 11.20(a)(3), which outline the prohibition against displaying locking and crossing quotations under Rule 610 of Regulation NMS.

*Permitted Price (Rule 11.6(k))*

Permitted Price is currently defined as the price at which a sell order will be priced, ranked and displayed at one Minimum Price Variation above the NBB. As amended, the definition of Permitted Price will only state that it is the price that the order is displayed at one Minimum Price Variation above the NBBO.<sup>28</sup> This is to update the definition of Permitted Price to reflect the decommissioning of the Short Sale Price Adjust and Short Sale Price Sliding instructions and the proposed amendment that an order with both a Short Sale instruction and Hide Not Slide instruction will be ranked at the mid-point of the NBBO, but displayed at the Permitted Price discussed below. While the amended definition of Permitted Price is not identical to the definition of Permitted Price under BATS Rules, any differences are necessary to conform the proposed rule text with the other proposed rule changes described above.

*Re-Pricing (Rule 11.6(l))*

The Exchange currently offers re-pricing instructions which, in all cases, result in the ranking and/or display of an order at a price other than the order's limit price in order

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<sup>28</sup> The proposed definition of Permitted Price is also similar to that of other exchange. See e.g., Nasdaq Rule 4763(e); NYSE MKT Rule 440B(e); Rule 7016(f)(v)(C).

to comply with applicable securities laws and Exchange Rules. Specifically, the Exchange's re-pricing instructions are designed to permit Users to comply with Rule 610(d) of Regulation NMS or Rule 201 of Regulation SHO. Rule 11.6(l) sets forth the re-pricing instructions currently available to Users with regard to Regulation NMS compliance – Price Adjust, Hide Not Slide, and Routed and Returned Re-Pricing, and with regard to Regulation SHO compliance – Short Sale Price Adjust and Short Sale Price Sliding. The Exchange now proposes to amend its re-pricing instructions to streamline the re-pricing options available to Users in order to align Exchange functionality with that of BATS.

*Re-Pricing Instructions to Comply with Rule 610(d) of Regulation NMS*

The Exchange proposes to amend its re-pricing instructions to comply with Rule 610(d) of Regulation NMS as follows: (i) amend the Price Adjust instruction to enable Users to elect that their order be adjusted multiple times in response to changes in the NBBO; and (ii) delete Routed and Returned Re-Pricing.

Routed and Returned Re-Pricing (Rule 11.6(l)(1)(B)(i)). The Exchange proposes to delete the Routed and Returned Re-Pricing instruction under Rule 11.6(l)(1)(B)(i). Pursuant to current Exchange Rules and Functionality, under the Routed and Returned Re-Pricing instruction, a Limit Order that is returned to the EDGX 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 will be displayed by the System on the EDGX Book at a price that is one Minimum Price Variation lower (higher) than the Locking

Price<sup>29</sup> for orders to buy (sell), will be ranked at the midpoint of the NBBO with discretion to execute at the Locking 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 EDGX Book at one Minimum Price Variation below (above) the NBO (NBB) and will be ranked at the updated midpoint of the NBBO with discretion to execute 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 EDGX 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 EDGX Book and each time it is subsequently re-ranked.

Upon completion of the migration of the Exchange to BATS technology, Limit Orders that are returned to the EDGX 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 will be subject to the Exchange's standard re-pricing instructions; i.e., automatically defaulted by the System to the Price Adjust Re-Pricing instruction, unless the User affirmatively elects the Cancel Back instruction or the Hide Not Slide instruction. The Exchange also proposes to remove a reference to the Routed and Returned Re-Pricing instruction from Rule 11.6(l)(1)(B).

Price Adjust Re-Pricing (Rule 11.6(l)(1)(A)). Under the Price Adjust instruction,

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<sup>29</sup> The term "Locking Price" is defined as "the price at which an order to buy (sell), that if displayed by the System on the EDGX Book, either upon entry into the System, or upon return to the System after being routed away, would be a Locking Quotation." See Exchange Rule 11.6(i).

where a buy (sell) order would be a Locking Quotation or Crossing Quotation if displayed by the System on the EDGX Book at the time of entry, the order will be displayed and ranked<sup>30</sup> at a price that is one Minimum Price Variation lower (higher) than the Locking Price. The order will be displayed and ranked by the System on the EDGX Book at the Locking Price if: (i) the NBBO changes such that the order, if displayed at the Locking Price, would not be a Locking Quotation or Crossing Quotation, including where an ISO with a TIF instruction of Day is entered into the System and displayed on the EDGX Book on the same side of the market as the order at a price that is equal to or more aggressive than the Locking Price.<sup>31</sup> An order re-priced as set forth above would not be subject to further re-ranking and will be displayed by the System on the EDGX Book at the Locking Price until executed or cancelled by the User. The order will receive a new time stamp at the time it is re-ranked.

The Exchange proposes to amend the Price Adjust instruction to provide Users with additional flexibility by enabling them to elect that their order be adjusted multiple times in response to changes in the NBBO. The ranked and displayed prices of an order subject to the Price Adjust instruction will only be adjusted once, unless the User elects that the order be adjusted multiple times in response to changes to the prevailing NBBO. Unless a User has elected the multiple re-pricing option, the order would not be subject to

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<sup>30</sup> For purposes of the description of the re-pricing instructions under proposed Rule 11.6(l), the terms “ranked” and “priced” are synonymous and used interchangeably.

<sup>31</sup> See Division of Trading and Markets: Response to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS, Question 5.02, available at <http://www.sec.gov/divisions/marketreg/nmsfaq610-11.htm> (last visited March 6, 2014).

further re-ranking and will be displayed on the EDGX Book at the Locking Price until executed or cancelled by the User. An order subject to the multiple re-pricing option will be further re-ranked and re-displayed to the extent it can permissibly be ranked and displayed at a more aggressive price based on changes to the prevailing NBBO. Multiple re-pricing pursuant to Price Adjust would be optional and would have to be explicitly selected by a User before it will be applied. Orders subject to multiple re-pricing for Price Adjust will be permitted to move all the way back to their most aggressive price, whereas orders subject to Price Adjust may not be adjusted to their most aggressive price, depending upon market conditions and the limit price of the order upon entry. The Exchange notes that this functionality is identical to the operation of BATS Rule 11.9(g)(2).<sup>32</sup> The Exchange does not propose to amend any other aspect of the Price Adjust instruction.

As an example of multiple re-pricing for Price Adjust assume the Exchange has a posted and displayed bid to buy 100 shares of a security priced at \$10.10 per share and a posted and displayed offer to sell 100 shares at \$10.14 per share. Assume the NBBO is \$10.10 by \$10.12. If the Exchange receives a non-routable bid to buy 100 shares at \$10.13 per share, the Exchange would rank and display the order to buy at \$10.11 because displaying the bid at \$10.13 would cross an external market's Protected Offer to sell for \$10.12. If the NBO then moved to \$10.13, the Exchange would un-slide the bid

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<sup>32</sup> See Securities Exchange Act Release Nos. 73359 (October 15, 2014), 79 FR 63003 (October 21, 2014) (SR-BATS-2014-038) (Order Granting Approval of Proposed Rule Change to Rule 11.9 of the BATS Exchange, Inc. to Add Price Adjust Functionality); and 73366 (October 15, 2014), 79 FR 62993 (October 21, 2014) (SR-BYX-2014-019) (Order Granting Approval of Proposed Rule Change to Rule 11.9 of the BATS Y-Exchange, Inc. to Add Price Adjust Functionality).

to buy and rank and display it at \$10.12. Under existing Price Adjust functionality, the Exchange does not further adjust the ranked or displayed price following this un-slide. However, under multiple re-pricing for Price Adjust if the NBO then moved to \$10.14, the Exchange would un-slide the bid to buy and rank and display it at its full limit price of \$10.13.

*Re-Pricing Instructions to Comply with Rule 201 of Regulation SHO*

The Exchange proposes to amend its Re-Pricing instructions to comply with Rule 201 of Regulation SHO by deleting Short Sale Price Adjust and Short Sale Price Sliding and adopting a new, streamlined rule to align with BATS Rule 11.9(g)(5).

Current Functionality. The Exchange currently offers two re-pricing instructions to comply with Rule 201 of Regulation SHO – Short Sale Price Adjust and Short Sale Price Sliding. Under the Short Sale Price Adjust instruction, an order to sell with a Short Sale instruction will be ranked and displayed by the System on the EDGX Book at the Permitted Price. Following the initial ranking, the order will, to the extent the NBB declines, continue to be re-ranked and displayed by the System on the EDGX Book at the Permitted Price down to the order's limit price. The Short Sale Price Sliding instruction operates similarly to the Short Sale Price Adjust instruction; except that after its initial ranking, the order will, to the extent the NBB declines, be re-ranked and displayed by the System on the EDGX Book one additional time at a price that is equal to the NBB at the time the order was received by the System. In both cases, the order to sell with a Short Sale instruction will receive a new time stamp each time it is re-ranked.

Proposed Functionality. The Exchange proposes to delete the Short Sale Price Adjust and Short Sale Price Sliding and adopt a new, streamlined rule to align with

BATS Rule 11.9(g)(5). Under the amended Rule 11.6(l)(2), an order to sell with a Short Sale instruction that, at the time of entry, could not be executed or displayed in compliance with Rule 201 of Regulation SHO will be re-priced by the System at the Permitted Price. BATS Rule 11.9(g)(5) states that the default short sale re-pricing process will only re-price an order upon entry, while amended Rule 11.6(l)(2) will also permit it be re-priced one additional time to reflect a decline in the NBB. This is similar to the Exchange's Short Sale Price Sliding under Rule 11.6(l)(2)(B) which states that an order may be re-priced one additional time to reflect a decline in the NBB.

As proposed, depending upon the instructions of a User, to reflect declines in the NBB the System will continue to re-price and re-display a short sale order at the Permitted Price down to the order's limit price. In the event the NBB changes such that the price of an order with a Non-Displayed instruction subject to Rule 201 of Regulation SHO would be a Locking Quotation or Crossing Quotation, the order will receive a new time stamp, and will be re-priced by the System to the mid-point of the NBBO. Like the Short Sale Price Adjust process that is to be decommissioned, an order to sell with a Short Sale instruction and a Price Adjust instruction that is re-priced will be ranked at the Permitted Price. In addition, like the Short Sale Price Sliding process that the Exchange proposes to decommission, an order to sell with a Short Sale instruction and a Hide Not Slide instruction that is re-priced will be ranked at the mid-point of the NBBO.

Like BATS Rule 11.9(g)(5), amended Rule 11.6(l)(2) would state that: (i) when a Short Sale Circuit Breaker is in effect, the System will execute a sell order with a Displayed and Short Sale instruction at the price of the NBB if, at the time of initial display of the sell order with a Short Sale instruction, the order was at a price above the

then current NBB; (ii) orders with a Short Exempt instruction will not be subject to re-pricing under amended Rule 11.6(1)(2); and (iii) the re-pricing instructions to comply with Rule 610(d) of Regulation NMS will be continue to be ignored for an order to sell with a Short Sale instruction when a Short Sale Circuit Breaker is in effect and the re-pricing instructions to comply with Rule 201 of Regulation SHO under this Rule will apply.

Re-Pricing of Orders with a Non-Displayed Instruction and Odd Lot Orders (Rule 11.6(1)(3))

Rule 11.6(1)(3) currently sets forth the re-pricing process for orders with a Non-Displayed instruction priced better than the midpoint of the NBBO. The Exchange proposes to expand this rule to include the re-pricing of Odd Lot Orders priced better than the midpoint of the NBBO. As amended, both an order with a Non-Displayed instruction or an order with an Odd Lot size that is priced better than the midpoint of the NBBO will be ranked at the midpoint of the NBBO with discretion to execute to its limit price. For securities priced equal to or greater than \$1.00 where the midpoint of the NBBO is in an increment smaller than \$0.01, an order buy (sell) with an Odd Lot size and a Displayed instruction priced better than the midpoint of the NBBO will be displayed at the next full penny increment below (above) the midpoint of the NBBO. The price of the order is automatically re-ranked by the System in response to changes in the NBBO until it reaches its limit price. A new time stamp is created for the order each time the midpoint of the NBBO changes. Pursuant to Rule 11.9, all orders with a Non-Displayed instruction and orders with an Odd Lot size that are re-ranked to the midpoint of the NBBO will retain their priority as compared to other orders with a Non-Displayed

instruction and orders with an Odd Lot size, respectively, based upon the time such orders were ranked at the midpoint of the NBBO. For example, assume the NBBO is \$10.00 x \$10.03. If an incoming order with an Odd Lot size and a Non-Display instruction is entered into the System to buy at \$10.02, it will be ranked by the System at \$10.015 with discretion to \$10.02, its limit price. If an incoming order with an Odd Lot size and a Display instruction is entered into the System to buy at \$10.02, it will be displayed by the System at \$10.01 and ranked by the System at \$10.015 with discretion to \$10.02, its limit price.

While a User may affirmatively elect that a buy (sell) order with a Non-Displayed instruction Cancel Back when the order's limit price is greater (less) than the NBO (NBB), they will be unable to do so for an order with an Odd Lot size. In such case, the User may cancel the order.

Currently, orders of Odd Lot size are not displayed on the EDGX Book and, therefore, are covered by the Rule 11.6(1)(3)'s current re-pricing process for orders with a Non-Displayed instruction. BATS rules do not restrict orders of Odd-Lot size from being displayed on the BATS system. Upon migration of the Exchange onto BATS technology, orders of Odd Lot size may be displayed on the EDGX Book but will continue to be re-priced as described above in order to maintain the Exchange's current handling of orders of an Odd Lot size. In addition, the Exchange believes displaying orders of Odd Lot size in securities priced greater than or equal to \$1.00 where the midpoint of the NBBO is in an increment smaller than \$0.01, as described above, is reasonable as it is designed to ensure the Exchange does not display an order at an impermissible sub-penny increment in violation of Rule 612 of Regulation NMS.

Therefore, the Exchange proposes to specify that orders of Odd Lot size will be subject to re-pricing Exchange's re-pricing process under Rule 11.6(l)(3).

*Reserve Quantity and Replenishment Amounts (Rule 11.6(m))*

Current Functionality. If the portion of the order with a Displayed instruction is reduced to less than a Round Lot, the System will, in accordance with the User's instruction, replenish the displayed quantity from the Reserve Quantity by at least a single Round-Lot using either the Random or Fixed Replenishment instructions. A new time stamp is created for the displayed quantity of the order each time it is replenished from the Reserve Quantity, while the Reserve Quantity retains the time stamp of its original entry. Where the combined amount of the displayed quantity and Reserve Quantity of an order are reduced to less than one Round Lot, the order converts to an order with a Displayed instruction and be treated as Displayed for purposes of execution priority under Rule 11.9.

Proposed Functionality. The Exchange proposes to amend Rule 11.6(m) to align with BATS Rule 11.9(c)(1).<sup>33</sup> First, the Exchange proposes to no longer require that the displayed quantity from the Reserve Quantity be replenished by at least a single Round-Lot. Instead, the displayed quantity will be replenished in accordance with the replenishment instruction the User selects. Specifically, like on BATS, Users will be required to designate the original display quantity of an order, which is also the amount to which an order is replenished (unless the remainder of an order is smaller than the original displayed quantity) under the current replenishment functionality. The Exchange

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<sup>33</sup> See supra note 23.

refers to this quantity as “max floor” in its specifications. The Exchange proposes to add a defined term of “Max Floor” to Rule 11.6(m), which would be a mandatory value entered by a User that will determine the quantity of the order to be initially displayed by the System and will also be used to determine the replenishment amount under both replenishment options described below. If the remainder of an order is less than the replenishment amount, the Exchange will replenish and display the entire remainder of the order.

Second, the Exchange proposes to amend the time stamp functionality of an order with a Reserve Quantity. Currently, when an order is replenished from Reserve Quantity, the displayed quantity receives a new time stamp while the Reserve Quantity retains the time stamp of its original entry. As amended, a new time stamp will be created for the displayed quantity and Reserve Quantity of the order each time it is replenished from the Reserve Quantity. This is functionality is identical to functionality set forth in BATS Rule 11.12(a)(5).<sup>34</sup>

Random Replenishment is an instruction that a User may attach to an order with Reserve Quantity where replenishment quantities for the order are randomly determined by the System within a replenishment range established by the User. The Exchange proposes to minor amendments to the operation of Random Replenishment to align with BATS Rule 11.9(c)(1).<sup>35</sup> Currently, both the actual quantity of the order that will be initially displayed by the System on the EDGX Book and subsequent displayed

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<sup>34</sup> Id.

<sup>35</sup> Id.

replenishment quantities are randomly determined by the System within a replenishment range established by the User. As amended, only the replenishment quantities for the order will be randomly determined by the System within a replenishment range established by the User. A User will be required to select a replenishment value and Max Floor. The Max Floor will be the initial quantity to be displayed. The displayed replenishment quantities will then be determined by the System by randomly selecting a number of shares within a replenishment range that is between: (i) the Max Floor minus the replenishment value; and (ii) the Max Floor plus the replenishment value. The displayed replenishment quantities randomly determined by the System will no longer be limited to Round Lots. Nor will the replenishment quantity be within a replenishment range that is between the quantity around which the replenishment range is established plus or minus the replenishment value. In addition, the Exchange will no longer prohibit the displayed replenishment quantity from: (i) exceeding the remaining Reserve Quantity of the order; (ii) from being less than a single Round Lot or greater than the remaining unexecuted shares in the order.

In addition to the changes set forth above, the Exchange proposes to modify Rule 11.10(e)(3) to state that the Max Floor set for an order can be modified through the use of a replace message rather than requiring a User to cancel and re-enter an order. The Exchange also proposes to modify Rule 11.9(a)(4) to align with BATS Rule 11.12(a)(3)<sup>36</sup> to make clear that a modification to the Max Floor of an order with a Reserve Quantity will not cause such order to lose priority. When a replenishment occurs (based on the

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<sup>36</sup>Id.

new Max Floor), the order will receive a new timestamp, and thus, will have a new priority.

Under Fixed Replenishment, the displayed quantity of an order is replenished for a Fixed Replenishment quantity designated by the User. The Fixed Replenishment quantity for the order equals the initial displayed quantity designated by the User. The Exchange proposes to amend Rule 11.6(m) to specify that the Fixed Replenishment quantity will be the Max Floor designated by the User. In addition, Rule 11.6(m) will also specify that Fixed Replenishment will apply to any order for which Random Replenishment has not been selected. Lastly, like proposed for Random Replenishment discussed above, the Exchange will no longer prohibit the displayed replenishment quantity from being less than a single Round Lot or greater than the remaining unexecuted shares in the order. As amended, Fixed Replenishment will be identical to BATS Rule 11.9(c)(1)(B).<sup>37</sup>

*Super Aggressive (Rule 11.6(n)(2))*

Super Aggressive is an order instruction that directs the System to route the order if an away Trading Center locks or crosses the limit price of the order resting on the EDGX Book. Like BATS Rule 11.13(a)(4)(B), the Exchange proposes to also permit a User to designate an order as Super Aggressive solely to routable orders posted to the EDGX Book with remaining size of an Odd Lot.<sup>38</sup> To the extent the amended text of

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<sup>37</sup> See supra note 23.

<sup>38</sup> See Securities Exchange Act Release Nos. 73295 (October 3, 2014), 79 FR 61117 (October 9, 2014) (SR-BATS-2014-044) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Rules 11.13 and 21.9 of the BATS Exchange, Inc.); and 73296 (October 3, 2014), 79 FR 61121 (October 9, 2014)

Exchange Rule 11.6(n)(2) differs from BATS Rule 11.13(a)(4)(B), such differences are necessary to conform the rule with existing rule text, and in this case, to account for details or descriptions currently included in BATS Rule 11.13(a)(4)(B) that are not necessary under the structure of the Exchange's Rules.

*Time-In-Force (Rule 11.6(q))*

The Exchange proposes to amend its TIF instructions to align with BATS Rule 11.9(b). To the extent the amended text of Exchange Rule 11.6(q) differs from BATS Rule 11.9(b), such differences are necessary to conform the rule with existing Exchange rule text or to account for details or descriptions currently included in the Exchange's Rule but not included in BATS Rule 11.9(b). Where necessary, the Exchange has proposed rule changes consistent with the Exchange's operation on BATS technology, which the Exchange also believes are consistent with User expectations of how the System operates.

First, the Exchange proposes minor modifications to align the definition of IOC with BATS Rule 11.9(b)(1), the most notable of which is to specify that an order with a TIF instruction of IOC is eligible for routing. BATS rules do not restrict an order with an IOC instruction from being eligible for routing. In addition, permitting orders with an IOC instruction to be eligible for routing is consistent with BATS technology as well as with Users' expectations to use orders with an IOC instruction in combination with

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(SR-BYX-2014-026) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Rule 11.13 of the BATS Y-Exchange, Inc.). As amended, Exchange Rule 11.6(n)(2) only differs from BATS Rule 11.13(a)(4)(B) to extent necessary to conform the rule with existing Exchange rule text or to account for details or descriptions currently included in the Exchange's Rule but not included in BATS Rule 11.13(a)(4)(B).

available routing functionality and strategies. As amended, an IOC would be an instruction the User may attach to an order stating the order is to be executed in whole or in part as soon as such order is received. The portion not executed immediately on the Exchange or another trading center is treated as cancelled and is not posted to the EDGX Book.

Second, the Exchange proposes to amend the definition of the Day TIF instruction to state that an order with a TIF instruction of Day, if not executed, expires at the end of Regular Trading Hours and not at the end of the specified trading session. In addition, orders with a Day TIF instruction will be eligible for execution as soon as received by the Exchange. Therefore, the Exchange proposes to no longer require that any order with a Day instruction entered into the System before the start of the specified trading session will be placed by the System in a pending state and activated for potential execution upon the start of that trading session. Lastly, any Day Order entered into the System before the opening for business on the Exchange as determined pursuant to Rule 11.1 (which is currently 6:00 a.m.), or after the closing of Regular Trading Hours, will be rejected.

Third, Good-'til Time will be renamed as Good-'til Day ("GTD"). GTD will continue to be defined as an instruction the User may attach to an order specifying the time of day at which the order expires. Any unexecuted portion of an order with a TIF instruction of GTD will be continue to be cancelled at the expiration of the User's specified time, which can be no later than the close of the Post-Market Session. A User will no longer be able to designate that an order with a GTD instruction be cancelled at the end of a specified trading session(s).

Lastly, the Exchange proposes to adopt two new TIF instructions which are currently available on BATS:<sup>39</sup> Good 'til Extended Day (“GTX”) and RHO. GTX will be defined as an instruction the User may attach to an order to buy or sell which, if not executed, will be cancelled by the close of the Post-Market Session. RHO will be defined as an instruction a User may attach to an order designating it for execution only during Regular Trading Hours, which includes the Opening Process and Re-Opening Process following a halt suspension or pause. The proposed definition of RHO under Exchange Rule 11.6(q)(6) is substantially similar to BYX Rule 11.9(b)(7) and any differences are necessary to conform the rule with existing Exchange rule text or to account for details or descriptions currently included in the Exchange’s rules but not in BYX Rule 11.9(b)(7). The Exchange notes that the proposed definition of RHO is also similar to BZX Rule 11.9(b)(7) but such rule includes additional detail not necessary in the proposed rule because the Exchange does not have any listed securities or a separate process for handling such listed securities whereas BZX does.

#### **Rule 11.7, Opening Process**

The Exchange proposes to amend Rule 11.7 regarding the Opening Process to align with BATS Rule 11.24 and BYX Rule 11.23.<sup>40</sup> The Exchange proposes to modify

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<sup>39</sup> See supra note 23.

<sup>40</sup> See Securities Exchange Act Release Nos. 73473 (October 30, 2014), 79 FR 65744 (November 5, 2014) (SR-BATS-2014-037) (Order Granting Approval of Proposed Rule Change to Establish an Opening Process for Non-BATS-Listed Securities); and 73472 (November 5, 2014), 79 FR 65735 (October 9, 2014) (SR-BYX-2014-018) (Order Granting Approval of Proposed Rule Change to Establish an Opening Process). As amended, Exchange Rule 11.7 only differs from BZX Rule 11.24 and BYX Rule 11.23 to extent necessary to conform the rule with

paragraph (a) to specify that buy or sell orders that wish to participate in the Opening Process are to include a TIF instruction of RHO and that any order that does not include a TIF instruction of RHO will not be eligible for participation in the Opening Process. Paragraph (a)(1) would be amended to make clear that only orders without a TIF instruction of RHO and ISOs designated RHO may execute against eligible Pre-Opening Session contra-side interest resting in the EDGX Book in the time period between the start of 9:30 a.m. Eastern Time and the Exchange's Opening Process or a Contingent Open, as described in paragraph (b) and (d).<sup>41</sup> Orders with a TIF instruction of IOC or FOK will continue to be eligible for execution during this time period as they would be considered orders without a TIF instruction of RHO. Paragraph (a)(1) would also state that any unexecuted portion of an ISO that is designated RHO will be converted into a non-ISO and be queued for participation in the Opening Process.

Paragraph (a)(2) would be amended to state that all orders that include a TIF instruction of RHO may participate in the Opening Process except: Limit Orders with a Post Only instruction, the Discretionary Range of Limit Orders, and ISOs not modified by Rule 11.7(a)(1), and orders with a Minimum Execution Quantity instruction. Limit Orders with a Discretionary Range may participate up to their ranked limit price for buy orders or down to their ranked limit price for sell orders, rather than up or down to their discretionary price, as is currently allowed. Orders with a TIF instruction of IOC or FOK will continue to be ineligible for execution in the Opening Process as they would not be

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existing Exchange rule text or to account for details or descriptions currently included in the Exchange's Rule but not contained in BZX or BYX rules.

<sup>41</sup> See supra note 9.

able to also include a TIF instruction of RHO. Orders with a Stop Price or Stop Limit Price instruction will be eligible to participate in the Opening Process where their stop prices have been triggered.

Paragraph (b) defines the process by which the System will attempt to match buy and sell orders that are executable at the midpoint of the NBBO. The Exchange does not propose to alter this process other than to define it as the Opening Match. In addition, the Exchange propose to include in paragraph (b) that all ERSTP modifiers, as defined in Rule 11.10(d), will be ignored as it relates to executions occurring during the Opening Match.

Paragraph (d) sets forth the Exchange's Contingent Open process that occurs when the conditions to establish the price of the Opening Process set forth under Rule 11.7(c) do not occur by 9:45:00 a.m. Eastern Time. In such case, orders will be placed on the EDGX Book, routed, cancelled, or executed in accordance with the terms of the order. The Exchange proposes to state under paragraph (d) that the orders will be handled in time sequence, beginning with the order with the oldest time stamp. The Exchange also proposes to remove the prohibition from paragraph (b) that MidPoint Match ("MPM") Orders, as defined in Rule 11.8(d), will not be eligible for execution until the conditions set forth under Rule 11.7(c) above for determining the price of the Opening Process have been met. MPM Orders are currently only eligible for execution during the Regular Session. As discussed in more detail below, the Exchange proposes to enable MPM Orders to be also eligible for execution during the Pre-Opening Session and Post Closing Session. Therefore, the Exchange proposes to remove this restriction on MPM Orders from Rule 11.7(d).

Paragraph (e) or Exchange Rule 11.7 states that re-openings after a halt, suspension or pause will occur at the midpoint of the: (i) first NBBO subsequent to the first reported trade on the listing exchange following the resumption of trading after a halt, suspension, or pause; or (ii) then prevailing NBBO when the first two-sided quotation published by the listing exchange following the resumption of trading after a halt, suspension, or pause 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. The Exchange proposes to add additional language to paragraph (e) to align with BATS Rule 11.24 and BYX Rule 11.23. First, the Exchange proposes to specify that while a security is subject to a halt, suspension, or pause in trading, the Exchange will accept orders eligible pursuant to paragraph (a)(2) described above for queuing prior to the resumption of trading in the security for participation in the Re-Opening Process. In addition, proposed paragraph (e)(2) would specify that the Re-Opening Process will occur in the same manner described in paragraphs (a)(2) and (b) of Rule 11.7, with the following exceptions: (1) orders without a TIF instruction of RHO will be eligible for participation in the Re-Opening Process, but orders that include a TIF instruction of IOC or FOK, a Post Only instruction or Minimum Execution Quantity instruction will be cancelled or rejected, as applicable, and any ISO that does not include a TIF instruction of IOC or FOK will be converted into a non-ISO and be queued for participation in the Re-Opening Process. Proposed paragraph (e)(2) would state that where neither of the conditions required to establish the price of the Re-Opening Process in paragraph (1) above have occurred, the security may be opened for trading at the discretion of the Exchange. Where the security is opened by the Exchange subject to this discretion, orders will be

handled in the same manner described in paragraph (d) regarding a Contingent Open. Proposed paragraphs (e)(1) – (2) would be substantially similar to the functionality set forth in BATS Rule 11.24(e)(1) – (2) and BYX Rule 11.23(e)(1) – (2).

**Rule 11.8, Order Types**

The Exchange proposes to amend the order types set forth under Rule 11.8 to align their operation with existing BATS Rule and functionality.

Market Orders (Rule 11.8(a)). The Exchange proposes to amend paragraph (a)(2) to state that Market Orders may also include a TIF instruction of RHO and any portion of a Market Order with a TIF instruction of RHO will be cancelled immediately following the Opening or Re-Opening Process in which it is not executed, unless it is eligible to be displayed on the EDGX Book pursuant to Rule 11.8(a)(4). A Market Order being canceled immediately following the Opening or Re-Opening Process if not executed is a natural extension of the Opening Process. Exchange Rule 11.7(b) states that upon conclusion of the Opening Process, any remaining orders will be placed on the EDGX Book, cancelled, executed, or routed to an away in accordance with Rule 11.11. As a result, the Market Order will be cancelled unless it is eligible to be displayed on the EDGX Book pursuant to Rule 11.8(a)(4).

Under current Rule 11.10(a)(3)(A), where a non-routable buy (sell) Market Order is entered into the System and the NBO (NBB) is greater (less) than the Upper (Lower) Price Band, such order will be posted by the System to the EDGX Book and priced at the Upper (Lower) Price Band, unless (i) the order includes a TIF instruction of IOC or FOK, in which case it will be cancelled if not executed, or (ii) the User entered a Cancel Back

instruction. The Exchange proposes to specify, consistent with BATS Rule 11.9(a)(2),<sup>42</sup> that a Market Order to buy (sell) that is posted by the System to the EDGX Book and displayed at the Upper (Lower) Price Band will be re-priced and displayed at the Upper (Lower) Price Band if Price Bands move such that the price of the resting Market Order to buy (sell) would be above (below) the Upper (Lower) Price Band or if the Price Bands move such that the order is no longer posted and displayed at the most aggressive permissible price. The System shall re-price such displayed interest to the most aggressive permissible price until the order is executed in its entirety or cancelled. In addition, the amended rule would state that a Market Order that includes both a TIF instruction of RHO and a Short Sale instruction that cannot be executed because of the existence of a Short Sale Circuit Breaker will be posted and displayed by the System to the EDGX Book and priced in accordance with the Short Sale Re-Price instruction described in Rule 11.6(l)(2).

Currently, with the exception of a Market Order with a Destination-on-Open instruction, any portion of a Market Order that would execute at a price more than the greater of \$0.50 or 5 percent worse than the consolidated last sale as published by the responsible single plan processor at the time the order is entered into the System will be cancelled. As amended, such order will be cancelled where they would execute at a price more than \$0.50 or 5 percent worse than the NBBO at the time the order initially reaches

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<sup>42</sup> See Securities Exchange Act Release Nos. 73875 (December 18, 2014) (SR-BATS-2014-068) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.0(a)(2) and 11.18(e) of the BATS Exchange, Inc.); and 73874 (December 18, 2014) (SR-BYX-2014-039) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Rules 11.0(a)(2) and 11.18(e) of the BATS Y-Exchange, Inc.).

the Exchange, whichever is greater. This is identical to BATS Rule 11.9(a)(2).

Limit Orders (Rule 11.8(b)). The Exchange proposes to state that a Limit Order may also include a TIF instruction of RHO or GTX, in addition to IOC, FOK, Day or GTD. In addition, Limit Orders with a TIF instruction of IOC that do not include a Book Only<sup>43</sup> instruction and will be eligible for routing away pursuant to Rule 11.11, while Limit Orders with a TIF instruction of FOK will not. This is designed to provide additional detail regarding the operation of Limit Order and is consistent with BATS Rule 11.13(a)(2), which states, in sum, that “[w]ith respect to an order that is eligible for routing, the System will designate orders as IOCs and will cause such orders to be routed to one or more Trading Centers.”

Rule 11.8(b)(11) describes the application of the re-pricing instruction to comply with Regulation SHO to Limit Orders. The Exchange proposes to amend this paragraph to reflect the decommissioning of Short Sale Price Adjust and Short Sale Price Sliding in order to align and streamline its short sale pricing functionality with BATS Rule 11.9(g)(5) with no substantive differences from existing BATS Rules or functionality. The Exchange also proposes to delete Rule 11.8(b)(12) regarding the re-pricing of Routed and Returned orders as this functionality will not be available upon the Exchange being migrated to BATS technology as discussed above. Lastly, the Exchange proposes to renumber Rule 11.8(b)(13) regarding the re-pricing of non-displayed orders as 11.8(b)(12) and rename it “Re-Pricing of Non-Displayed Limit Orders and Limit Orders

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<sup>43</sup> Book Only is an order instruction stating that an order will be matched against an order on the EDGX Book or posted to the EDGX Book, but will not route to an away Trading Center. See EDGX Rule 11.6(n)(3).

of Odd Lot Size” and to make minor amendments to correspond to the re-pricing of orders of Odd Lot size discussed above.

ISOs (Rule 11.8(c)). The Exchange proposes to state that an ISO may also include a TIF instruction of RHO or GTX, in addition to IOC, Day or GTD. The Exchange also proposes to amend Rule 11.8(c) to reflect the ISO with a Post Only and TIF instruction of GTD, GTX, or Day will no longer be eligible for the Re-Pricing Instructions to Comply with Rule 610 of Regulation NMS or Rule 201 of Regulation SHO. Also, as amended, an ISO that includes a Post Only instruction and a TIF instruction of GTD, GTX, or Day will be cancelled if the System is displaying orders at the Locking Price at the time of entry unless such order removes liquidity pursuant to current Rule 11.6(n)(4), which governs the execution of orders with a Post Only instruction against resting liquidity on the EDGX Book. Such orders that also include a Short Sale instruction that cannot be executed or displayed at their limit price at the time of entry because of the existence of a Short Sale Circuit Breaker will also be cancelled. This proposed rule change is representative of additional detail with regard to the re-pricing of ISOs that, if displayed on the EDGX Book, would be a Locking or Crossing Quotation in the Exchange’s rules. Cancelling ISOs in the above situations is reasonable because ISOs would no longer be eligible for the Re-Pricing Instructions to comply with Rule 610 of Regulation NMS or 201 of Regulation SHO, thereby ensuring the Exchange does not post an order that would lock or cross the market or violate Rule 201 Regulation SHO consistent with BATS functionality. The Exchange notes, however, that absent a Short Sale Circuit Breaker being in effect, an ISO that includes a Post Only instruction and TIF instruction of GTD, GTX, or Day will remove liquidity when the System is

displaying an order at the Locking price if the value of such execution equals or exceeds the value of such execution if the order instead posted to the EDGX Book and provided liquidity, including applicable fees and rebates, under current Rule 11.6(n)(4).

MPM Orders (Rule 11.8(d)). The Exchange proposes amend Rule 11.8(d) to reflect the operation of MPM orders once the Exchange is migrated onto BATS technology. As amended, the rule would specify that an MPM Order will not be eligible for execution when an NBBO is not available. In such case, an MPM Order would rest on the EDGX Book and would not be eligible for execution in the System until an NBBO is available. The Exchange believes MPM Orders being ineligible for execution when no NBBO exists is reasonable and consistent with a User's intent and the purpose of the order type. A User entering an MPM Order is doing so to receive an execution at the mid-point of the NBBO and a mid-point does not exist in the absence of an NBBO. The MPM order will receive a new time stamp when an NBBO becomes available and a new midpoint of the NBBO is established. In such case, all MPM orders that are ranked at the midpoint of the NBBO will retain their priority as compared to each other based upon the time such orders were initially received by the System.

The Exchange proposes to state that an MPM Order may also include a TIF instruction of RHO or GTX, in addition to IOC, FOK, Day or GTD. In addition, Users will be able to enter MPM Orders as an Odd Lot, in addition to a Round Lot or Mixed Lot. Currently, MPM Orders may only be executed during the Regular Session. Upon migration of the Exchange onto BATS technology, MPM Order will also be eligible for execution during the Pre-Opening Session and Post Closing Session. While MPM Orders may be submitted to be executed during the Opening Process described in Rule 11.7(c),

any Minimum Execution Quantity instruction on an MPM Order will not be applied during the Opening Process. Lastly, MPM Orders will be eligible for execution during the Regular Session in the event of a Contingent Open as described in Rule 11.7(d), regardless of whether the conditions set forth under Rule 11.7(c) for determining the price of the Opening Process have been met. Lastly, the Exchange proposes to specify that MPM Orders may include a Book Only instruction.

NBBO Offset Peg Order (Rule 11.8(e)). The Exchange proposes to change the name of the NBBO Offset Peg Order to the Market Maker Peg Order, which is the equivalent order type on BATS.<sup>44</sup> A Market Maker Peg Order is a Limit Order that, upon entry or at the beginning of Regular Trading Hours, as applicable, will be automatically priced by the System at the Designated Percentage<sup>45</sup> away from the last reported sale, rather than then current NBO (in the case of an order to buy) or NBB (in the case of an order to sell), as is currently the case. A Market Maker Peg order may also include a TIF instruction of RHO or GTD, in addition to Day. Market Maker Peg Orders may also be entered as Odd Lots, in addition to Round Lots and Mixed Lots.

The Exchange also proposes to add definitions for Designated Percentage and Defined Limit under Rule 11.8(e) to account for securities priced below \$1. For purposes of Market Maker Peg Order pricing, the Designated Percentage shall be the same as set forth in Rules 11.20(d)(2)(D) and 11.20(d)(2)(E), except that the Designated Percentage for securities priced below \$1 as set forth in Rule 11.20(d)(2)(E) shall be 28%. For

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<sup>44</sup> See BATS Rule 11.9(c)(16).

<sup>45</sup> The term Designated Percentage is defined in Exchange Rule 11.20(d)(2)(D) and (E).

purposes of Market Maker Peg Order pricing, the Defined Limit shall be the same as set forth in Rules 11.20(d)(2)(F) and 11.20(d)(2)(G), except that the Defined Limit for securities priced below \$1 as set forth in Rule 11.20(d)(2)(G) shall be 29.5%. The proposed changes to Rule 11.8(e) are similar to the functionality set forth in BATS Rule 11.9(c)(16).

Route Peg Order (Rule 11.8(f)). The Exchange proposes to change the name of the Route Peg Order to the Supplemental Peg Order, which is the equivalent order type on BATS.<sup>46</sup> The Exchange also proposes to specify that a Supplemental Peg Order to buy (sell) will not be eligible for execution when an NBB (NBO) is not available. In such case, a Supplemental Peg Order to buy (sell) would rest on the EDGX Book and would not be eligible for execution in the System until an NBB (NBO) exists. This functionality is similar to that proposed for the MPM Order described above, and is based upon BATS Rule 11.9(c)(19). The Exchange believes Supplemental Peg Orders being ineligible for execution when an NBB or NBO is not available is reasonable and consistent with a User's intent and the purpose of the order type. A User entering a Supplemental Peg Order is doing so to receive an execution at the NBBO against an order that is in the process of being routed away. If no NBBO exists, there is no price at which to execute the Supplemental Peg Order.

A Supplemental Peg Order may include a TIF instruction of GTX or RHO, in addition to GTD or Day. Supplemental Peg Orders may also be entered as Odd Lots, in addition to Round Lots and Mixed Lots. As amended, a Supplemental Peg Order will be

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<sup>46</sup> See BATS Rule 11.9(c)(19).

eligible for execution during the Pre-Opening Session, Regular Session, and Post-Closing Session. Therefore, the Exchange proposes to remove the restriction that Supplemental Peg Orders: (i) may only be entered, cancelled, and cancelled/replaced prior to and during the Regular Session; (ii) are only eligible for execution during the Regular Session, but not until such time that orders in that security during the Regular Session can be posted by the System to the EDGX Book. Any remaining unexecuted Supplemental Peg Orders are cancelled at the conclusion of the Regular Session. Supplemental Peg Orders will continue to be ineligible for execution in the Opening Process. The proposed changes to Rule 11.8(f) regarding Route Peg Orders are similar to BATS Rule 11.9(c)(19).

#### **Rule 11.9, Priority of Orders**

The Exchange proposes to amend Rule 11.9 to align with BATS functionality and BATS Rule 11.12 regarding how orders with certain instructions are to be ranked by the System: (i) at a price other than the midpoint of the NBBO; (ii) at the midpoint of the NBBO; and (iii) where buy (sell) orders utilize instructions that cause them to be ranked by the System upon clearance of a Locking Quotation.<sup>47</sup> The proposed amendment to Rules 11.9(a)(4) and (6) are described under the amendments to Reserve Quantity discussed above.

Prices Other than the Midpoint of the NBBO. Rule 11.9(a)(2)(A) currently states that the System will execute equally priced trading interest within the System at prices

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<sup>47</sup> For purposes of priority under proposed Rule 11.9(a)(2)(A), (B) and (C), the Exchange notes that orders of Odd Lot, Round Lot, or Mixed Lot size are treated equally.

other than at the midpoint of the NBBO or 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 and the Reserve Quantity of Limit Orders; (iii) Limit Orders executed within their Discretionary Range; and (iv) Route Peg Orders. As amended, the System will rank equally priced trading interest in such circumstances in the following order: (i) the portion of a Limit Order with a Displayed instruction; (ii) Limit Orders with a Non-Displayed instruction; (iii) Orders with a Pegged and Non-Displayed instruction; (iv) Reserve Quantity of Limit Orders; (v) Limit Orders executed within their Discretionary Range; and (vi) Supplemental Peg Orders. Orders will be substantially ranked in same order except that, as amended, orders with a Pegged and Non-Displayed instruction will be distinguished from and placed behind Limit Orders with a Non-Displayed Instruction. In turn, the Reserve Quantity of Limit Orders will be separated from and placed behind Limit Orders with a Non-Displayed instruction and orders with a Pegged and Non-Displayed instruction. The Exchange believes it is reasonable to rank orders with a Pegged and Non-Displayed instruction behind Limit Orders with a Displayed instruction and Limit Orders with a Non-Displayed instruction because this priority sequence incentivizes the use of displayed liquidity on the EDGX Book as well as orders that provide liquidity at a specific limit price. These proposed changes are substantially similar to BATS functionality and Rules 11.12(a)(2). The Exchange notes that BATS Rule 11.12(a)(2) does not currently specify that BATS Pegged Orders referenced in the priority rule are limited to Pegged Orders that are not displayed on BATS, however, the Exchange represents that BATS technology does treat Pegged

Orders displayed on BATS as displayed orders and that only Pegged Orders that are not displayed on BATS are afforded later priority than displayed orders and other non-displayed orders. Thus, the Exchange's proposal (which would limit the later priority treatment to orders with a Pegged instruction and a Non-Displayed instruction) is consistent with BATS technology.

At the Midpoint of the NBBO. Rule 11.9(a)(2)(B) currently states that the System will execute trading interest priced at the midpoint of the NBBO within the System in time priority in the following order: (i) Limit Orders to which the Hide Not Slide or Routed And Returned Re-Pricing instruction has been applied; (ii) MidPoint Match Orders; (iii) Limit Orders with a Non-Displayed instruction; and (iv) Limit Orders executed within their Discretionary Range. As amended, the System will rank equally priced trading interest in such circumstances in the following order: (i) Limit Orders to which the Hide Not Slide instruction has been applied; (ii) MidPoint Match Orders; (iii) Limit Orders with a Non-Displayed instruction; (iv) Orders with a Pegged instruction; (v) Reserve Quantity of Limit Orders; and (vi) Limit Orders executed within their Discretionary Range. Thus, orders will be substantially ranked in same order except that, as amended, orders with a Pegged instruction will be distinguished from and placed behind Limit Orders with a Non-Displayed instruction. In turn, the Reserve Quantity of Limit Orders will be separated from and placed behind Limit Orders with a Non-Displayed instruction and orders with a Pegged instruction. In addition, the Exchange proposes to remove a reference to the Routed and Returned Re-Pricing instruction because, as described above, it will be decommissioned upon migration of the Exchange onto BATS technology.

Orders Re-Ranked upon Clearance of a Locking Quotation. The Exchange does not propose to make any changes to the ranking of orders that are re-ranked upon clearance of a Locking Quotation other than to remove a reference to the Routed and Returned Re-Pricing instruction because, as described above, it will be decommissioned upon migration of the Exchange onto BATS technology.

**Rule 11.10, Order Execution**

Rule 11.10(a)(2) summarizes the Exchange compliance with Regulation NMS. The rule states that for any execution to occur during Regular Trading Hours, the price must be equal to or better than the Protected NBBO, unless the order is marked ISO or unless the execution falls within another exception set forth in Rule 611(b) of Regulation NMS. For any execution to occur during the Pre-Opening Session or the Post-Closing Session, the price must be equal to or better than the highest bid or lowest offer in the EDGX Book or disseminated by the responsible single plan processor, unless the order is marked ISO. To align Rule 11.10(a)(2) with BATS Rule 11.13, the Exchange proposed to further state that such executions may occur during the Pre-Opening Session or the Post-Closing Session where a Protected Bid is crossing a Protected Offer. A User may, in such circumstance, instruct the Exchange to cancel any incoming order from such User in the event a Protected Bid is crossing a Protected Offer.

To further align Exchange Rule 11.10(a)(2) with BATS Rule 11.13, Rule 11.10(a)(2) will state that notwithstanding the above, in the event that a Protected Bid is crossing a Protected Offer, whether during or outside of Regular Trading Hours, unless an order is marked ISO, the Exchange will not execute any portion of a bid at a price more than the greater of 5 cents or 0.5 percent higher than the lowest Protected Offer or

any portion of an offer that would execute at a price more than the greater of 5 cents or 0.5 percent lower than the highest Protected Bid.

The Exchange also proposes to amend Rule 11.12(e)(3) to mirror BATS Rule 11.9(e)(3). Rule 11.12 currently states that only the price and quantity terms of the order may be changed by a Replace Message (including changing a Limit Order to a Market Order). As amended, Rule 11.12 would also allow the Stop Price, the sell long indicator, Short Sale instruction, and Max Floor to be changed by a Replace Message.

### **Rule 11.11, Routing to Away Trading Centers**

The Exchange proposes to amend Rule 11.11, which describe the Exchange's routing options align with BATS Rule 11.13.<sup>48</sup> In doing so, the Exchange proposes to eliminate obsolete routing options, modify certain routing options, and add to Rule 11.11 to offer many of the same routing options offered by BATS. The Exchange notes that the proposed rule text is based on the Rule 11.13 of BATS and is different only to the extent necessary to conform to the Exchange's current rules. The Exchange believes that it is appropriate to amend its routing options as described below to ensure consistency with BATS Rule upon migration of the Exchange onto BATS technology.

Deletions. The Exchange also proposes to delete from Rule 11.11 the following routing options that will be decommissioned upon migration of the Exchange onto BATS technology: ROBA, ROBX, ROBY, ROPA, IOCX, IOCT, and SWPC. Each of these routing options are described below.

- ROBA. The Exchange proposes to delete the ROBA routing option under

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<sup>48</sup> The Exchange notes that BATS recently amended its Rule 11.13 to harmonize certain of its routing options with the Exchange. See supra note 38.

which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to BATS. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.

- ROBX. The Exchange proposes to delete the ROBX routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to Nasdaq BX Exchange. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.
- ROBY. The Exchange proposes to delete the ROBY routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to BYX. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.
- ROPA. The Exchange proposes to delete the ROPA routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to NYSE Arca. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.
- IOCX. The Exchange proposes to delete the IOCX routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to EDGA. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless

otherwise instructed by the User.

- IOCT. The Exchange proposes to delete the IOCT routing option under which an order checks the System for available shares and then is sent to destinations on the System routing table. If shares remain unexecuted after routing, they are sent, with a Time-in-Force instruction of IOC, to EDGA. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.
- SWPC. The Exchange proposes to delete the SWPC routing option under which an order checks the System for available shares and then is sent to only Protected Quotations and only for displayed size. To the extent that any portion of the order is unexecuted, the remainder is posted on the EDGX Book at the order's limit price. The entire SWPC order will not be cancelled back to the User immediately if at the time of entry there is an insufficient share quantity in the SWPC order to fulfill the displayed size of all Protected Quotations. The Exchange also proposes to delete a reference to SWPC in Rule 11.11(d).

The Exchange believes that it is appropriate to eliminate the above routing options because they will be decommissioned upon migration of the Exchange onto BATS technology and are unlikely to be offered by the Exchange in the near future.

Additions. The Exchange proposes to add a Destination Specific routing option, which is currently offered by BATS.<sup>49</sup> Destination Specific is a routing option under

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<sup>49</sup> See BATS Rule 11.13(a)(3)(E).

which an order checks the System for available shares and then is sent to an away trading center or centers specified by the User. The Destination Specific routing option is also similar to the Exchange's current Destination Specified order instruction in Rule 11.6(n)(5), in that both allow the User to select the destination the order shall be routed to. The only differences are that under the Destination Specific order instruction, the order is first exposed to the EDGX Book before routing and if the order is not executed in full after routing away will be processed by the Exchange as described in Exchange Rule 11.10(a)(4), unless the User has provided instructions that the order reside on the book of the relevant away Trading Center.

The Exchange also proposes to add a Post to Away routing option, which is currently offered by BATS.<sup>50</sup> Post to Away is a routing option under which the System will route the remainder of a routed order to and posts such order on the order book of a destination on the System routing table as specified by the User. The Post to Away routing option is an alternative to either cancelling a routed order back to a User or posting such order to the BATS Book to the extent an order is not completely filled through the routing process. The Post to Away routing option can be combined with the following routing options: ROUT, ROUX, and ROUE.<sup>51</sup> As a result of adding the Post to Away routing option, the Exchange proposes to amend Rule 11.11(g)(3) to remove now

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<sup>50</sup> See BATS Rule 11.13(a)(3)(H).

<sup>51</sup> The Exchange notes that Post to Away under BATS Rule 11.13(a)(3)(H) may be combined with more routing options than are proposed above. This is because BATS rules include additional routing options that are eligible to be posted to an away destination that are not currently available on the Exchange or that are eligible to be combined with the Post to Away routing strategy.

redundant language that a User may instruct that any remainder of the order may be posted to the EDGX Book or another destination on the System routing table.

Lastly, the Exchange also proposes to specify for ROOC, ROUE, ROUT and ROUX that the entering User may select either Route To Improve (“RTI”) or Route To Fill (“RTF”). RTI may route to multiple destinations at a single price level simultaneously while RTF may route to multiple destinations and at multiple price levels simultaneously. RTI is similar to the RTI routing option available under BYX Rule 11.13(a)(3)(G).

Modifications. First, the Exchange proposes to modify Rule 11.11(a) regarding Regulation SHO to reflect the elimination of Short Sale Price Adjust and Short Sale Price Sliding discussed above, as well as to replace the phrase “the short sale price restriction” with the defined term “Short Sale Circuit Breaker.” The later change does not change the meaning of Rule 11.11(a) and simply ensures a consistent use of defined terms throughout the Exchange’s Rules.

Second, the Exchange proposes to modify the following routing options to ensure consistency with BATS Rule: ROUC, INET, ROLF, ROOC, SWPA, and SWPB. Each of these modifications are described below.

- **ROUC.** ROUC is a routing option under which an order checks the System for available shares and then is sent to destinations on the System routing table, Nasdaq OMX BX, and NYSE. If shares remain unexecuted after routing, they are posted on the EDGX Book. The Exchange proposes to amend the ROUC routing option to state that any remaining shares will not be posted to EDGX Book where the User instructs the Exchange

otherwise.

- INET. INET is a routing option under which an order will check the System for available shares and then will be sent to Nasdaq. If shares remain unexecuted after routing through the INET routing option, they will be posted on the Nasdaq book. The Exchange proposes to amend the INET routing option to state that any remaining shares will not be posted to Nasdaq where the User instructs the Exchange otherwise.
- ROLF. ROLF is a routing option under which an order will check the System for available shares and then will be sent to LavaFlow ECN. The Exchange proposes to amend the ROLF routing option to states that any remaining shares will be cancelled unless the User instructs otherwise.
- ROOC. ROOC is a routing option for orders that the entering firm wishes to designate for participation in the opening, re-opening (following a halt, suspension, or pause), or closing process of a primary listing market (BATS, NYSE, Nasdaq, NYSE MKT, or NYSE Arca) if received before the opening/re-opening/closing time of such market. The Exchange proposes to amend the ROOC routing option to add BATS to the list of primary listing markets and to specify that, due to current system limitations, orders in BATS listed securities designated for participation in the re-opening process on BATS following a halt, suspension, or pause will remain on the EDGX Book and be eligible for execution once the halt, suspension, or pause has been lifted. Lastly, to ensure consistency with the ROOC routing option available on BATS, the Exchange proposes

to states that any remaining shares will either be posted to the EDGX Book, executed, or routed to destinations on the System routing table, rather than like a ROUT routing option under Rule 11.11(g)(3). The proposed modifications to the ROOC routing option is similar to the ROOC routing option available under BYX Rule 11.13(a)(3)(N).

- SWPA. SWPA is a routing option under which an order checks the System for available shares and then is sent to only Protected Quotations and only for displayed size. The entire SWPA order will not be cancelled back to the User immediately if at the time of entry there is an insufficient share quantity in the SWPA order to fulfill the displayed size of all Protected Quotations. The Exchange proposes to amend the SWPA routing option to state that, rather than cancelling any remaining unexecuted shares, those shares will be posted to the EDGX Book at the order's limit price, unless otherwise instructed by the User. This is consistent with BATS Rule 11.13(a)(2)(A), which states that any unfilled balance of a Limit Order will be posted to the BATS book.
- SWPB. SWPB is a routing option under which an order checks the System for available shares and then is sent to only Protected Quotations and only for displayed size. The entire SWPB order will be cancelled back to the User immediately if at the time of entry there is an insufficient share quantity in the SWPB order to fulfill the displayed size of all Protected Quotations. Like as proposes for SWPA above, the Exchange proposes to amend the SWPB routing option to state that, rather than

cancelling any remaining unexecuted shares, those shares will be posted to the EDGX Book at the order's limit price, unless otherwise instructed by the User. This is consistent with BATS Rule 11.13(a)(2)(A), which states that any unfilled balance of a Limit Order will be posted to the BATS book.

#### Implementation Date

The Exchange intends to implement the proposed rule change on or about January 12, 2015, which is the anticipated date upon which the migration of the Exchange to the BATS technology platform will be complete.<sup>52</sup>

#### 2. Statutory Basis

The Exchange believes that the proposed rule changes are consistent with Section 6(b) of the Act<sup>53</sup> and further the objectives of Section 6(b)(5) of the Act<sup>54</sup> because they are designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and, in general, to protect investors and the public interest. The proposed rule change also is designed to support the principles of Section 11A(a)(1)<sup>55</sup> of the Act in that

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<sup>52</sup> Implementation of the proposed rule change on or about January 12, 2015 is contingent upon the Commission granting a waiver of the 30-day operative delay. 17 CFR 240.19b-4(f)(6)(iii).

<sup>53</sup> 15 U.S.C. 78f(b).

<sup>54</sup> 15 U.S.C. 78f(b)(5).

<sup>55</sup> 15 U.S.C. 78k-1(a)(1).

it seeks to assure fair competition among brokers and dealers and among exchange markets.

The proposed rule changes are generally intended to add or align certain system functionality currently offered by BATS in order to provide a consistent technology offering for the BGM Affiliated Exchanges. A consistent technology offering, in turn, will simplify the technology implementation, changes and maintenance by Users of the Exchange that are also participants on BATS. The proposed rule changes would also provide Users with access to functionality that is generally available on markets other than the BGM Affiliated Exchanges and may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on BATS. The Exchange notes that the proposed rule text is based on the BATS Rule and is different only to the extent necessary to conform to the Exchange's current rules. To the extent a proposed rule change is based on an existing BATS Rule, the language of the BATS and Exchange Rules may differ to extent necessary to conform with existing Exchange rule text or to account for details or descriptions included in the Exchange's Rules but not in the applicable BATS rule. Where possible, the Exchange has mirrored BATS rules, because consistent rules will simplify the regulatory requirements and increase the understanding of the Exchange's operations for Members of the Exchange that are also participants on BATS. The proposed rule change would provide greater harmonization between the rules of the BGM Affiliated Exchanges, 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. The Exchange also believes that the proposed amendments will contribute to the protection of investors and the public interest by making the Exchange's rules easier to understand. Where necessary, the Exchange has proposed language consistent with the Exchange's operations on BATS technology, even if there are specific details not contained in the current structure of BATS rules. The Exchange believes it is consistent with the Act to maintain its current structure and such detail, rather than removing such details simply to conform to the structure or format of BATS rules, again because the Exchange believes this will increase the understanding of the Exchange's operations for all Members of the Exchange.

Re-Pricing (Rule 11.6(l)). The Exchange believes that the proposed changes to Rule 11.6(l) are consistent with Section 6(b)(5) of the Act,<sup>56</sup> as well as Rule 610 of Regulation NMS<sup>57</sup> and Rule 201 of Regulation SHO.<sup>58</sup> Rule 610(d) requires exchanges to establish, maintain, and enforce rules that require members reasonably to avoid “[d]isplaying quotations that lock or cross any protected quotation in an NMS stock.”<sup>59</sup> Such rules must be “reasonably designed to assure the reconciliation of locked or crossed

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<sup>56</sup> 15 U.S.C. 78f(b)(5).

<sup>57</sup> 17 CFR 242.610.

<sup>58</sup> 17 CFR 242.201.

<sup>59</sup> 17 CFR 242.610(d).

quotations in an NMS stock,” and must “prohibit ... members from engaging in a pattern or practice of displaying quotations that lock or cross any quotation in an NMS stock.”<sup>60</sup>

Thus, the amendments to the Price Adjust instruction proposed by the Exchange will assist Users by displaying orders at permissible prices. Similarly, Rule 201 of Regulation SHO<sup>61</sup> requires trading centers to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution or display of a short sale order at a price at or below the current NBB under certain circumstances.

The Exchange believes that the proposed optional multiple re-pricing for Price Adjust is consistent with Section 6(b)(5) of the Act,<sup>62</sup> as well as Rule 610 of Regulation NMS.<sup>63</sup> The Exchange is not modifying the overall functionality of Price Adjust, which, to avoid locking or crossing quotations of other market centers, displays orders at permissible prices while retaining a price at which the User is willing to buy or sell, in the event display at such price or an execution at such price becomes possible. Instead, the Exchange is making changes to adopt an optional multiple re-pricing under Price Adjust and align with other similar re-pricing instructions under BATS Rule 11.9(g)(2).<sup>64</sup> The Exchange also believes decommissioning the Routed and Returned Re-Pricing option is consistent with the Act because those Users who would wish to engage in multiple re-pricing upon return to the Exchange may select the option multiple re-pricing for Price

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<sup>60</sup> Id.

<sup>61</sup> 17 CFR 242.201.

<sup>62</sup> 15 U.S.C. 78f(b)(5).

<sup>63</sup> 17 CFR 242.610.

<sup>64</sup> See supra note 32.

Adjust as discussed above.

The Exchange also believes that cancelling ISOs with a TIF instruction of GTD, GTX, or Day and not subjecting them to the re-pricing instructions to comply with Rule 610 of Regulation NMS or Rule 201 of Regulation SHO is consistent with Section 6(b)(5) of the Act,<sup>65</sup> as well as Rule 610 of Regulation NMS<sup>66</sup> and Rule 201 of Regulation SHO.<sup>67</sup> As amended, an ISO that includes a TIF instruction of GTD, GTX, or Day will be cancelled if the System is displaying orders at the Locking Price at the time of entry. Such orders that also include a Short Sale instruction that cannot be executed or displayed at their limit price at the time of entry because of the existence of a Short Sale Circuit Breaker will also be cancelled. Such orders are cancelled in order to avoid a potential violation of Rule 610(d) of Regulation NMS or Rule 201 of Regulation SHO and is, therefore, consistent with the Act.

The Exchange believes that the proposed changes to its Re-Pricing Instructions to Comply with Rule 201 of Regulation SHO are consistent with Section 6(b)(5) of the Act,<sup>68</sup> as well as Rule 201 of Regulation SHO.<sup>69</sup> The Exchange proposes to streamline and simplify its available re-pricing instructions by deleting Short Sale Price Adjust and Short Sale Price Sliding and adopting a new, streamlined rule to align with BATS Rule 11.9(g)(5), with the following differences. Rule 11.6(1)(2) states that an order to sell with

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<sup>65</sup> 15 U.S.C. 78f(b)(5).

<sup>66</sup> 17 CFR 242.610.

<sup>67</sup> 17 CFR 242.201.

<sup>68</sup> 15 U.S.C. 78f(b)(5).

<sup>69</sup> 17 CFR 242.201.

a Short Sale instruction and a Price Adjust instruction that is re-priced will be ranked at the Permitted Price and that an order to sell with a Short Sale instruction and a Hide Not Slide instruction that is re-priced pursuant to this paragraph will be ranked at the mid-point of the NBBO. BATS Rule 11.9(g)(5) states that the default short sale re-pricing process will only re-price an order upon entry, while amended Rule 11.6(l)(2) will also permit it be re-priced one additional time to reflect a decline in the NBB. The Exchange's short sale price sliding will operate the same for Users of Price Adjust on BATS while Users who select Hide Not Slide will be ranked at the mid-point of the NBBO, like was previously available via Short Sale Price Sliding. The proposed rule change would provide greater harmonization between the rules of the BGM Affiliated Exchanges, 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.

The Exchange believes that the proposed changes to its Re-Pricing of Order with a Non-Displayed Instruction Priced Better that the mid-point of the NBBO to also include Odd Lots is consistent with Section 6(b)(5) of the Act.<sup>70</sup> Doing so would provide Members with additional specificity as to how their orders of Odd Lot size are handled, thereby fostering cooperation and coordination with persons engaged in facilitating transactions in securities and removing impediments to and perfecting the mechanism of

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<sup>70</sup> 15 U.S.C. 78f(b)(5).

a free and open market and a national market system. In addition, ranking orders of Odd Lot size to the mid-point of the NBBO in such cases would enable the System to avoid an internal cross on the EDGX Book (e.g., an order to buy (sell) that is priced higher (lower) than a Mid-Point Match order to sell (buy)). The Exchange believes an internally crossed book is not indicative of a fair and orderly market because a User may receive a worse price if its order is executed during a crossed market rather than if the System executed the trade while the EDGX Book was not internally crossed. Therefore, the Exchange believes the proposed rule change will promote just and equitable principles of trade, removes impediments to, and perfects the mechanism of, a free and open market and a national market system.

Opening Process (Rule 11.7). The amended description of the Opening Process in Rule 11.7 is designed to promote just and equitable principles of trade and remove impediments to, and perfect the mechanism of, a free and open market system because it would align with BZX Rule 11.24 and BYX Rule 11.23 as it relates to:<sup>71</sup> (i) which orders may participate in the process; (ii) how the price of the Opening Transaction is determined; and (iii) the process for late openings and re-openings. The Opening Process and their related rules would be identical across the BGM Affiliated Exchanges, and will therefore, contribute to the protection of investors and the public interest by avoiding investor confusion and providing consistent functionality across the BGM Affiliated Exchanges. Lastly, and as stated above, the amendment to Rule 11.7 is based on BATS Rule 11.24 and BYX Rule 11.23, both of which were recently approved by the

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<sup>71</sup> See supra note 40.

Commission.<sup>72</sup>

Order Types (Rule 11.8). The Exchange believes that the proposed changes to its order types under Rule 11.8 in order to align their functionality with BATS rules are consistent with Section 6(b)(5) of the Act,<sup>73</sup> because these changes are designed to provide Members with additional specificity as to how their orders will be handled upon migration of the Exchange onto BATS technologies, thereby fostering cooperation and coordination with persons engaged in facilitating transactions in securities and removing impediments to and perfecting the mechanism of a free and open market and a national market system. Each order type was amended to update the TIF instructions that would be available upon migration of the Exchange onto BATS technology. In addition, the proposed amendments are designed to align their operation with like order types on BATS and do not propose any additional functionality. For example, Market Orders under Rule 11.8(a) is to be amended to reflect the execution parameters under BATS Rule 11.9(a)(2). The amendments to Limit Orders under Rule 11.8(b) and ISOs under Rule 11.8(c) are designed to update TIF instruction available to each order type. In addition, the changes are designed to update the Re-Pricing options available to Limit Order and ISOs to reflect the decommissioning of Routed and Returned as well as the streamlining of the Re-Pricing Options to Comply with Regulations SHO to align with BATS rules. In sum, the amendments to MPM Orders under Rule 11.8(d) and Supplemental Peg Orders under rule 11.8(f) simply clarify their operation during a locked

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<sup>72</sup> Id.

<sup>73</sup> 15 U.S.C. 78f(b)(5).

or crossed market as well as expand their eligibility for execution from the Regular Session to also include the Pre-Opening Session and Post-Closing Session. Lastly, the proposed changes to Rule 11.8(e) regarding NBBO Offset Peg Orders are based on BATS Rule 11.9(c)(17). The proposed changes to Rule 11.8(f) regarding Route Peg Orders are based on BATS Rule 11.9(c)(19).

The proposed rule change does not propose to implement new or unique functionality that has not been previously filed with the Commission or is not available on BATS. Therefore, the proposed rule change would provide greater harmonization between the rules of the BGM Affiliated Exchanges, 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.

Priority (Rule 11.9). The Exchange also believes its proposed amendments to Rule 11.9 to regarding the priority of orders promotes just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system by providing Members, Users, and the investing public with greater transparency regarding how the System operates. The Exchange proposes to amend Rule 11.9 to align with BATS functionality and BATS Rules 11.12 regarding how orders with certain instructions are to be ranked by the System: (i) at a price other than the midpoint of the NBBO; (ii) at the midpoint of the NBBO; and (iii) where orders utilize instructions that cause them to be ranked by the System upon clearance of a Locking Quotation providing valuable, clear information to Members, Users, and the

investing public on how their orders would be executed. As amended, orders will be substantially ranked in same order as under current rules except that orders with a Pegged instruction will be distinguished from and placed behind Limit Orders with a Non-Displayed Instruction. In turn, the Reserve Quantity of Limit Orders will be separated from and placed behind Limit Orders with a Non-Displayed instruction and orders with a Pegged and Non-Displayed instruction. These changes are made to align Exchange Rule 11.9 with the functionality set forth in BATS Rule 11.12, as described above. The Exchange believes that the proposed rule changes regarding order priority will provide greater transparency and further clarity on how the various order types will be assigned priority under various scenarios, thereby assisting Members, Users and the investing public in understanding the manner in which the System may execute their orders.

Routing (Rule 11.11). The Exchange believes that the proposed changes to Rule 11.11 are consistent with Section 6(b)(5) of the Act.<sup>74</sup> As noted above, the proposed rule changes to add functionality are intended to add certain system functionality currently offered by BATS in order to provide consistent routing options across the BGM Affiliated Exchanges. A consistent offering, in turn, will simplify the implementation, changes and maintenance by Users of the Exchange that are also participants on BATS. The proposed rule changes would also provide Users with access to functionality that may result in the efficient execution of such orders and will provide additional flexibility as well as increased functionality to the Exchange's System and its Users. As explained elsewhere in this proposal, all of the proposed routing options are similar to routing

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<sup>74</sup> 15 U.S.C. 78f(b)(5).

strategies on other market centers, including BATS. The proposed rule change would provide greater harmonization between the routing options available amongst the BGM Affiliated Exchanges, resulting in greater uniformity and less burdensome and more efficient regulatory compliance.

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

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange reiterates that the proposed rule change is being proposed in the context of the technology integration of the BGM Affiliated Exchanges. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges. In addition, the Exchange believes the proposed rule change will benefit Exchange participants in that it is one of several changes necessary to achieve a consistent technology offering by 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>75</sup> and paragraph (f)(6) of Rule 19b-4 thereunder.<sup>76</sup>

At any time within 60 days of the filing of the proposed rule change, the

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<sup>75</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>76</sup> 17 C.F.R. 240.19b-4.

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.

#### 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-2015-03 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-2015-03. 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-2015-03 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>77</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>77</sup> 17 CFR 200.30-3(a)(12).

## Exhibit 5

## Rules of EDGX Exchange, Inc.

## CHAPTER I. ADOPTION, INTERPRETATION AND APPLICATION OF RULES, AND DEFINITIONS

## Rules 1.1 – 1.4. (No changes)

## Rule 1.5. Definitions

Unless the context otherwise requires, for all purposes of these Exchange Rules, terms used in Exchange Rules shall have the meaning assigned in Article I of the Exchange's By-Laws or as set forth below:

(a) – (gg) (No change).

(hh) The term "Regular Session" shall mean the time between the completion of the Opening Process or Continent Open as defined in Rule 11.7 and 4:00 p.m. Eastern Time.

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## CHAPTER XI. TRADING RULES

## Rule 11.1. Hours of Trading and Trading Days

(a) (No change).

(1) Trading Sessions[Indicator]. All orders are eligible for execution during the Regular Session. [If an order is not designated as eligible for a particular session or sessions, it will default to the Regular Session as defined under paragraph (B) below.] Orders may be entered into the System from 6:00 a.m. until 8:00 p.m. Eastern Time. Orders entered between 6:00 a.m. and 8:00 a.m. Eastern Time are not eligible for execution until the start of the Pre-Opening [s]Session or Regular Trading Hours, depending on the time-in-force selected by the User. The Exchange will not accept the following orders prior to 8:00 a.m. Eastern Time: orders with a Post Only instruction, ISOs, Market Orders with a TIF instruction other than Regular Hours Only, orders with a Minimum Execution Quantity instruction that also include a TIF instruction of Regular Hours Only, and all orders with a TIF instruction of IOC or FOK. At the commencement of the Pre-Opening Session, orders entered between 6:00 a.m. and 8:00 a.m. Eastern Time orders will be handled in time sequence, beginning with the order with the oldest time stamp, and will be placed on the EDGX Book, routed, cancelled, or executed in accordance with the terms of the order.

[(A) Pre-Opening Session. Orders designated as Pre-Opening Session are eligible for execution between 8:00 a.m. Eastern Time and 4:00 p.m. Eastern Time.

(B) Regular Session. Orders designated as Regular Session are eligible for execution between the completion of the Opening Process or a Contingent Open as defined in Rule 11.7, whichever occurs first, and 4:00 p.m. Eastern Time.

(C) Post-Closing Session. Orders designated as Post-Closing Session are eligible for execution between the start of the Regular Session and 8:00 p.m. Eastern Time.

(D) All Sessions. Orders designated as All Sessions are eligible for execution between 8:00 a.m. and 8:00 p.m. Eastern Time.]

(b) – (c) (No change).

Rules 11.2 – 11.5 (No change).

Rule 11.6. Definitions

For purposes of this Chapter XI, the following definitions shall apply:

(a) (No change).

(1) (No change).

(2) A User may elect an order be Attributable on an order-by-order basis or instruct the Exchange to default all its orders as Attributable on a port-by-port basis. [However, if a]A Member that instructs the Exchange to default all its orders as Attributable on a particular port[, it] will [not] be able to override such setting and designate an[y] individual order from that port as Non-Attributable.

(b) Cancel Back. An instruction the User may attach to an order instructing the System to immediately cancel the order when, if displayed by the System on the EDGX Book at the time of entry, or upon return to the System after being routed away, would create a violation of Rule 610(d) of Regulation NMS or Rule 201 of Regulation SHO, or the order cannot otherwise be executed [upon entry] or posted by the System to the EDGX Book at its limit price.

(c) (No change).

(d) Discretionary Range. An instruction the User may attach to an order to buy (sell) a stated amount of a security at a specified, displayed price with discretion to execute up (down) to a specified, non-displayed price. [The Discretionary Range of an order to buy (sell) cannot be more than \$0.99 higher (lower) than the order's displayed price.] An order with a Discretionary Range instruction resting on the EDGX Book will execute at its least aggressive price when matched for execution against an incoming order that also contains Discretionary Range instruction, as permitted by the terms of both the incoming and resting order.

(e) – (g) (No change).

(h) Minimum Execution Quantity. An instruction a User may attach to an order with a Non-Displayed instruction requiring the System to execute the order only to the extent that a minimum quantity can be satisfied by execution against a single order or multiple aggregated orders simultaneously. An order with a Minimum Execution Quantity instruction may be partially executed so long as the execution size is equal to or exceeds the quantity provided in the instruction. [Unless the User elects otherwise, a]Any shares remaining after a partial execution will continue to be executed at a size that is equal to or exceeds the quantity provided in the instruction. [The Minimum Execution Quantity would no longer apply to an order w]Where the number of shares remaining after a partial execution are less than the quantity provided in the instruction, the Minimum Execution Quantity shall be equal to the number of shares remaining.

(i) (No change).

(j) Pegged. An instruction to automatically re-price an order in response to changes in the NBBO. For purposes of the Pegged instruction, the System's calculation of the NBBO does not take into account any orders with Pegged instructions that are resting on the EDGX Book. A User selecting a Pegged instruction can specify that the order's price will peg to the NBB or NBO or a certain amount away from the NBB or NBO (offset). An order with a Pegged instruction will [be cancelled if an] not be eligible for execution when the NBB or NBO that it is pegged to is no longer available. Orders with a Pegged instruction are not eligible for routing pursuant to Rule 11.11. A new time stamp is created for the order each time it is automatically re-priced, including when an order that has been ineligible for execution again becomes eligible for execution because the NBB or NBO it is pegged to becomes available.

(1) Market Peg. An order with instructions to peg to the NBB, for a sell order, or the NBO, for a buy order. [An order that is to be displayed on the EDGX Book must select an offset for an order to buy (sell) that is equal to or greater than one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to. If a User does not select an offset, the System will automatically include an offset on an order to buy (sell) that is equal to one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to. For an order with a Pegged instruction and Non-Displayed instruction, a]A User may, but is not required to, select an offset for an order to buy (sell) that is equal to or greater than one Minimum Price Variation below (above) the NBO (NBB) that the order is pegged to. An order with a Market Peg instruction is not eligible for display on the EDGX Book.

(2) Primary Peg. An order with instructions to peg to the NBB, for a buy order, or the NBO, for a sell order. A User may, but is not required to, select an offset equal to or greater than one Minimum Price Variation above or below the NBB or NBO that the order is pegged to ("Primary Offset Amount"). The Primary Offset Amount for an order with Primary Peg instruction that is to be displayed on the EDGX Book must result in the price of such order being inferior to or equal to the inside quote on the same side of the market. [An order with a Primary Peg instruction will be eligible to join the Exchange NBBO when the EDGX Book is

locked or crossed by another market.] When the EDGX Book is crossed by another market, an order with a Primary Peg instruction will be automatically adjusted to the current NBO (for bids) or the current NBB (for offers). If an order with a Primary Peg instruction would [create] otherwise be a Locking Quotation or Crossing Quotation, the price of the order will be automatically adjusted by the System to one Minimum Price Variation below the current NBO (for bids) or to one Minimum Price Variation above the current NBB (for offers).

(3) (No change).

(k) Permitted Price. The price at which a sell order will be [priced, ranked and] displayed at one Minimum Price Variation above the NBB.

(l) Re-Pricing.

(1) Re-Pricing Instructions to Comply with Rule 610(d) of Regulation NMS

(A) Price Adjust. An order instruction requiring that where an order would be a Locking Quotation or Crossing Quotation if displayed by the System on the EDGX Book at the time of entry, the order will be displayed and ranked at a price that is one Minimum Price Variation lower (higher) than the Locking Price for orders to buy (sell). The ranked and displayed prices of an order subject to the Price Adjust instruction will only be adjusted once, unless the User elects that the order be adjusted multiple times in response to changes to the prevailing NBBO. The order will be displayed and ranked at the Locking Price if: the NBBO changes such that the order, if displayed at the Locking Price would not be a Locking Quotation or Crossing Quotation, including when an Intermarket Sweep Order (“ISO”) with a time-in-force (“TIF”) instruction of Day is entered into the System and displayed on the EDGX Book on the same side of the market as the order at a price that is equal to or more aggressive than the Locking Price. Unless a User has elected the multiple re-pricing option, [T]the order would not be subject to further re-ranking and will be displayed on the EDGX Book at the Locking Price until executed or cancelled by the User. An order subject to the multiple re-pricing option will be further re-ranked and re-displayed to the extent it can permissibly be ranked and displayed at a more aggressive price based on changes to the prevailing NBBO. The order will receive a new time stamp at the time it is re-ranked. Pursuant to Rule 11.9, all orders that are re-ranked and re-displayed pursuant to the Price Adjust instruction will retain their priority as compared to each other based upon the time such orders were initially received by the System.

(B) Hide Not Slide. An order instruction requiring that where an order would be a Locking Quotation or Crossing Quotation if displayed by the System on the EDGX Book at the time of entry, the order will be displayed 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 mid-point of the NBBO with discretion to execute at the Locking Price; provided, however, that if a contra-side order that equals the Locking Price is displayed by the System on the EDGX Book, the order will be ranked at the mid-point of the

NBBO but its discretion to execute at the Locking Price will be suspended unless and until there is no contra-side displayed order on the EDGX Book that equals the Locking Price. Where the NBBO changes such that the order, if displayed by the System on the EDGX Book at the Locking Price, would not be a Locking Quotation or Crossing Quotation, the System will rank and display such orders at the Locking Price. The order will not be subject to further re-ranking and will be displayed on the EDGX Book at the Locking Price until executed or cancelled by the User. The order will receive a new time stamp when it is ranked at the Locking Price. Pursuant to Rule 11.9, all orders that are re-ranked and re-displayed by the System on the EDGX Book pursuant to the Hide Not Slide instruction [and the Routed and Returned Re-Pricing instruction], described below, will retain their priority as compared to each other based upon the time such orders were initially received by the System.

(i) Routed and Returned Re-Pricing. An instruction requiring that where a Limit Order that is returned to the EDGX Book after being routed to an away Trading Center would be displayed by the System on the EDGX Book at a price that would be a Locking Quotation or Crossing Quotation of a quotation displayed by another Trading Center will be displayed 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 mid-point of the NBBO with discretion to execute at the Locking Price. If a contra-side order that equals the Locking Price is subsequently entered and displayed by the System on the EDGX Book, the order subject to the Routed and Returned Re-Pricing instruction will be ranked at the mid-point of the NBBO but its discretion to execute at the Locking Price will be suspended unless and until there is no contra-side displayed order on the EDGX Book that equals the Locking Price. Each time the NBBO is updated, a buy (sell) order subject to Routed and Returned Re-Pricing instruction will be further adjusted so that it continues to be displayed by the System on the EDGX Book at one Minimum Price Variation below (above) the NBO (NBB) and will be ranked at the updated midpoint of the NBBO with discretion to execute at the Locking Price until the price of such order reaches its limit price, at which point it will remain on the EDGX Book at that price and cease to be further adjusted by Routed and Returned Re-Pricing instruction. The order will receive a new time stamp when it is returned to the EDGX Book and each time it is subsequently re-ranked. Upon return to the EDGX Book after being routed away, the order will execute against any marketable contra-side liquidity on the EDGX Book and any remainder will be subject 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 and Hide Not Slide 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 or upon return to the System after being routed away.]

(2) Re-Pricing Instructions to Comply with Rule 201 of Regulation SHO.

(A) An order to sell with a Short Sale instruction that, at the time of entry, could not be executed or displayed in compliance with Rule 201 of Regulation SHO will be re-priced by the System at the Permitted Price. The Exchange's default short sale re-pricing process will only re-price an order upon entry and one additional time to reflect a decline in the NBB. Depending upon the instructions of a User, to reflect declines in the NBB the System will continue to re-price and re-display a short sale order at the Permitted Price down to the order's limit price. In the event the NBB changes such that the price of an order with a Non-Displayed instruction subject to Rule 201 of Regulation SHO would be a Locking Quotation or Crossing Quotation, the order will receive a new time stamp, and will be re-priced by the System to the mid-point of the NBBO. An order to sell with a Short Sale instruction and a Price Adjust instruction that is re-priced pursuant to this paragraph will be ranked at the Permitted Price. An order to sell with a Short Sale instruction and a Hide Not Slide instruction that is re-priced pursuant to this paragraph will be ranked at the mid-point of the NBBO.

(B) When a Short Sale Circuit Breaker is in effect, the System may execute a sell order with a Displayed and Short Sale instruction at the price of the NBB if, at the time of initial display of the sell order with a Short Sale instruction, the order was at a price above the then current NBB.

(C) Orders with a Short Exempt instruction will not be subject to re-pricing under this section.

(D) The re-pricing instructions to comply with Rule 610(d) of Regulation NMS will be ignored for an order to sell with a Short Sale instruction when a Short Sale Circuit Breaker is in effect and the re-pricing instructions to comply with Rule 201 of Regulation SHO under this Rule will apply.

[The below Re-Pricing instructions are only available for an order to sell with a Short Sale instruction that cannot be displayed by the System on the EDGX Book or executed at its limit price at the time of entry into the System because a short sale price restriction is in effect pursuant to Rule 201 of Regulation SHO ("Short Sale Circuit Breaker"). The re-pricing instructions to comply with Rule 610(d) of Regulation NMS described above will be ignored for an order to sell with a Short Sale instruction when a Short Sale Circuit Breaker is in effect and the below re-pricing instructions to comply with Rule 201 of Regulation SHO will apply. Orders to sell with a Short Sale instruction that also include a Short Exempt instruction shall not be subject to the re-pricing options to comply with Rule 201 of Regulation SHO.

(A) Short Sale Price Adjust. The System will cause an order to sell with a Short Sale instruction to be ranked and displayed by the System on the EDGX Book at the Permitted Price. Following the initial ranking provided for in this subparagraph, the order to sell with a Short Sale instruction will, to the extent the NBB declines, continue to be re-ranked and displayed by the System on the EDGX Book at the Permitted Price down to the order's limit price. The order to sell with a Short Sale instruction will receive a new time stamp each time it is re-ranked. All orders that are re-ranked and re-

displayed by the System on the EDGX Book pursuant to the Short Sale Price Adjust instruction will retain their priority as compared to each other based upon the time such orders were initially received by the System.

(B) Short Sale Price Sliding. The System will cause an order with a Short Sale instruction to be displayed by the System on the EDGX Book at the Permitted Price and ranked at the mid-point of the NBBO. Following the initial ranking provided for in this subparagraph, the order will, to the extent the NBB declines, be re-ranked and displayed by the System on the EDGX Book one additional time at a price that is above the new NBB but equal to the NBB at the time the order was received by the System and receive a new time stamp. All orders to sell with Short Sale instructions that are re-ranked and re-displayed by the System on the EDGX Book pursuant to the Short Sale Price Sliding instruction will retain their priority as compared to each other based upon the time such orders were initially received by the System.]

(3) Re-Pricing of Non-Displayed Orders and Odd Lot Orders Priced Better than the Mid-Point of the NBBO

An order with a Non-Displayed instruction or an order with an Odd Lot size [and] that is priced better than the midpoint of the NBBO will be ranked at the midpoint of the NBBO with discretion to execute to its limit price. For securities priced equal to or greater than \$1.00 where the midpoint of the NBBO is in an increment smaller than \$0.01, an order buy (sell) with an Odd Lot size and a Displayed instruction priced better than the midpoint of the NBBO will be displayed at the next full penny increment below (above) the midpoint of the NBBO. A User may affirmatively elect that a buy (sell) order with a Non-Displayed instruction Cancel Back when the order's limit price is greater (less) than the NBO (NBB). The price of the order is automatically re-ranked by the System in response to changes in the NBBO until it reaches its limit price. A new time stamp is created for the order each time the midpoint of the NBBO changes. Pursuant to Rule 11.9, all orders with a Non-Displayed instruction and orders with an Odd Lot size that are re-ranked to the midpoint of the NBBO will retain their priority as compared to [each] other orders with a Non-Displayed instruction and orders with an Odd Lot size, respectively, based upon the time such orders were ranked at the midpoint of the NBBO.

(m) (No change).

(1) Replenishment Amounts. If the portion of the order with a Displayed instruction is reduced to less than a Round Lot, the System will, in accordance with the User's instruction, replenish the displayed quantity from the Reserve Quantity [by at least a single Round-Lot] using one of the below replenishment instructions. A new time stamp is created for the displayed quantity and Reserve Quantity of the order each time it is replenished from the Reserve Quantity, while the Reserve Quantity retains the time stamp of its original entry. Where the combined amount of the displayed quantity and Reserve Quantity of an order are reduced to less than one Round Lot, the order convert to an order with a Displayed instruction and be treated as

Displayed for purposes of execution priority under Rule 11.9.] If the remainder of an order is less than the replenishment amount, the Exchange will replenish and display the entire remainder of the order. A User must instruct the Exchange as to the quantity of the order to be initially displayed by the System (“Max Floor”) when entering an order with a Reserve Quantity, which is also used to determine the replenishment amount, as set forth below.

(A) Random Replenishment. An instruction a User may attach to the Reserve Quantity of an order where [both the actual quantity of the order that will be initially displayed by the System on the EDGX Book and subsequent displayed] replenishment quantities for the order are randomly determined by the System within a replenishment range established by the User. In particular, the User entering an [O]rder into the System subject to the Random Replenishment instruction must select a replenishment value and Max Floor[quantity around which the replenishment range is established and a replenishment value]. The actual quantity that will be initially displayed will be the Max Floor[, as well as subsequent] The displayed replenishment quantities[,] will then be determined by the System by randomly selecting a number of shares [in Round Lots] within a replenishment range that is between: (i) the Max Floor [quantity around which the replenishment range is established] minus the replenishment value; and (ii) the Max Floor [quantity around which the replenishment range is established] plus the replenishment value. [In no case can the displayed replenishment quantity exceed the remaining Reserve Quantity of the order. The displayed replenishment quantity may not be less than a single Round Lot or greater than the remaining unexecuted shares in the order.]

(B) Fixed Replenishment. [An instruction a User may attach to the Reserve Quantity of an order where the displayed quantity of an order is replenished for a Fixed Replenishment quantity as designated by the User. The Fixed Replenishment quantity for the order equals the initial displayed quantity designated by the User. The displayed replenishment quantity may not be less than a single Round Lot or greater than the remaining unexecuted shares in the order.]For an order for which the Random Replenishment instruction has not been selected, the System will replenish the displayed quantity of the order to the Max Floor designated by the User.

(n) Routing/Posting Instructions

(1) Aggressive. An order instruction that directs the System to route the order if an away Trading Center crosses the limit price of the order resting on the EDGX Book.

(2) Super Aggressive. An order instruction that directs the System to route the order if an away Trading Center locks or crosses the limit price of the order resting on the EDGX Book. A User may instruct the Exchange to apply the Super Aggressive instruction solely to routable orders posted to the EDGX Book with remaining size of an Odd Lot.

(3) - (6) (No change).

(o) – (p) (No change).

(q) Time-in-Force (“TIF”).

(1) Immediate-or-Cancel (“IOC”). An instruction the User may attach to an order stating the order is to be executed in whole or in part as soon as such order is received[, and t]. The portion not [so] executed immediately on the Exchange or another trading center is [to be] treated as cancelled and is not posted to the EDGX Book.

(2) Day. An instruction the User may attach to an order stating that an order to buy or sell which, if not executed, expires at the end of [the specified trading session]Regular Trading Hours. [Any order with a Day instruction entered into the System before the start of the specified trading session will be placed by the System in a pending state and activated for potential execution upon the start of that trading session.] Any Day Order entered into the System before the opening for business on the Exchange as determined pursuant to Rule 11.1, or after the closing of Regular Trading Hours, will be rejected.

(3) (No change).

(4) Good-‘til [Time]Day (“GT[T]D”). An instruction the User may attach to an order specifying the time of day at which the order expires. Any unexecuted portion of an order with a TIF instruction of GT[T]D will be cancelled at[: (i)] the expiration of the User’s specified time[: (ii) at the end of the User’s specified trading session(s); or (iii)], which can be no later than the close of the Post-Market Session[the end of the trading day, as instructed by the User. In no event shall an order with a TIF instruction of GTT be eligible for execution over multiple trading days].

(5) Good ‘til Extended Day (“GTX”). An instruction the User may attach to an order to buy or sell which, if not executed, will be cancelled by the close of the Post-Market Session.

(6) Regular Hours Only (“RHO”). An instruction a User may attach to an order designating it for execution only during Regular Trading Hours, which includes the Opening Process and Re-Opening Process following a halt suspension or pause.

(r) – (s) (No change).

#### 11.7. Opening Process

(a) Order Entry and Cancellation before the Opening Process. Prior to the beginning of the Regular Session, Users who wish to participate in the Opening Process may enter orders to buy or sell that include a TIF instruction of RHO. Orders cancelled before the Opening Process will not participate in the Opening Process. Any order that does not include a TIF instruction of RHO will not be eligible for participation in the Opening Process.

(1) All orders without a TIF instruction of RHO and Intermarket Sweep Orders (“ISOs”) designated RHO[IOC or FOK] may execute against eligible Pre-Opening Session contra-side interest resting in the EDGX Book in the time period between the start of 9:30 a.m. Eastern Time and the Exchange’s Opening Process or a Contingent Open, as described in [section]paragraphs (b) and (d), below[;]. Any unexecuted portion of an ISO that is designated RHO will be converted into a non-ISO and be queued for participation in the Opening Process.

(2) All orders that include a TIF instruction of RHO may participate in the Opening Process except: [orders with a Stop Price or Stop Limit Price instruction;] Limit Orders with a Post Only[, FOK, or IOC] instruction, the Discretionary Range of Limit Orders, [and Intermarket Sweep Order]ISOs not modified by Rule 11.7(a)(1), and orders with a Minimum Execution Quantity instruction. Limit Orders with a Reserve Quantity may participate to the full extent of their displayed size and Reserve Quantity. Limit Orders with a Discretionary Range may participate up to their [discretionary]ranked limit price for buy orders or down to their [discretionary]ranked limit price for sell orders. All Limit Orders with a Pegged instruction, as defined in Rule 11.6(i), will be eligible for execution in the Opening Process based on their pegged prices.

(3) (No change).

(b) Performing the Opening Process. The Exchange will attempt to perform the Opening Process, in which the Exchange matches buy and sell orders that are executable at the midpoint of the NBBO as described in paragraph (c) below. Notwithstanding Rule 11.9(a)(2)(B), all orders eligible to trade at the midpoint will be processed in time sequence, beginning with the order with the oldest time stamp. Matches will occur until there is no remaining volume or there is an imbalance of orders (the “Opening Match”). All ERSTP modifiers, as defined in Rule 11.10(d), will be ignored as it relates to executions occurring during the Opening Match. An imbalance of orders on the buy side or sell side may result in orders that are not executed in whole or in part. Such orders may, in whole or in part, be placed on the EDGX Book, cancelled, executed, or routed to other away Trading Centers in accordance with Rule 11.11. If no matches can be made, the Opening Process will conclude with all orders that participated in the Opening Process being placed in the EDGX Book, cancelled, executed, or routed to away Trading Centers in accordance with Rule 11.11.

(c) (No change).

(d) Contingent Open. If the conditions to establish the price of the Opening Process set forth under proposed Rule 11.7(c) do not occur by 9:45:00 a.m. Eastern Time, orders will be handled in time sequence, beginning with the order with the oldest time stamp, and will be placed on the EDGX Book, routed, cancelled, or executed in accordance with the terms of the order. [Notwithstanding the occurrence of a Contingent Open, MidPoint Match Orders, as defined in Rule 11.8(d), will not be eligible for execution until the conditions set forth under paragraph (c) above for determining the price of the Opening Process have been met.]

(e) Re-openings After a Halt. While a security is subject to a halt, suspension, or pause in trading, the Exchange will accept orders eligible pursuant to paragraph (a)(2) above for queuing prior to the resumption of trading in the security for participation in the Re-Opening Process.

(1) The Re-Opening Process will occur in the same manner described in paragraphs (a)(2) and (b) above, with the following exceptions: (1) orders without a TIF instruction of RHO will be eligible for participation in the Re-Opening Process, but orders that include a TIF instruction of IOC or FOK, a Post Only instruction or Minimum Execution Quantity instruction will be cancelled or rejected, as applicable, and any ISO that does not include a TIF instruction of IOC or FOK will be converted into a non-ISO and be queued for participation in the Re-Opening Process; and (2) the Re-opening[s] Process will occur at the midpoint of the: (i) first NBBO subsequent to the first reported trade on the listing exchange following the resumption of trading after a halt, suspension, or pause; or (ii) then prevailing NBBO when the first two-sided quotation published by the listing exchange following the resumption of trading after a halt, suspension, or pause 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.

(2) Where neither of the conditions required to establish the price of the Re-Opening Process in paragraph (1) above have occurred, the security may be opened for trading at the discretion of the Exchange. Where the security is opened by the Exchange subject to this discretion, orders will be handled in the same manner described in paragraph (d) above.

#### Rule 11.8. Order Types

Users may enter into the System the types of orders listed in this Rule 11.8, subject to the limitations set forth in this Rule or elsewhere in these Rules.

(a) (No change).

(1) (No change).

(2) Time-In-Force. Unless otherwise instructed by the User, the System will automatically default a Market Order to a TIF instruction of Day. A User may instead select TIF instructions of IOC, RHO, or FOK for a Market Order. A Market Order that includes a TIF instruction of FOK will be cancelled if not executed in full immediately after entry into the System. If a Market Order includes a TIF instruction of IOC, any portion of the Market Order not executed upon return to the System after being routed to an away Trading Center will be cancelled. Unless eligible to be displayed on the EDGX Book pursuant to paragraph (4) below, any portion of a Market Order with a TIF instruction of RHO will be cancelled immediately following the Opening or Re-Opening Process in which it is not executed.

(3) (No change).

(4) Display. Under Rule 11.10(a)(3)(A), where a non-routable buy (sell) Market Order is entered into the System and the NBO (NBB) is greater (less) than the Upper (Lower)

Price Band, such order will be posted by the System to the EDGX Book and priced at the Upper (Lower) Price Band, unless (i) the order includes a TIF instruction of IOC or FOK, in which case it will be cancelled if not executed, or (ii) the User entered a Cancel Back instruction. A Market Order to buy (sell) that is posted by the System to the EDGX Book and displayed at the Upper (Lower) Price Band will be re-priced and displayed at the Upper (Lower) Price Band if Price Bands move such that the price of the resting Market Order to buy (sell) would be above (below) the Upper (Lower) Price Band or if the Price Bands move such that the order is no longer posted and displayed at the most aggressive permissible price. The System shall re-price such displayed interest to the most aggressive permissible price until the order is executed in its entirety or cancelled. A Market Order that includes both a TIF instruction of Day or RHO and a Short Sale instruction that cannot be executed because of the existence of a Short Sale Circuit Breaker will be posted and displayed by the System to the EDGX Book and priced in accordance with the Short Sale Re-Price instruction described in Rule 11.6(1)(2).

(5) – (6) (No change).

(7) Execution. A Market Order shall not trade through a Protected Quotation. A Market Order with a Book Only instruction will be cancelled if, when reaching the Exchange, it cannot be executed on the System in accordance with Rule 11.10. Except with respect to a Market Order with a Destination-on-Open instruction, any portion of a Market Order that would execute at a price more than [the greater of] \$0.50 or 5 percent worse than the NBBO at the time the order initially reaches the Exchange, whichever is greater, [consolidated last sale as published by the responsible single plan processor at the time the order is entered into the System] will be cancelled.

(b) (No change).

(1) (No change).

(2) Time-in-Force. A Limit Order must have one of the following TIF instructions: IOC, FOK, Day, RHO, GTX, or GT[T]D. Unless otherwise instructed by the User, the System will automatically default a Limit Order to a TIF instruction of Day. Limit Orders with a TIF instruction of IOC that do not include a Book Only instruction and that cannot be executed in accordance with Rule 11.10(a)(4) on the System when reaching the Exchange will be eligible for routing away pursuant to Rule 11.11. A Limit Order with a TIF instruction of FOK is not eligible for routing away pursuant to Rule 11.11.

(3) - (7) (No change).

The following functionality described in paragraphs (8) – (11) below is available for Limit Orders that include a Post Only or Book Only instruction or TIF instruction of Day, [or] GT[T]D or GTX.

(8)-(10) (No change).

(11) Re-Pricing Instruction to Comply with Rule 201 of Regulation SHO. A Limit Order that includes a Short Sale instruction that is not marked Short Exempt, and that cannot be executed in the System or displayed by the System on the EDGX Book at its limit price [at the time of entry into the System] because a Short Sale Circuit Breaker is in effect, will be [automatically defaulted by the System to the Short Sale Price Adjust instruction,] subject to the Re-Pricing Instruction to comply with Rule 201 of Regulation SHO, unless the User affirmatively elects to have the order immediately Cancel Back [or affirmatively elects the Short Sale Price Sliding instruction].

[(12) Re-Pricing of Routed and Returned Orders. A Limit Order, or a portion thereof, that is returned to the Exchange after being routed away in accordance with Rule 11.11, that, if displayed at its limit price at the time of entry into the System, would be a Locking Quotation or Crossing Quotation of a quotation displayed by another Trading Center will be automatically defaulted by the System to the Routed and Returned Re-Pricing instruction, unless the User affirmatively elects to have the order immediately Cancel Back or affirmatively elects the Price Adjust instruction, or the Hide Not Slide instruction.]

(1[3]2) Re-Pricing of Non-Displayed Limit Orders and Limit Orders of Odd Lot Size. A Limit Order with a Non-Displayed instruction or of Odd Lot size that is priced better than the midpoint of the NBBO will be re-priced in accordance with the Re-Pricing of orders with a Non-Displayed instruction process under proposed Rule 11.6(1)(3). Under Rule 11.6(1)(3), a User may affirmatively elect that a buy (sell) order with a Non-Displayed instruction Cancel Back when the order's limit price is greater (less) than the NBO (NBB).

(c) (No change).

(1) Time-in-Force. Incoming ISOs will have a TIF instruction of Day unless the User selects a TIF instruction of GT[T]D, RHO, GTX, or IOC. Incoming ISOs cannot include a TIF instruction of FOK. An incoming ISO with a Post Only and TIF instruction of GT[T]D, GTX, or Day will be cancelled without execution if, when entered, it is immediately marketable against an order with a Displayed instruction resting in the EDGX Book unless such order removes liquidity pursuant to Rule 11.6(n)(4)[the User included on the ISO a Price Adjust instruction, or the Hide Not Slide instruction].

A User entering an incoming ISO with TIF instruction of Day represents that such User has simultaneously routed one or more additional Limit Orders marked "ISO," if necessary, to away Trading Centers to execute against the full displayed size of any Protected Quotation for the security with a price that is superior or equal to the limit price of the ISO entered in the System.

(2) (No change).

(3) Display. Any unfilled portion of an incoming ISO with a GT[T]D, GTX, or Day instruction will be posted by the System to the EDGX Book at the entered limit price.

(4) (No change.)

(5) Re-Pricing Instructions. An incoming ISO that includes a Post Only and TIF instruction of GT[T]D, GTX or Day may be displayed at prices equal to or more aggressive than the Locking Price. However, the System will immediately Cancel Back an ISO that includes a Post Only and TIF instruction of GTD, GTX or Day if the System is displaying orders on the EDGX Book at the Locking Price [prices equal to the NBB or NBO on the contra-side of the ISO] at the time of the ISO's entry in the System unless such order removes liquidity pursuant to Rule 11.6(n)(4)[, the System will immediately Cancel Back the ISO, unless the User included on the ISO a Price Adjust instruction, or the Hide Not Slide instruction].

(6) Re-Pricing Instructions to Comply with Rule 201 of Regulation SHO. The System will immediately Cancel Back [A]an incoming ISO combined with a TIF instruction of GT[T]D, GTX or Day and a Short Sale instruction that does not include a Short Exempt instruction and that cannot be executed or displayed at its limit price at the time of entry into the System because of the existence of a Short Sale Circuit Breaker[will be automatically defaulted by the System to the Short Sale Price Adjust instruction, unless the User affirmatively elects to have the order immediately Cancel Back or affirmatively elects the Short Sale Price Sliding instruction].

(7) (No change).

(d) MidPoint Match ("MPM") Order. A non-displayed Market Order or Limit Order with an instruction to execute at the midpoint of the NBBO. Notwithstanding that an MPM Order may be a Market Order or a Limit Order, its operation and available modifiers are limited to this Rule 11.8(d). An MPM Order that is entered with a limit price will have its ability to execute at the mid-point of the NBBO bound by such limit price. An MPM Order will not be eligible for execution when an NBBO is not available. In such case, an MPM Order would rest on the EDGX Book and would not be eligible for execution in the System until an NBBO is available. The MPM order will receive a new time stamp when an NBBO becomes available and a new midpoint of the NBBO is established. In such case, pursuant to Rule 11.9, all MPM orders that are ranked at the midpoint of the NBBO will retain their priority as compared to each other based upon the time such orders were initially received by the System.

(1) Time-in-Force. An MPM Limit Order may only contain the following TIF instructions: Day, FOK, IOC, RHO, GTX, or GT[T]D. Any unexecuted portion of an MPM Limit Order with a TIF instruction of Day, GTX, or GT[T]D that is resting on the EDGX Book will receive a new time stamp each time it is re-priced in response to changes in the midpoint of the NBBO.

(2) Size. MPM Orders may be entered as an Odd Lot, Round Lot or Mixed Lot [only]. A User may include a Minimum Execution Quantity instruction.

(3) (No change).

(4) Session. MPM Orders may [only] be executed during the Pre-Opening Session, Regular Session, and Post-Closing Session. MPM Orders may also be submitted to be executed during the Opening Process described in Rule 11.7(c). However, a Minimum Execution Quantity instruction on an MPM Order will not be applied during the Opening Process. [In the event of a Contingent Open as described in Rule 11.7(d), an MPM Order will not be eligible to trade during Regular Session until the conditions set forth under Rule 11.7(c) for determining the price of the Opening Process have been met.]

(5) Routing/Posting. MPM Orders may include a Book Only instruction. MPM Orders are not eligible for routing pursuant to Rule 11.11.

(6) – (7) (No change).

(e) [NBBO Offset]Market Maker Peg Order. A Limit Order that, upon entry or at the beginning of Regular Trading Hours, as applicable, is automatically priced by the System at the Designated Percentage (as defined in [Rule 11.20(d)(2)(D)]paragraph (12) below) away from the then current NBB (in the case of an order to buy) or NBO (in the case of an order to sell), or if there is no NBB or NBO at such time, at the Designated Percentage away from the last reported sale from the responsible single plan processor. Notwithstanding that a [NBBO Offset]Market Maker Peg Order is also considered a Limit Order, its operation and available modifiers are limited to this Rule 11.8(e).

(1) Price Adjustments. Upon reaching the Defined Limit (as defined in [Rule 11.20(d)(2)(F)]paragraph (13) below), the price of an [NBBO Offset]Market Maker Peg Order bid or offer will be automatically adjusted by the System to the Designated Percentage away from the then current NBB or NBO, respectively, or if there is no NBB or NBO at such time, to the Designated Percentage away from the last reported sale from the responsible single plan processor. If a [NBBO Offset]Market Maker Peg Order bid or offer moves a specified number of percentage points away from the Designated Percentage toward the then current NBB or NBO, the price of such bid or offer will be automatically adjusted by the System to the Designated Percentage away from the then current NBB and NBO. If there is no NBB or NBO at such time, the order will be automatically adjusted by the System to the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that pricing a [NBBO Offset]Market Maker Peg Order at the Designated Percentage away from the then current NBB or NBO, or, if there is no NBB or NBO, to the Designated Percentage away from the last reported sale from the responsible single plan processor, would result in the order exceeding its limit price, the order will be cancelled or rejected.

(2) (No change).

(3) [NBBO Offset]Market Maker Peg Order Becomes NBBO. If, after entry or at the beginning of Regular Trading Hours, as applicable, the [NBBO Offset]Market Maker Peg Order is priced based on the consolidated last sale and such [NBBO Offset]Market Maker Peg Order is established as the NBB or NBO, the [NBBO Offset]Market Maker Peg Order will not be

subsequently adjusted in accordance with this rule until either there is a new consolidated last sale, or a new NBB or new NBO is established by a national securities exchange.

(4) Time-in-Force. [NBBO Offset]Market Maker Peg Orders may only include a TIF instruction of Day, RHO, or GTD.

(5) Size. [NBBO Offset]Market Maker Peg Orders may only be entered as an Odd Lot, Round Lot or Mixed Lot.

(6) Display. [NBBO Offset]Market Maker Peg Orders are defaulted by the System to a Displayed instruction. [NBBO Offset]Market Maker Peg Orders are not eligible to include a Non-Displayed instruction.

(7) Session. Users may submit [NBBO Offset]Market Maker Peg Orders to the Exchange starting at the beginning of the Pre-Opening Session, but such orders are not executable or automatically priced until after the first regular way transaction on the listing exchange in the security, as reported by the responsible single plan processor. The order expires at the end of [the Regular Session] Regular Trading Hours.

(8) Routing/Posting. [NBBO Offset]Market Maker Peg Orders are not eligible for routing pursuant to Rule 11.11.

(9) Locked or Crossed Market. When a Crossing Quotation exists, a[n NBBO Offset]Market Maker Peg Order will be automatically priced by the System at the Designated Percentage [(as defined in Rule 11.20(d)(2)(D))] away from the [then current NBO (in the case of an order to buy) or NBB (in the case of an order to sell)]last reported sale.

(10) Notwithstanding the availability of the [NBBO Offset]Market Maker Peg Order functionality, a User acting as a Market Maker remains responsible for entering, monitoring, and re-submitting, as applicable, quotations that meet the requirements of Rule 11.20(d).

(11) A[n NBBO Offset]Market Maker Peg Order will receive a new time stamp each time it is re-priced in response to changes in the NBB, NBO, or last reported sale.

(12) For purposes of Market Maker Peg Order pricing, the Designated Percentage shall be the same as set forth in Rules 11.20(d)(2)(D) and 11.20(d)(2)(E), except that the Designated Percentage for securities priced below \$1 as set forth in Rule 11.20(d)(2)(E) shall be 28%.

(13) For purposes of Market Maker Peg Order pricing, the Defined Limit shall be the same as set forth in Rules 11.20(d)(2)(F) and 11.20(d)(2)(G), except that the Defined Limit for securities priced below \$1 as set forth in Rule 11.20(d)(2)(G) shall be 29.5%.

(f) [Route]Supplemental Peg Order. A non-displayed Limit Order that is eligible for execution at the NBB for a buy order and NBO for a sell order against an order that is in the process of being routed to an away Trading Center if such order that is in the process of being

routed away is equal to or less than the aggregate size of the [Route]Supplemental Peg Order interest available at that price. [Route]Supplemental Peg Orders are passive, resting orders on the EDGX Book and do not take liquidity. A [Route]Supplemental Peg Order does not execute at a price that is inferior to a Protected Quotation. A Supplemental Peg Order to buy (sell) will not be eligible for execution when an NBB (NBO) is not available. In such case, a Supplemental Peg Order to buy (sell) would rest on the EDGX Book and would not be eligible for execution in the System until an NBB (NBO) exists. Notwithstanding that a [Route]Supplemental Peg Order is also a Limit Order, its operation and available modifiers are limited to this Rule 11.8(f).

(1) Time-in-Force. A [Route]Supplemental Peg Order may only include a TIF instruction of GT[T]D, GTX, RHO, or Day. [Route]Supplemental Peg Orders are not eligible to include a TIF instruction of IOC or FOK.

(2) Size. [Route]Supplemental Peg Orders may only be entered as Odd Lots, Round Lots or Mixed Lots. A User may specify a Minimum Execution Quantity for a [Route]Supplemental Peg Order.

(3) Display. [Route]Supplemental Peg Orders are defaulted by the System to a Non-Displayed instruction. [Route]Supplemental Peg Orders are not eligible to include a Displayed instruction.

(4) Session. [Route]Supplemental Peg Orders are eligible for execution during the Pre-Opening Session, Regular Session, and Post-Closing Session. Supplemental Peg Orders are not eligible for execution in the Opening Process.[may be entered, cancelled, and cancelled/replaced prior to and during the Regular Session. Route Peg Orders are only eligible for execution in a given security during the Regular Session, except that, even after the commencement of the Regular Session, Route Peg Orders are not eligible for execution: (1) in the Opening Process; and (2) until such time that orders in that security during the Regular Session can be posted by the System to the EDGX Book. Any and all remaining, unexecuted Route Peg Orders are cancelled at the conclusion of the Regular Session.]

(5) Routing/Posting. [Route]Supplemental Peg Orders are not eligible for routing pursuant to Rule 11.11.

(6) Locked or Crossed Market. A [Route]Supplemental Peg Order is not eligible for execution when a Locking Quotation or Crossing Quotation exists. In such case, a [Route]Supplemental Peg Order would rest on the EDGX Book and would not be eligible for execution in the System until a Locking Quotation or Crossing Quotation no longer exists.

#### 11.9. Priority of Orders

(a) Ranking. Orders of Users shall be ranked and maintained in the EDGX Book based on the following priority:

(1) Price. The highest-priced order to buy (lowest-priced order to sell) shall have priority over all other orders to buy (sell) in all cases.

(2) Time. Subject to the execution process described in Rule 11.10(a), the following priority rules shall apply:

(A) Where orders to buy (sell) are entered into the System at the same price, the order clearly established as the first entered into the System at such particular price shall have precedence at that price, up to the number of shares of stock specified in the order. Except as provided in paragraphs (B) and (C) below, the System shall rank 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 [and the Reserve Quantity of Limit Orders];
- (iii) Orders with a Pegged and Non-Displayed instruction;
- (iv) Reserve Quantity of Limit Orders;
- (iii)v Limit Orders executed within their Discretionary Range; and
- (i)vi [Route]Supplemental Peg Orders.

(B) At the Midpoint of the NBBO. Where orders to buy (sell) are priced at the midpoint of the NBBO, the order clearly established as the first priced at the midpoint of the NBBO within each sub-paragraph below shall have precedence at the mid-point of the NBBO, up to the number of shares of stock specified in the order. The System shall rank trading interest priced at the midpoint of the NBBO within the System in time priority in the following order:

- (i) Limit Orders to which the Hide Not Slide [or Routed and Returned] instruction has been applied;
- (ii) MidPoint Match Orders;
- (iii) Limit Orders with a Non-Displayed instruction; [and]
- (iv) Orders with a Pegged instruction;
- (v) Reserve Quantity of Limit Orders; and
- (i)vi Limit Orders executed within their Discretionary Range.

(C) Where buy (sell) orders are utilizing instructions that cause them to be re-ranked by the System upon clearance of a Locking Quotation, the System shall re-rank and 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 Locked 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.

(D) For purposes of paragraphs (A) and (B) above:

- (i) ISOs, as defined in Rule 11.8(c), and [NBBO Offset]Market Maker Peg Orders, as defined in Rule 11.8(e), are to be treated as Limit Orders, as defined in Rule 11.8(b); and
- (ii) orders re-ranked subject to [a]the Re-Pricing instruction to comply with Rule 201 of Regulation SHO under Rule 11.6(1)(2), including Market Orders that are displayed on the EDGX Book pursuant to Rule 11.8(a)(4) and Rule 11.10(a)(3)(A), maintain the same priority as Limit Orders at that price.

(3) [Internalization]ERSTP Modifiers. Pursuant to Rule 11.10(d), [U]users may direct that orders entered into the System not execute against orders entered under the same [MPID]Unique Identifier. In such a case, the System will not permit such orders to execute against one another, regardless of priority ranking.

(4) Cancel/Replace. In the event an order has been cancelled or replaced in accordance with Rule 11.10(e) below, such order only retains priority if such modification involves a decrease in the size of the order, a change to Max Floor of an order with a Reserve Quantity, a change to the stop price of an order, the sell long indicator, or Short Sale instruction. Any other modification to an order, including an increase in the size of the order and/or price change, will result in such order losing priority as compared to other orders in the EDGX Book and the time stamp for such order being revised to reflect the time of the modification.

(5) (No change).

(6) Replenishment from Reserve Quantity. The displayed quantity of a Limit Order shall have time priority as of the time of display. If the displayed quantity of the Limit

Order is decremented such that less than a Round Lot would be displayed, the portion of the Limit Order with a Displayed instruction shall be replenished from the Reserve Quantity, if any, in accordance with Rule 11.6(m)(1)(A) or (B). A new time stamp is created for the displayed portion and Reserve Quantity of the order each time it is replenished from the Reserve Quantity.

(7) [Route]Supplemental Peg Order. If a [Route]Supplemental Peg Order is executed in part, the remaining portion of the order shall continue to be eligible for execution and shall be assigned a new time stamp, until either the remaining size is exhausted or the [Route]Supplemental Peg Order is cancelled by the Member.

(8) (No change).

(b) (No change).

#### 11.10. Order Execution

(a) (No change).

(1) (No change).

(2) Compliance with Regulation NMS. For any execution to occur during Regular Trading Hours, the price must be equal to or better than the Protected NBBO, unless the order is marked ISO or unless the execution falls within another exception set forth in Rule 611(b) of Regulation NMS. For any execution to occur during the Pre-Opening Session or the Post-Closing Session, the price must be equal to or better than the highest bid or lowest offer in the EDGX Book or disseminated by the responsible single plan processor, unless the order is marked ISO or a Protected Bid is crossing a Protected Offer. Notwithstanding the foregoing, in the event that a Protected Bid is crossing a Protected Offer, whether during or outside of Regular Trading Hours, unless an order is marked ISO, the Exchange will not execute any portion of a bid at a price more than the greater of 5 cents or 0.5 percent higher than the lowest Protected Offer or any portion of an offer that would execute at a price more than the greater of 5 cents or 0.5 percent lower than the highest Protected Bid. Upon instruction from a User, the Exchange will cancel any incoming order from such User in the event a Protected Bid is crossing a Protected Offer. For purposes of this Rule 11.10, any order falling within the parameters of this paragraph shall be referred to as “executable.” An order will be cancelled back to the User, if based on market conditions, User instructions, applicable Exchange Rules and /or the Act and the rules and regulations thereunder, such order is not executable, cannot be routed to another Trading Center pursuant to Rule 11.11 or cannot be posted to the EDGX Book.

(3) – (5) (No change).

(b) – (d) (No change).

(e) **Cancel/Replace Messages.** A User may cancel or replace an existing order entered by the User, subject to the following limitations.

(1) – (2) (No change).

(3) Other than changing a Limit Order to a Market Order, [O]only the price, Stop Price, the sell long indicator, Short Sale instruction, Max Floor and quantity terms of the order may be changed by a Replace Message [(including changing a Limit Order to a Market Order)]. If a User desires to change any other terms of an existing order the existing order must be cancelled and a new order must be entered.

(4) (No change).

(f) (No change).

#### 11.11. Routing to Away Trading Centers

Unless the terms of the order direct the Exchange not to route such order away, if a Market Order or marketable Limit Order has not been executed in its entirety pursuant to 11.10(a)(4) above, the order shall be eligible for routing away pursuant to one or more of the routing options listed under paragraph (g) below.

(a) **Regulation SHO.** An order that includes a Short Sale instruction when a short sale price test restriction pursuant to Rule 201 of Regulation SHO is in effect is not eligible for routing by the Exchange. If an order is ineligible for routing due to [the short sale price test restriction] a Short Sale Circuit Breaker being in effect and such order contains a Time-in-Force of IOC, then the order will be cancelled. For any other order ineligible for routing due to a [short sale price test restriction] a Short Sale Circuit Breaker being in effect, the Exchange will post the unfilled balance of the order to the EDGX Book, treat the order as if it included a Book Only or Post Only instruction, and subject it to the Re-Pricing Instructions to Comply with Rule 201 of Regulation SHO[Short Sale Price Adjust instruction], as described in Rule 11.6(1)(2)(A)], unless the User has elected the [Short Sale Price Sliding instruction described in Rule 11.6(1)(2)(B) or have the] order Cancel Back as described in Rule 11.6(b).

(b) **The Plan.**

(1) In order to comply with the Plan, a routable buy (sell) Market or routable marketable Limit Order will be routed by the Exchange only when the NBO (NBB) is or becomes executable according to the Plan, which would be when the NBO is less than or equal to the Upper Price Band (NBB is greater than or equal to the Lower Price Band). According to the Plan, the NBO (NBB) is or becomes non-executable when the NBO is greater than the Upper Price Band (the NBB is less than the Lower Price Band) (“Non-Executable”).

Except for routing strategies SWPA[, ] and SWPB[ and SWPC], for purposes of the below subparagraphs, routing strategies that access all Protected Quotations include ROUT,

ROUX, ROUC, ROUE and ROOC. Routing strategies that do not access all Protected Quotations include all other routing strategies listed in paragraph (g), as described below.

(i) – (ii) (Not change).

(c) (No change).

(d) Routing strategies SWPA[,]and SWPB [and SWPC] (together, “SWP”), as described in paragraph (g), are eligible for routing in accordance with the Plan as follows: the System will immediately cancel orders utilizing an SWP routing strategy when an order to buy utilizing an SWP routing strategy has a limit price that is greater than the Upper Price Band or if a sell order utilizing an SWP routing strategy has a limit price that is less than the Lower Price Band.

(e) – (f) (No change).

(g) (No change).

(1) ROUC. ROUC is a routing option under which an order checks the System for available shares and then is sent to destinations on the System routing table, Nasdaq OMX BX, and NYSE. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.

(2) (No change).

(3) The following routing strategies check the System for available shares and then are sent to destinations on the System routing table. If shares remain unexecuted after routing, they are posted on the EDGX [b]Book, unless otherwise instructed by the User. [For strategies in paragraphs (i)-(iii) below, Users may elect that any remainder of an order be posted on the EDGX Book or to another destination on the System routing table.]

- (A) ROUE
- (B) ROUT
- (C) ROUX
- (D) ROUQ
- (E) ROUZ

(4) INET. INET is a routing option under which an order checks the System for available shares and then is sent to Nasdaq. If shares remain unexecuted after routing, they are posted on the Nasdaq book, unless otherwise instructed by the User.

[(5) ROBA. ROBA is a routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to BATS BZX Exchange. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.

(6) ROBX. ROBX is a routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to Nasdaq BX Exchange. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.

(7) ROBY. ROBY is a routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to BATS BYX Exchange. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.]

([8]5) RDOT. RDOT is a routing option under which an order checks the System for available shares and then is sent to destinations on the System routing table. If shares remain unexecuted after routing, they are sent to the NYSE and can be re-routed by the NYSE. Any remainder will be posted to the NYSE, unless otherwise instructed by the User.

([9]6) RDOX. RDOX is a routing option under which an order checks the System for available shares, is then sent to the NYSE and can be re-routed by the NYSE. If shares remain unexecuted after routing, they are posted on the NYSE book, unless otherwise instructed by the User.

([10]7) ROLF. ROLF is a routing option under which an order checks the System for available shares and then is sent to LavaFlow ECN. If shares remain unexecuted after routing, they are cancelled, unless otherwise instructed by the User.

([11] ROPA. ROPA is a routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to NYSE Arca. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.

(12) IOCX. IOCX is a routing option under which an order checks the System for available shares and then is sent, with a Time-in-Force instruction of IOC, to EDGA. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.

(13) IOCT. IOCT is a routing option under which an order checks the System for available shares and then is sent to destinations on the System routing table. If shares remain unexecuted after routing, they are sent, with a Time-in-Force instruction of IOC, to EDGA. If shares remain unexecuted after routing, they are posted on the EDGX Book, unless otherwise instructed by the User.]

([14]8) ROOC. ROOC is a routing option for orders that the entering firm wishes to designate for participation in the opening, re-opening (following a halt, suspension, or pause), or closing process of a primary listing market (BATS, NYSE, Nasdaq, NYSE MKT, or NYSE Arca) if received before the opening/re-opening/closing time of such market. If shares remain unexecuted after attempting to execute in the opening, re-opening, or closing process, they are

either posted to the EDGX Book, executed, or routed to destinations on the System routing table[like a ROUT routing option, as described in paragraph (c), above]. Orders in BATS listed securities designated for participation in the re-opening process on BATS following a halt, suspension, or pause will remain on the EDGX Book and be eligible for execution once the halt, suspension, or pause has been lifted.

(15) SWPA. SWPA is a routing option under which an order checks the System for available shares and then is sent to only Protected Quotations and only for displayed size. To the extent that any portion of the routed order is unexecuted, the remainder is posted to the EDGX Book at the order's limit price, unless otherwise instructed by the User [cancelled back to the User]. The entire SWPA order will not be cancelled back to the User immediately if at the time of entry there is an insufficient share quantity in the SWPA order to fulfill the displayed size of all Protected Quotations.

(10) SWPB. SWPB is a routing option under which an order checks the System for available shares and then is sent to only Protected Quotations and only for displayed size. To the extent that any portion of the routed order is unexecuted, the remainder is posted to the EDGX Book at the order's limit price, unless otherwise instructed by the User [cancelled back to the User]. The entire SWPB order will be cancelled back to the User immediately if at the time of entry there is an insufficient share quantity in the SWPB order to fulfill the displayed size of all Protected Quotations.

(17) SWPC. SWPC is a routing option under which an order checks the System for available shares and then is sent to only Protected Quotations and only for displayed size. To the extent that any portion of the order is unexecuted, the remainder is posted on the EDGX Book at the order's limit price. The entire SWPC order will not be cancelled back to the User immediately if at the time of entry there is an insufficient share quantity in the SWPC order to fulfill the displayed size of all Protected Quotations.]

(11) Destination Specific. Destination Specific is a routing option under which an order checks the System for available shares and then is sent to an away trading center or centers specified by the User.

(12) Post to Away. In addition to instructions to cancel an order back to a User or post to the EDGX Book following the routing process, as set forth above, a User may elect the Post to Away routing option. Post to Away is a routing option that routes the remainder of a routed order to and posts such order on the order book of a destination on the System routing table as specified by the User. Post to Away can be combined with the following routing strategies: ROUT, ROUX and ROUE.

(13) A User may select either Route To Improve ("RTI") or Route To Fill ("RTF") for the following routing strategies: ROOC, ROUE, ROUT, and ROUX. RTI may route to multiple destinations at a single price level simultaneously while RTF may route to multiple destinations and at multiple price levels simultaneously.

(h) – (i) (No change).

11.12. – 11.20 (No change).

11.21. Retail Orders.

(a) – (d) (No change).

(e) Attribution. A Member may designate a Retail Order to be identified as Retail on the EDGX Book Feed on an order-by-order basis. A Member may also instruct the Exchange to identify all its Retail Orders as Retail on a port-by-port basis where that port is also designated as a Retail Order Port. [However, if a]A Member that instructs the Exchange to identify all its Retail Orders as Retail on a Retail Order Port[, it] will [not] be able to override such setting and designate any individual Retail Order from that port as Attributable or as Non-Attributable, as set forth in Rule 11.6(a).

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