

the accurate clearing and settlement of cleared transactions.

*(B) Clearing Agency's Statement on Burden on Competition*

ICE Clear Europe does not believe the proposed rule change would have any impact, or impose any burden, on competition.

*(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

ICE Clear Europe has solicited written comments relating to the proposed rule change, but has not received any written comments to date. ICE Clear Europe will notify the Commission of any written comments received by ICE Clear Europe.

### III. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-ICEEU-2013-01 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.

All submissions should refer to File Number SR-ICEEU-2013-01. This file number should be included on the subject line if email 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 Web site (<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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE.,

Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filings will also be available for inspection and copying at the principal office of ICE Clear Europe and on ICE Clear Europe's Web site ([https://www.theice.com/publicdocs/regulatory\\_filings/011013\\_ICEU\\_SEC.pdf](https://www.theice.com/publicdocs/regulatory_filings/011013_ICEU_SEC.pdf)). All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ICEEU-2013-01 and should be submitted on or before February 20, 2013.

### IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

Section 19(b) of the Act<sup>4</sup> directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization. The Commission finds that the proposed rule change is consistent with the requirements of the Act, in particular the requirements of Section 17A of the Act,<sup>5</sup> and the rules and regulations thereunder applicable to ICE Clear Europe. Specifically, the Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act, which requires, among other things, that the rules of a registered clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.<sup>6</sup> As the proposed rule change is intended to reduce unsecured credit risk to ICE Clear Europe in its payment systems, by means of stating the conditions under which Clearing Members' payment obligations are deemed to have been satisfied or discharged and clarifying the liability with respect to payments not meeting those conditions, the proposed rule change is designed to assure the safeguarding of securities and funds which are in the custody or control of ICE Clear Europe.

ICE Clear Europe has requested that the Commission approve the proposed rule change on an accelerated basis. The Bank of England has indicated that

implementation of the proposed rule change would mitigate to a significant extent the unsecured credit risk to which ICE Clear Europe is currently exposed.<sup>7</sup> Based on the foregoing, the Commission finds good cause for accelerating approval.

### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-ICEEU-2013-01) is approved on an accelerated basis.

For the Commission by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-68713; File No. SR-EDGX-2013-01]

### Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Fees for EdgeBook Attributed<sup>SM</sup>

January 23, 2013.

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 January 15, 2013 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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to (i) charge Members<sup>3</sup> and non-Members fees for internal and external distribution of EdgeBook Attributed<sup>SM</sup>, the Exchange's attributed book feed, and (ii) offer a new incentive program for Members that choose to attribute orders on the Exchange (the "Edge Attribution

<sup>7</sup> Teleconference on January 11, 2013, among Robleh Ali, FS-PID Oversight Team, Bank of England; Joseph Kamnik, Assistant Director, SEC; Gena Lai, Senior Special Counsel, SEC; and Zachary Hunter, Attorney-Advisor, SEC.

<sup>8</sup> 17 CFR 200.30-3(a)(12).

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

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

<sup>3</sup> As defined in Rule 1.5(n).

<sup>4</sup> 15 U.S.C. 78s(b).

<sup>5</sup> 15 U.S.C. 78q-1. In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>6</sup> 15 U.S.C. 78q-1(b)(3)(F).

Incentive Program”). All of the changes described herein are applicable to EDGX Members and non-Members, except for the Edge Attribution Incentive Program, which is applicable only to EDGX Members. The text of the proposed rule change is available on the Exchange’s Internet Web site at [www.directedge.com](http://www.directedge.com), at the Exchange’s principal office, and at the Public Reference Room of the Commission.

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

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

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

#### 1. Purpose

In SR–EDGX–2011–18,<sup>4</sup> the Exchange made available the EDGX Book Feed (“EdgeBook Depth X<sup>SM</sup>”) to Members and non-Members. EdgeBook Depth X<sup>SM</sup> is a data feed that contains all orders for securities trading on the Exchange, including all displayed orders for listed securities trading on EDGX, order executions, order cancellations, order modifications, order identification numbers and administrative messages. EdgeBook Depth X<sup>SM</sup> offers real-time data, thereby allowing Member firms to more accurately price their orders based on EDGX’s view of the depth of book information. It also provides Members the ability to track their own orders from order entry to execution. It is available in both unicast and multicast formats.

In SR–EDGX–2012–14,<sup>5</sup> the Exchange modified the EDGX fee schedule by codifying the fees associated with the

receipt of EdgeBook Depth X<sup>SM</sup>. In SR–EDGX–2012–32,<sup>6</sup> the Exchange amended Rule 11.5, entitled “Orders and Modifiers”, to allow for the use of Attributable Orders<sup>7</sup> submitted to the Exchange on EdgeBook Depth X<sup>SM</sup>, namely EdgeBook Attributed<sup>SM</sup>, without charge. EdgeBook Attributed<sup>SM</sup> allows Members and non-Members of the Exchange (collectively referred to as “Recipients”) the option to view the market participant identifier (“MPID”) of Members of the Exchange who choose to display their MPID(s) on EdgeBook Depth X<sup>SM</sup> on an order-by-order basis through the use of Attributable Orders.

Upon the Exchange’s initial offering of EdgeBook Attributed<sup>SM</sup>, such service was provided at no cost. In SR–EDGX–2012–32, the Exchange stated that “[s]hould EDGX determine to charge fees associated with EdgeBook Attributed<sup>SM</sup>, EDGX will submit a proposed rule change to the [Securities and Exchange] Commission in order to implement those fees.”<sup>8</sup> This proposal is designed to implement fees for the receipt of EdgeBook Attributed<sup>SM</sup> and introduce the Edge Attribution Incentive Program.

The proposed rule change to the EDGX fee schedule codifies such a fee associated with the receipt of EdgeBook Attributed<sup>SM</sup>. Such fees are in addition to the current fees assessed for EdgeBook Depth X<sup>SM</sup> for both Internal and External Distributors.<sup>9</sup> The amount of the monthly fees for EdgeBook Attributed<sup>SM</sup> would depend on whether the distributor is an “Internal Distributor” or “External Distributor.” Internal Distributors are proposed to be charged \$2,500 per month for EdgeBook Attributed<sup>SM</sup> and External Distributors are proposed to be charged \$5,000 per month for EdgeBook Attributed<sup>SM</sup>. The fee paid by an External Distributor includes the Internal Distributor Fee and thus allows an External Distributor to provide data both internally (i.e., to users within their own organization) and externally (to users outside their own organization). Additionally, Distributors will only pay one distributor fee, regardless of the number of locations or users to which the feed is received or distributed. Finally,

Distributors will not be charged user fees for receiving EdgeBook Attributed<sup>SM</sup>.

The Exchange also proposes to adopt an Edge Attribution Incentive Program to encourage Members to utilize Attributable Orders to convey their identity on EdgeBook Attributed<sup>SM</sup> by providing Members with an opportunity to be rewarded for providing their valuable data to the Exchange. In particular, the Edge Attribution Incentive Program would provide a payment to Members who enter Attributable Orders into the Exchange’s System<sup>10</sup> in at least 100 symbols over 10 consecutive trading days over the course of a month. Each month the Exchange would set aside 25% of the revenue generated in connection with fees received from EdgeBook Attributed<sup>SM</sup>, as described above (the “Revenue Allotment”). From the Revenue Allotment, the Exchange would provide a payment to eligible Members who qualified for the Edge Attribution Incentive Program based on the percentage of executed share volume from their Attributable Orders entered into the Exchange’s System. For example, if a Member qualifies for the Edge Attribution Incentive Program and that Member’s Attributable Orders accounted for 10% of all executed shares from Attributable Orders entered into the Exchange’s System for that month, such Member would receive 10% of the Revenue Allotment. The remaining 90% of the funds in the Revenue Allotment would be distributed as payments to other Members that met the requirements of the Edge Attribution Incentive Program based on their respective executed share of volume from Attributable Orders entered into the Exchange’s System. In addition, a Member is not required to purchase EdgeBook Attributed<sup>SM</sup> in order to receive payment under the Edge Attribution Incentive Program.

The Exchange intends to implement the proposed rule change on or about February 1, 2013.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change to the EDGX fee schedule for EdgeBook Attributed<sup>SM</sup> is consistent with the objectives of Section 6 of the Securities Exchange Act of 1934 (the “Act”),<sup>11</sup> in general, and furthers the objectives of Section 6(b)(4)<sup>12</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its

<sup>4</sup> See Securities Exchange Act Release No. 64791 (July 1, 2011), 76 FR 39944 (July 7, 2011) (SR–EDGX–2011–18).

<sup>5</sup> See Securities and Exchange Release No. 66864 (Apr. 26, 2012), 77 FR 26064 (May 2, 2012) (SR–EDGX–2012–14). The current fees for EDGX Book Feed (now called EdgeBook Depth X<sup>SM</sup>) are \$500/month for internal distribution and \$2,500/month for external distribution. The proposed rule filing does not impact the current EdgeBook Depth X<sup>SM</sup> fees with regard to the non-attributed book feed.

<sup>6</sup> See Securities Exchange Act Release No. 67554 (Aug. 1, 2012), 77 FR 47152 (Aug. 7, 2012) (SR–EDGX–2012–32).

<sup>7</sup> See EDGX Rule 11.5(c)(18).

<sup>8</sup> See Securities Exchange Act Release No. 67554 (Aug. 1, 2012), 77 FR 47152, 47153 (Aug. 7, 2012) (SR–EDGX–2012–32).

<sup>9</sup> A “Distributor” of Exchange data is any entity that receives EdgeBook Depth X<sup>SM</sup> directly from the Exchange or indirectly through another entity and then distributes such data either internally (within that entity) (“Internal Distributor”) or externally (outside that entity) (“External Distributor”).

<sup>10</sup> As defined in Rule 1.5(cc).

<sup>11</sup> 15 U.S.C. 78s(b)(1)

<sup>12</sup> 15 U.S.C. 78f(b)(4).

members and issuers and other persons using any facility or system which the Exchange operates or controls. The fees are not unreasonably discriminatory and are equitably allocated. The fees for Members and non-Members are uniform except with respect to reasonable distinctions with respect to internal and external distribution.<sup>13</sup> The Exchange proposes charging External Distributors more than Internal Distributors because of higher administrative costs associated with monitoring External Distributors ongoing reporting, as provided in the Direct Edge Data Vendor Agreement and market data requirements referenced therein.

The fees are fair and reasonable because they compare favorably to fees that other markets charge for similar products.<sup>14</sup> For example, NASDAQ's depth of book data feed, the NASDAQ TotalView ITCH ("TotalView"), features all displayed quotes and orders attributed to specific market participants.<sup>15</sup> TotalView provides market participants with multiple and varied services in a single feed.<sup>16</sup> While the cost of TotalView varies by number of subscribers and the specific type of

access, each fee provides the entire TotalView book feed, inclusive of all services and features, including attribution of orders. Conversely, EdgeBook Attributed<sup>SM</sup> is unlike other market data products such as TotalView. Members and non-Members who subscribe to EdgeBook Attributed<sup>SM</sup> must also subscribe to EdgeBook Depth. However, Members and non-Members who subscribe to EdgeBook Depth X<sup>SM</sup> are not obligated to purchase or subscribe to EdgeBook Attributed<sup>SM</sup>. Thus, the Exchange differentiates its pricing accordingly. The Exchange intends to charge a single, flat rate for EdgeBook Attributed<sup>SM</sup> as it views it as an optional, a la carte feature which enhances the value and scope of information on EdgeBook Depth X<sup>SM</sup>. Therefore, the pricing of EdgeBook Attributed<sup>SM</sup> will necessarily and understandably differ from market data products such as TotalView, which offer bundled pricing for the entire book feed, instead of a la carte pricing for specific features.<sup>17</sup> In addition, the fees are fair and reasonable because competition provides an effective constraint on the market data fees that the Exchange has the ability and incentive to charge for its market data products.

The revenue generated from purchases of EdgeBook Attributed<sup>SM</sup> will pay for the development, marketing, technical infrastructure and operating costs of an important tool for Recipients to use for purposes such as analysis and intake of additional information to assist them in their ultimate trading decisions. Profits generated above these costs will help offset the costs that the Exchange incurs in operating and regulating a highly efficient and reliable platform for the trading of U.S. equities. Furthermore, the increased revenue stream from EdgeBook Attributed<sup>SM</sup> will allow the Exchange to continue to offer it at a reasonable rate, consistent with fees that other markets charge for similar products.

The Exchange believes that Members will recognize the value of EdgeBook Attributed<sup>SM</sup> and that the increased transparency of liquidity on EdgeBook Attributed<sup>SM</sup> will beget additional liquidity. As a result, the Exchange believes that increased value in the data disseminated helps Exchange members

hone in on trading opportunities by better understanding the quality and transparency of the Exchange's quote quality. This will, in turn, help to enhance the overall execution quality on the Exchange.

The Exchange also believes that the proposed fees for EdgeBook Attributed<sup>SM</sup> are consistent with Section 6(b)(5) of the Act,<sup>18</sup> which requires, among other things, that the Exchange's rules not be designed to unfairly discriminate between customers, issuers, brokers or dealers. The Exchange makes all services and products subject to these fees available on a non-discriminatory basis to similarly situated Recipients because the service is purely optional and fees charged for EdgeBook Attributed<sup>SM</sup> will apply uniformly to all Recipients, irrespective of whether the Recipient is a Member of the Exchange. Purchase of the Service is not a prerequisite for participation on the Exchange, nor is membership to the Exchange a prerequisite to purchase the Service. Only those Recipients that deem the product to be of sufficient overall value and usefulness will purchase it.

In addition, the proposed fees are also consistent with Section 6(b)(5) of the Act<sup>19</sup> as it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. EDGX believes that this proposal is in keeping with those principles as it will benefit all Recipients by: (i) Promoting transparency through the codification of uniform fees for EdgeBook Attributed<sup>SM</sup>; and (ii) providing additional information regarding quotations displayed on the Exchange by various Members, which may aid Recipients in their trading decisions. Specifically, any Member that wishes to publicly disclose their identity (through their MPID) by using Attributable Orders will be permitted to do so, and such Attributable Orders will be analogous to the orders or quotations that these same Members provide in other contexts (e.g., on the floor of a floor-based stock exchange or in the over-the-counter market through direct interaction). In addition, the Exchange

<sup>13</sup> The Exchange notes that distinctions based on external versus internal distribution have been previously filed with the Commission by the Exchange, NASDAQ Exchange, NASDAQ OMX BX, and NASDAQ OMX PSX. See Securities and Exchange Act Release No. 66864 (Apr. 26, 2012), 77 FR 26064 (May 2, 2012) (SR-EDGX-2012-14). See also Nasdaq Rule 7019(b). See also Securities Exchange Act Release No. 62876 (September 9, 2010), 75 FR 56624 (September 16, 2010) (SR-Phlx-2010-120). See also Securities Exchange Act Release No. 62907 (September 14, 2010), 75 FR 57314 (September 20, 2010) (SR-NASDAQ-2010-110). See also Securities Exchange Act Release No. 63442 (December 6, 2010), 75 FR 77029 (December 10, 2010) (SR-BX-2010-081).

<sup>14</sup> Other exchanges offer a version of their book feed with member order attribution. See, e.g., BATS, Market Data Products, Multicast PITCH, [http://www.batstrading.com/market\\_data/products/](http://www.batstrading.com/market_data/products/) (describing BATS Multicast PITCH, which provides depth of book quotations and execution information while providing optional attribution functionality); Securities Exchange Act Release No. 63291 (Nov. 9, 2010), 75 FR 70311 (Nov. 17, 2010) (SR-NYSEArca-2010-97) (describing NYSE ArcaBook, which includes, among other things, displays of attributed orders by market makers and ETP holders); Securities Exchange Act Release No. 46521 (Sept. 20, 2002), 76 FR 61179 (Sept. 27, 2002) (SR-NASD-2002-33) (describing NASDAQ TotalView data feed, which includes, among other things, displays of attributed quotes and orders).

<sup>15</sup> TotalView features both attributed and non-attributed feeds. See Securities Exchange Act Release No. 46521 (Sept. 20, 2002), 76 FR 61179 (Sept. 27, 2002) (SR-NASD-2002-33). NYSE ArcaBook features an attributed feed at a fee of \$750 per month, in addition to separate fees for professional and non-professional subscribers ranging from \$0-15 per month. See NYSE Technologies, Market Data, NYSE ArcaBook, <http://www.nyxdata.com/arcabook>.

<sup>16</sup> See NASDAQ, NASDAQ TotalView-ITCH, <http://www.nasdaqtrader.com/trader.aspx?id=totalview> (describing services and fees for TotalView).

<sup>17</sup> For example, TotalView is priced at a monthly fee of \$70 per professional or corporate subscriber and \$14 per non-professional subscriber for coverage of NASDAQ issued securities, and \$6 per professional or corporate subscriber and \$1 per non-professional subscriber for coverage of NYSE and Amex issued securities. See NASDAQ, NASDAQ TotalView-ITCH, <http://www.nasdaqtrader.com/trader.aspx?id=totalview>.

<sup>18</sup> 15 U.S.C. 78f(b)(5).

<sup>19</sup> 15 U.S.C. 78f(b)(5).

believes that EdgeBook Attributed<sup>SM</sup> furthers the objectives of Section 6(b)(5) of the Act<sup>20</sup> by promoting increased quote transparency as Members are encouraged to utilize Attributable Orders through the Edge Attribution Incentive Program. The increased use of Attributable Orders by Members would provide additional, useful information regarding orders/quotations displayed on the Exchange, including information on the identity of contra-parties to transactions. The Exchange believes that this enhanced information would aid Recipients of EdgeBook Attributed<sup>SM</sup> in their trading decisions. In addition, EDGX has made a voluntary decision to make EdgeBook Attributed<sup>SM</sup> available. EDGX is not required by the Act in the first instance to make the data available. EDGX has chosen to make EdgeBook Attributed<sup>SM</sup> available to improve market quality, attract order flow, and increase transparency. It will continue to make such data available until such time as it changes its rule.

The Exchange also believes that the proposal is consistent with the goals of Regulation NMS.<sup>21</sup> In adopting Regulation NMS, the Commission granted self-regulatory organizations and broker-dealers increased authority and flexibility to offer new and unique market data services to the public. The Commission believed this authority would expand the amount of data available to market participants, and also spur innovation and competition for the provision of market data. EdgeBook Attributed<sup>SM</sup> appears to be precisely the sort of market data service that the Commission envisioned when it adopted Regulation NMS.<sup>22</sup> EdgeBook Attributed<sup>SM</sup> will allow Recipients to purchase a service that will provide them a means to view the MPID of certain Members who choose to use Attributable Orders while at the same time enabling the Exchange to better cover its infrastructure costs and to improve its market technology and services. Efficiency is promoted when Members who do not need the EDGX Book Feed data are not required to receive (and pay for) such data. The

Exchange also believes that efficiency is promoted when Members may choose to receive (and pay for) additional market data based on their own internal analysis of the need for such data. Competition is promoted as the Exchange cannot set unreasonable fees without losing business to its competitors.<sup>23</sup>

Additionally, the Exchange believes that the Edge Attribution Incentive Program furthers the objectives of Section 6(b)(4)<sup>24</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system which the Exchange operates or controls. The Edge Attribution Incentive Program encourages Members to utilize Attributable Orders to convey their identity on EdgeBook Attributed<sup>SM</sup>. It represents a reasonable and equitable approach in that it financially rewards those Members that provide their valuable data to the Exchange and thereby help to contribute to the overall quality of EdgeBook Attributed<sup>SM</sup> as a data feed.

The Exchange believes that the Edge Attribution Incentive Program is also equitable and reasonable because it will attract additional order flow from Members motivated to receive the incentive offered, thereby enhancing the quality of the data on EdgeBook Depth X<sup>SM</sup>. Attributable Orders, similar to all market data, provide Members with valuable trading information and provide increased transparency to investors. The Exchange believes that such increased transparency will lead to additional order flow and increased opportunities for price discovery by Members. Specifically, the Exchange believes that the Edge Attribution Incentive Program will also increase order flow as Members will be motivated to receive the incentive offered under the Edge Attribution Incentive Program, and contra-side parties will look to execute against Members that are attributing their orders. For example, Market Makers<sup>25</sup> may want to utilize Attributable Orders to advertise the names of the securities they trade in to attract potential issuers or to advertise to the market that they maintain an inventory in particular securities. Similarly, retail brokerage firms may desire to utilize Attributable Orders to advertise their firm names

with the intent to draw in contra-parties to trade against and thus bolster execution quality, price discovery, and resulting speed of execution for their clients. The associated potential rise in order volume would increase the potential revenue to the Exchange, allowing the Exchange to spread its administrative and infrastructure costs over a greater number of shares. These lower per share costs in turn would allow the Exchange to pass on such savings to Members in the form of such an incentive. The increased liquidity would also benefit investors by deepening EDGX's liquidity pool, allowing investors to enjoy cost savings as a result of obtaining better execution quality, supporting the quality of price discovery, promoting market transparency and improving investor protection.

The incentive is similar to other volume-based rebates on the Exchange, which have been widely adopted in the cash equities markets.<sup>26</sup> The Exchange believes the Edge Attribution Incentive Program, which is similar to other volume-based rebates on the Exchange's fee schedule, is equitable because it is available and uniformly applied to all Members. The Edge Attribution Incentive Program also provides discounts that are reasonably related to the value of an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and introduction of higher volumes of orders into the price and volume discovery processes.

The Exchange believes that the Edge Attribution Incentive Program is consistent with Section 6(b)(5) of the Act,<sup>27</sup> which requires, among other things, that the Exchange's rules not be designed to unfairly discriminate between customers, issuers, brokers or dealers. The Exchange believes that the Edge Attribution Incentive Program is equitable because participation in the Edge Attribution Incentive Program is purely optional. Only those Members that deem the Edge Attribution Incentive Program to be of sufficient overall value and usefulness will participate. Moreover, the requirements necessary to qualify for payments received under the Edge Attribution Incentive Program (at least 100 symbols over 10 consecutive trading days over the course of a month) are equitable and do not unfairly discriminate between Members who choose to attribute, as the

<sup>20</sup> 15 U.S.C. 78f(b)(5).

<sup>21</sup> See Securities Exchange Act Release No. 51808 (June 9, 2006), 70 FR 37496 (June 29, 2005) (sic).

<sup>22</sup> See Securities and Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37597 (June 29, 2005) ("[E]fficiency is promoted when broker-dealers who do not need the data beyond the prices, sizes, market center identifications of the NBBO and consolidated last sale information are not required to receive (and pay for) such data. The Commission also believes that efficiency is promoted when broker-dealers may choose to receive (and pay for) additional market data based on their own internal analysis of the need for such data.").

<sup>23</sup> See *infra* discussion in section on "Self-Regulatory Organization's Statement on Burden on Competition."

<sup>24</sup> 15 U.S.C. 78f(b)(4).

<sup>25</sup> As defined in Rule 1.5(l).

<sup>26</sup> EDGX allows Members to utilize volume-based tiers, as described in Footnotes 1 and 2, among others, to the EDGX Fee Schedule. See, e.g., EDGX Fee Schedule, <http://www.directedge.com/Membership/FeeSchedule/EDGXFeeSchedule.aspx>.

<sup>27</sup> 15 U.S.C. 78f(b)(5).

payments will be offered uniformly to all Members who meet such requirements. Such requirements provide a clear benchmark by identifying a threshold that is not unreasonably difficult for a meaningful and consistent contributor to achieve. As Attributable Orders contain valuable trading information to the Exchange, the Edge Attribution Incentive Program is not unfairly discriminatory in its design to allocate the Revenue Allotment to Members who attribute in proportion to the executed share volume from such Member's Attributable Orders entered into the Exchange's System. Such data is also valuable to Members and non-Members who use the additional information for various purposes. For example, certain Recipient broker-dealers may use the data to aid their trading decisions, while Recipient smart routers may use the data to aid in building their own consolidated ticker plant. Such information enhances a Recipient's trading decisions as the transparency of knowing the identity of the potential counterparty may provide a Recipient with additional information regarding the reliability and quality of the attributed quote.

Lastly, the Exchange believes that the Edge Attribution Incentive Program furthers the objectives of Section 6(b)(5) of the Act<sup>28</sup> by promoting increased quote transparency on EdgeBook Attributed<sup>SM</sup> as Members are encouraged to utilize Attributable Orders. The increased use of Attributable Orders by Members would increase transparency by providing additional, useful information regarding orders/quotations displayed on the Exchange, including information on the identity of contra-parties to transactions. The Exchange believes that this enhanced information would aid Recipients of EdgeBook Attributed<sup>SM</sup> in their trading decisions.

#### *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, as amended.

There is significant competition for the provision of market data to market participants, as well as competition for the orders that generate that data. In introducing the proposed fees for EdgeBook Attributed<sup>SM</sup>, the Exchange would be providing a service similar to those already offered by other market

centers.<sup>29</sup> The existence of such alternatives ensures that the Exchange cannot set unreasonable fees, or fees that are unreasonably discriminatory, without losing business to these alternatives. Thus, as the fees are consistent with those charged by the Exchange's competitors, EdgeBook Attributed<sup>SM</sup> would promote competition if it succeeds in providing market participants with viable and cost-effective alternatives which drive the market to continually improve products and services to cater to customers' data needs. Accordingly, the Exchange does not believe that the fees for EdgeBook Attributed<sup>SM</sup> will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from its Members or other interested parties.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>30</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>31</sup> 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.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

<sup>29</sup> See, e.g., BATS, Market Data Products, Multicast PITCH, [http://www.batstrading.com/market\\_data/products/](http://www.batstrading.com/market_data/products/); Securities Exchange Act Release No. 63291 (Nov. 9, 2010), 75 FR 70311 (Nov. 17, 2010) (SR-NYSEArca-2010-97) (describing NYSE Arcabook); Securities Exchange Act Release No. 46521 (Sept. 20, 2002), 76 FR 61179 (Sept. 27, 2002) (SR-NASD-2002-33) (describing NASDAQ TotalView).

<sup>30</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>31</sup> 17 CFR 240.19b-4(f).

#### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-EDGX-2013-01 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-EDGX-2013-01. This file number should be included on the subject line if email 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 Web site (<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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-EDGX-2013-01 and should be submitted on or before February 20, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>32</sup>

**Kevin M. O'Neill,**  
*Deputy Secretary.*

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<sup>32</sup> 17 CFR 200.30-3(a)(12).

<sup>28</sup> 15 U.S.C. 78f(b)(5).