

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70811; File No. SR-EDGX-2013-42]

### Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the EDGX Exchange, Inc. Fee Schedule

November 5, 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 November 1, 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, II and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend its fees and rebates applicable to Members<sup>3</sup> of the Exchange pursuant to EDGX Rule 15.1(a) and (c) ("Fee Schedule") to: (i) Increase the fee for orders yielding Flag K, which routes to NASDAQ OMX PSX ("PSX") using ROUC or ROUE routing strategies; and (ii) decrease the fee for orders yielding Flag RW, which routes to the CBOE Stock Exchange ("CBSX") and adds liquidity. 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.

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

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

<sup>3</sup> The term "Member" is defined as "any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange. A Member will have the status of a "member" of the Exchange as that term is defined in Section 3(a)(3) of the Act." See Exchange Rule 1.5(n).

The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

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

##### 1. Purpose

The Exchange proposes to amend its Fee Schedule to: (i) increase the fee for orders yielding Flag K, which routes to PSX using ROUC or ROUE routing strategies; and (ii) decrease the fee for orders yielding Flag RW, which routes to CBSX and adds liquidity.

##### Flag K

In securities priced at or above \$1.00, the Exchange currently assesses a fee of \$0.0028 per share for Members' orders that yield Flag K, which routes to PSX using ROUC or ROUE routing strategies. The Exchange proposes to amend its Fee Schedule to increase this fee to \$0.0030 per share from \$0.0028 per share for Members' orders that yield Flag K. The proposed change represents a pass through of the rate that Direct Edge ECN LLC (d/b/a DE Route) ("DE Route"), the Exchange's affiliated routing broker-dealer, is charged for routing orders to PSX when it does not qualify for a volume tiered reduced fee. The Exchange notes that the proposed change is in response to PSX's November 2013 fee change where PSX increased the fee to remove liquidity via routable order types it charges its customers, from a fee of \$0.0028 per share to a fee of \$0.0030 per share for orders that are routed to PSX.<sup>4</sup> When DE Route routes to PSX, it is charged a standard rate of \$0.0030 per share.<sup>5</sup> DE Route will pass through this rate on PSX to the Exchange and the Exchange, in turn, will pass through this rate to its Members.

##### Flag RW

In securities priced at or above \$1.00, the Exchange currently assesses a fee of \$0.0050 per share for Members' orders that yield Flag RW, which routes to CBSX and adds liquidity. The Exchange proposes to amend its Fee Schedule to decrease this fee from \$0.0050 per share to \$0.0018 per share for Members' orders that yield Flag RW. The proposed change represents a pass through of the rate that DE Route, the Exchange's

<sup>4</sup> See PSX, NASDAQ OMX PSX Pricing List, [http://www.nasdaqtrader.com/Trader.aspx?id=PSX\\_Pricing](http://www.nasdaqtrader.com/Trader.aspx?id=PSX_Pricing). See also SR-PHLX-2013-111.

<sup>5</sup> The Exchange notes that to the extent DE Route does or does not achieve any volume tiered reduced fee on PSX, its rate for Flag K will not change.

affiliated routing broker-dealer, is charged for routing orders to CBSX when it does not qualify for a volume tiered reduced fee. The Exchange notes that the proposed change is in response to CBSX's November 2013 fee change where CBSX decreased the fee it charges its customers, such as DE Route, from a fee of \$0.0050 per share to a fee of \$0.0018 per share for orders that are routed to CBSX in select symbols.<sup>6</sup> Prior to CBSX's November 2013 fee change, CBSX charged DE Route a fee of \$0.0050 per share to remove [sic] liquidity from CBSX for maker transactions in select symbols and a fee of \$0.0018 for all other symbols. DE Route charged its Members the higher possible fee of \$0.0050 per share.<sup>7</sup> In November 2013, CBSX removed the list of select symbols from its fee schedule, thereby decreasing the fee it charges its customers, such as DE Route, to remove [sic] liquidity from CBSX in select symbols from a fee of \$0.0050 per share to a fee of \$0.0018 per share.<sup>8</sup> Therefore, when DE Route routes to CBSX, it is now charged a standard rate of \$0.0018 per share for all symbols.<sup>9</sup> DE Route will pass through this rate on CBSX to the Exchange and the Exchange, in turn, will pass through this rate to its Members.

##### Implementation Date

The Exchange proposes to implement these amendments to its Fee Schedule on November 1, 2013.

##### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act,<sup>10</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>11</sup> in particular, as it is designed to provide for the equitable

<sup>6</sup> See CBSX, CBOE Stock Exchange (CBSX) Fees Schedule, <http://www.cboe.com/publish/cbsxfeeschedule/cbsxfeeschedule.pdf>. See also SR-CBOE-2013-105.

<sup>7</sup> Securities Exchange Act Release No. 69916 (July 2, 2013), 78 FR 41158 (July 9, 2013) (SR-CBOE-2013-065). Prior to November 1, 2013, CBSX listed the select symbols in footnote 6 to its fee schedule. CBSX, CBOE Stock Exchange (CBSX) Fees Schedule, <http://www.cboe.com/publish/cbsxfeeschedule/cbsxfeeschedule.pdf>. In its filing with the Commission, the Exchange noted that, due to internal system limitations, the Exchange would assess a flat fee for all orders that yield Flag RW. Securities Exchange Act Release No. 34-70134 (August 8, 2013), 78 FR 49561 (August 14, 2013) (SR-EDGX-2013-26).

<sup>8</sup> See CBSX, CBOE Stock Exchange (CBSX) Fees Schedule, <http://www.cboe.com/publish/cbsxfeeschedule/cbsxfeeschedule.pdf>. See also SR-CBOE-2013-105.

<sup>9</sup> The Exchange notes that to the extent DE Route does or does not achieve any volume tiered reduced fee on CBSX, its rate for Flag RW will not change.

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

<sup>11</sup> 15 U.S.C. 78f(b)(4).

allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities.

#### Flag K

The Exchange believes that its proposal to increase the pass through fee for Members' orders that yield Flag K from \$0.0028 per share to \$0.0030 per share represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to PSX through DE Route. Prior to PSX's November 2013 fee change, PSX charged its members a fee of \$0.0028 per share to remove liquidity from PSX using routable order types and charged DE Route a fee of \$0.0030 per share to remove liquidity using non-routable order types, which DE Route passed through to the Exchange and the Exchange charged a discounted fee of \$0.0028 to its Members. In November 2013, PSX increased the fee it charges its customers, to remove liquidity from PSX using routable order types from a fee of \$0.0028 per share to a fee of \$0.0030 per share.<sup>12</sup> Therefore, the Exchange believes that the proposed change in Flag K from a fee of \$0.0028 per share to a fee of \$0.0030 per share is equitable and reasonable because it accounts for the pricing changes on PSX. In addition, the proposal allows the Exchange to charge its Members a pass-through rate for orders that are routed to PSX. Furthermore, the Exchange notes that routing through DE Route is voluntary. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

#### Flag RW

The Exchange believes that its proposal to decrease the pass through fee for Members' orders that yield Flag RW from \$0.0050 per share to \$0.0018 per share represents an equitable allocation of reasonable dues, fees, and other charges among Members and other persons using its facilities because the Exchange does not levy additional fees or offer additional rebates for orders that it routes to CBSX through DE Route. Prior to CBSX's November 2013 fee change, CBSX charged DE Route a fee of \$0.0050 per share to remove [sic] liquidity from CBSX for making transactions in select symbols and a fee

of \$0.0018 per share for all other symbols, which DE Route passed through to the Exchange and the Exchange charged its Members the higher possible fee of \$0.0050 per share.<sup>13</sup> In November 2013, CBSX removed the list of select symbols from its fee schedule, thereby decreasing the fee it charges its customers, such as DE Route, to remove [sic] liquidity from CBSX in select symbols from a fee of \$0.0050 per share to a fee of \$0.0018 per share.<sup>14</sup> Therefore, the Exchange believes that the proposed change in Flag RW from a fee of \$0.0050 per share to a fee of \$0.0018 per share is equitable and reasonable because it accounts for the pricing changes on CBSX. In addition, the proposal allows the Exchange to charge its Members a pass-through rate for orders that are routed to CBSX. Furthermore, the Exchange notes that routing through DE Route is voluntary. Lastly, the Exchange also believes that the proposed amendment is non-discriminatory because it applies uniformly to all Members.

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

These proposed rule changes do not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe that any of these changes represent a significant departure from previous pricing offered by the Exchange or pricing offered by the Exchange's competitors. Additionally, Members may opt to disfavor EDGX's pricing if they believe that alternatives offer them better value. Accordingly, the Exchange does not believe that the proposed changes will impair the ability of Members or competing venues to maintain their competitive standing in the financial markets.

#### Flag K

The Exchange believes that its proposal to pass through a fee of \$0.0030 per share for Members' orders that yield Flag K would increase

<sup>13</sup> Securities Exchange Act Release No. 69916 (July 2, 2013), 78 FR 41158 (July 9, 2013) (SR-CBOE-2013-065). Prior to November 1, 2013, CBSX listed the select symbols in footnote 6 to its fee schedule. CBSX, CBOE Stock Exchange (CBSX) Fees Schedule, <http://www.cboe.com/publish/cbsxfeeschedule/cbsxfeeschedule.pdf>. In its filing with the Commission, the Exchange noted that, due to internal system limitations, the Exchange would assess a flat fee for all orders that yield Flag RW. Securities Exchange Act Release No. 34-70134 (August 8, 2013), 78 FR 49561 (August 14, 2013) (SR-EDGX-2013-26).

<sup>14</sup> See CBSX, CBOE Stock Exchange (CBSX) Fees Schedule, <http://www.cboe.com/publish/cbsxfeeschedule/cbsxfeeschedule.pdf>. See also SR-CBOE-2013-105.

intermarket competition because it offers customers an alternative means to route to PSX for the same price as entering orders on PSX directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

#### Flag RW

The Exchange believes that its proposal to pass through a fee of \$0.0018 per share for Members' orders that yield Flag RW would increase intermarket competition because it offers customers an alternative means to route to CBSX for the same price as entering orders on CBSX directly. The Exchange believes that its proposal would not burden intramarket competition because the proposed rate would apply uniformly to all Members.

#### 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 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>15</sup> and Rule 19b-4(f)(2)<sup>16</sup> thereunder. At any time within 60 days of the filing of such 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:

##### 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-2013-42 on the subject line.

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

<sup>16</sup> 17 CFR 240.19b-4 (f)(2).

<sup>12</sup> See PSX, NASDAQ OMX PSX Pricing List, [http://www.nasdaqtrader.com/Trader.aspx?id=PSX\\_Pricing](http://www.nasdaqtrader.com/Trader.aspx?id=PSX_Pricing). See also SR-PHLX-2013-111.

*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-2013-42. 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-2013-42 and should be submitted on or before December 3, 2013.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-70812; File No. SR-EDGA-2013-33]

### Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the EDGA Exchange, Inc. Fee Schedule

November 5, 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 November 1, 2013, EDGA Exchange, Inc. (the "Exchange" or "EDGA") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

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

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

<sup>3</sup> The term "Member" is defined as "any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange. A Member will have the status of a "member" of the Exchange as that term is defined in Section 3(a)(3) of the Act." See Exchange Rule 1.5(n).

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##### Flag K

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##### Flag RW

In securities priced at or above \$1.00, the Exchange currently assesses a fee of \$0.0050 per share for Members' orders that yield Flag RW, which routes to CBSX and adds liquidity. The Exchange proposes to amend its Fee Schedule to decrease this fee from \$0.0050 per share to \$0.0018 per share for Members' orders that yield Flag RW. The proposed change represents a pass through of the rate that DE Route, the Exchange's affiliated routing broker-dealer, is

<sup>4</sup> See PSX, NASDAQ OMX PSX Pricing List, [http://www.nasdaqtrader.com/Trader.aspx?id=PSX\\_Pricing](http://www.nasdaqtrader.com/Trader.aspx?id=PSX_Pricing). See also SR-PHLX-2013-111.

<sup>5</sup> The Exchange notes that to the extent DE Route does or does not achieve any volume tiered reduced fee on PSX, its rate for Flag K will not change.

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