

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64267; File No. SR-EDGA-2011-10]

### 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

April 8, 2011.

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 April 7, 2011, the EDGA Exchange, Inc. (the "Exchange" or the "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.

#### 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 EDGA Rule 15.1(a) and (c). All of the changes described herein are applicable to EDGA Members. The text of the proposed rule change is available on the Exchange's Internet Web site at <http://www.directed.com>.

#### 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 Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

The Exchange proposes to increase the rebate on Flag P from \$0.0025 per share to \$0.0027 per share for adding liquidity on EDGX via an EDGA-originated ROUC routing strategy, as defined in Rule 11.9(b)(3)(a).

The Exchange proposes to reduce the rate on Flag T from \$0.0020 per share to \$0.0012 per share for routing using the ROUD/ROUE routing strategies, as defined in Rules 11.9(b)(3)(b) and (c)(i).

Currently, for orders routed during the Pre-Opening<sup>4</sup> and Post-Closing Sessions,<sup>5</sup> a charge of \$0.0030 per share applies (yielding Flag "7"). The Exchange proposes to reduce the rate to \$0.0027 per share for routing during these trading sessions.

Currently, when an order is routed using the ROUT routing strategy, (as defined in Rule 11.9(b)(3)(c)(ii)), a flag "RT" is yielded and a fee of \$0.0025 per share is assessed. However, when an order routes to EDGX using the ROUT routing strategy, a Flag "P" is yielded, and a fee of \$0.0030 per share is assessed. The Exchange proposes that when an order is routed using the ROUT routing strategy to EDGX Exchange, a Flag "RX" is yielded and a fee of \$0.0027 per share will be assessed. This proposed language is included in footnote 10 of the fee schedule. Thus, the Exchange notes that when an order is routed using the ROUT routing strategy, it can either yield either a Flag "RT" or "RX." The Exchange also notes that a Flag "RX" can also be yielded when an order is routed using the ROUX routing strategy, as defined in Rule 11.9(b)(3)(c)(iii).

As a result of the insert of new language in footnote 10, conforming changes have been made to re-number existing footnotes 10-12 as footnotes 11-13. New footnote 11 is also proposed to be clarified to insert "per share" after the fee of \$0.0030 to conform it with other footnotes on the fee schedule.

EDGA Exchange proposes to implement these amendments to the Exchange fee schedule on April 7, 2011.

##### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Exchange Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(4),<sup>7</sup> in

particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities.

The Exchange believes that the proposed increased rebate for Flag P from \$0.0025 to \$0.0027 per share is an equitable allocation of reasonable dues, fees, and other charges. The ROUC routing strategy, as defined in Rule 11.9(b)(3)(a), checks the System for available shares and then is sent sequentially to destinations on the System routing table, Nasdaq OMX BX, and NYSE. If shares remain unexecuted after routing, they are posted to EDGX Exchange, Inc. ("EDGX"). The increased rebate is designed to incentivize Members to route through EDGA to reach multiple sources of liquidity before routing to other low cost destinations, and thereby potentially increases volume on EDGA to the extent an order using the ROUC routing strategy executes on EDGA. The increased rebate allows Members to reach multiple sources of liquidity by routing order flow through EDGA rather than going directly to various venues. The increased rebate also provides Members with superior economics as the \$0.0027 per share rebate represents a flat rate if the ROUC routing strategy posts to EDGX, and thus allows EDGA Members to share in potential volume tier savings realized by the Exchange.<sup>8</sup> If the Member had routed to EDGX directly and the order had added liquidity to EDGX, the Member could receive rebates ranging from \$0.0023-\$0.0033, depending on if a volume threshold were satisfied.<sup>9</sup> The \$0.0027 per share rebate thus represents a rate in between these various tiered and non-tiered rebates provided for adding liquidity to EDGX. This type of rate is also similar to EDGA's rate for removing liquidity from LavaFlow (Flag M). The standard removal rate of \$0.0029 per share is reduced to \$0.0023 per share for orders routed to LavaFlow that achieve certain volume thresholds, as EDGA Members are able to share in potential volume tier savings realized by EDGA when routing to LavaFlow.<sup>10</sup> This type of rate is also similar to other rates that EDGA charges, such as "one-under" pricing for routing to Nasdaq using the INET order type and is consistent with the processing of similar routing strategies by EDGA's competitors.<sup>11</sup> In

<sup>8</sup> See EDGX fee schedule, footnote 1.

<sup>9</sup> *Id.*

<sup>10</sup> See footnote 6 of the EDGA fee schedule.

<sup>11</sup> See footnote 7 of the EDGA fee schedule. See also BATS BZX fee schedule: Discounted Destination Specific Routing ("One Under") to

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

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

<sup>3</sup> A Member is any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange.

<sup>4</sup> As defined in EDGA Rule 1.5(q).

<sup>5</sup> As defined in EDGA Rule 1.5(p).

<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(4).

this rate, EDGA takes into account the rates that it is charged or rebated when routing to other low cost destinations, such as EDGX.

The Exchange believes that the rebate of \$0.0027 is reasonable as it is consistent with how other exchanges pass through rebates for orders routed to a different exchange that add liquidity. For example, when Nasdaq routes to Nasdaq BX, Nasdaq passes back Nasdaq BX's standard rebate of \$0.0014 per share. When NYSE Arca routes to NYSE, NYSE Arca passes back the standard NYSE rebate of \$0.0015 per share. These rebates generally approximate what the originating exchange receives from the exchange that is routed to plus or minus a certain differential. EDGA's pricing is consistent with this premise.

The Exchange believes that the proposed rebate is non-discriminatory in that it applies uniformly to all Members.

The Exchange believes that the proposed reduced rate for Flag T (routing using ROUD/ROUE routing strategies) of \$0.0012 per share is an equitable allocation of reasonable dues, fees, and other charges. Lower fees are directly correlated with a higher number of intermediate low cost destinations as the more intermediate low cost destinations that there are creates a greater potential for an execution at a lower cost destination before reaching a higher cost destination. For example, the ROUQ routing strategy, as defined in Rule 11.9(b)(3)(c)(iv),<sup>12</sup> routes to the lowest number of low cost destinations compared to the ROUD/ROUE<sup>13</sup> and ROUZ<sup>14</sup> routing strategies. As a result, the Exchange charges a higher fee for such strategy of \$0.0020 per share (Flag Q). The ROUD/ROUE routing strategies route to a medium number of low cost destinations and the ROUZ routing strategy routes to the highest number of low cost destinations amongst these routing strategies. As a result, the Exchange will assess a proposed fee of \$0.0012 per share for the ROUD/ROUE routing strategies and assesses the lowest fee for the ROUZ routing strategy of \$0.0010 per share. The more low cost destinations that an order routes to

allows the Exchange to pass on the savings it receives from such destinations to its members in lower fees. Therefore, it is equitable that ROUQ has the highest fee of \$0.0020 per share, while ROUD/ROUE has an intermediate fee of \$0.0012 per share, and ROUZ has the lowest fee of the three strategies of \$0.0010 per share. The Exchange also notes that a difference between ROUQ and ROUZ routing strategies is that the additional routing destinations in the ROUZ routing strategy are intermediate between the routing destinations in ROUQ. This also accounts for the differences in fees. Therefore, for each additional intermediate low cost destination that an order routes to, the prices of the strategies mentioned above (ROUQ, ROUD/ROUE, ROUZ) decrease accordingly.

The Exchange believes that the rate is reasonable when compared to other market centers using similar routing strategies. The comparable routing strategy to the ROUD/ROUE routing strategies is Parallel D or Parallel 2D with the DRT (Dark routing technique) option on BZX. BZX charges \$0.0020 per share for its DRT option. The Exchange believes that the proposed rebate is non-discriminatory in that it applies uniformly to all Members.

The Exchange believes that the proposed reduced rate for Flag 7 executions of \$0.0027 per share is an equitable allocation of reasonable dues, fees, and other charges. The reduced rate is designed to incentivize Members to increase volume on EDGA during the Pre-Opening and Post-Closing Sessions, which have limited trading hours. In addition, it represents a blended flat-rate for customers which EDGA has derived by taking into account its costs of routing to various destinations on its fee schedule. The blended, flat-rate provides simplicity for customers, instead of passing through the actual rates that EDGA receives from various destinations on its schedule. This type of rate is similar to other rates that EDGA charges, such as "one-under" pricing for routing to Nasdaq using the INET order type and is consistent with the processing of similar routing strategies by EDGA's competitors.<sup>15</sup>

In addition, the Exchange notes that fewer Members generally trade during

pre and post trading hours because of the limited time parameters associated with these trading sessions. The Exchange believes that the rate is equitable in that it is lower than comparable routing strategies that route during regular trading hours (i.e., Flag X, \$0.0029 per share). The Exchange believes that the proposed rebate is non-discriminatory in that it applies uniformly to all Members.

Currently, when a Member uses the ROUT strategy, it is charged \$0.0030 per share (Flag "I") when it routes to EDGX. The Exchange proposes to lower this fee to \$0.0027 per share and yield Flag "RX" instead. The Exchange believes that the proposed decreased rate for orders that route to EDGX Exchange, Inc. using the ROUT routing strategy (as noted in footnote 10) represents an equitable allocation of reasonable dues, fees, and other charges since the decreased fee is designed to cap Member's routed fees at \$0.0027 per share. The decreased fee is also designed to incentivize Members to sweep liquidity through EDGA before going to other destinations while allowing Members to reach multiple source of liquidity by routing order flow through EDGA rather than going directly to various venues.

The rate does not favor routing to EDGX as it is higher than the rate for routing to any other destination (i.e., Nasdaq) using the ROUT routing strategy, in which a fee of \$0.0025 per share is assessed. For example, if a Member uses EDGA to route to Nasdaq using the ROUT routing strategy, the Member is charged \$0.0025 per share (Flag RT). However, EDGA is charged Nasdaq's standard removal rate of \$0.0030 per share. Analogously, when a member uses EDGA to route to EDGX using the ROUT routing strategy, the member is proposed to be charged \$0.0027 per share. However, EDGA is charged EDGX's standard removal rate of \$0.0030 per share. Therefore, a Member is more likely to use the ROUT routing strategy to route to Nasdaq rather than EDGX since the potential costs savings that is achieved by the Member is greater. (\$0.0005 vs. \$0.0003).

The comparable routing strategy to the ROUT strategy is either Parallel D or Parallel 2D with the DRT (Dark routing technique) option on BZX or SCAN/STGY on Nasdaq OMX Exchange ("Nasdaq.") BATS BZX Exchange charges \$0.0028 per share for its Parallel D and Parallel 2D routing strategies and \$0.0020 per share for its DRT option. Nasdaq charges \$0.0030 per share for its SCAN and STGY routing strategies. The Exchange believes that the proposed rebate is non-discriminatory in that it

NYSE, NYSE ARCA and NASDAQ. See Securities Exchange Act Release No. 62858, 75 FR 55838 (September 14, 2010) (SR-BATS-2010-023) (modifying the BATS fee schedule in order to amend the fees for its BATS + NYSE Arca destination specific routing option to continue to offer a "one under" pricing model).

<sup>12</sup> See SR-EDGA-2011-09 (April 1, 2011).

<sup>13</sup> The Exchange notes that ROUD/ROUE routing strategies route to the identical number of low cost destinations.

<sup>14</sup> See SR-EDGA-2011-09 (April 1, 2011). See Rule 11.9(b)(3)(c)(v).

<sup>15</sup> See footnote 7 of the EDGA fee schedule. See also BATS BZX fee schedule: Discounted Destination Specific Routing ("One Under") to NYSE, NYSE ARCA and NASDAQ. See Securities Exchange Act Release No. 62858, 75 FR 55838 (September 14, 2010) (SR-BATS-2010-023) (modifying the BATS fee schedule in order to amend the fees for its BATS + NYSE Arca destination specific routing option to continue to offer a "one under" pricing model).

applies uniformly to all Members. Based on these comparisons, the Exchange believes that the rate is reasonable as it is line with the fees assessed by BATS BZX Exchange.

The Exchange notes that it operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. The proposed rule change reflects a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange. The Exchange believes the fees and credits remain competitive with those charged by other venues and therefore continue to be reasonable and equitably allocated to Members.

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

The proposed rule change does not impose 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 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) of the Act<sup>16</sup> and Rule 19b-4(f)(2)<sup>17</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 e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-EDGA-2011-10 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-EDGA-2011-10. 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 Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission,<sup>18</sup> 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 a.m. and 3 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-EDGA-2011-10 and should be submitted on or before May 5, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>19</sup>

**Cathy H. Ahn,**  
*Deputy Secretary.*

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<sup>18</sup> The text of the proposed rule change is available on Exchange's Web site at <http://www.directedge.com>, on the Commission's Web site at <http://www.sec.gov>, at EDGA, and at the Commission's Public Reference Room.

<sup>19</sup> 17 CFR 200.30-3(a)(12).

## **SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-64286; File No. SR-Phlx-2011-50]

### **Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Singly Listed and Multiply Listed Indexes**

April 8, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on April 8, 2011, NASDAQ OMX PHLX LLC ("Phlx" or "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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 the Exchange's Fee Schedule to discontinue assessing an Options Surcharge Fee for RMN.<sup>3</sup>

The Exchange also proposes to remove specific symbol references to certain indexes in the title of Section II of the Exchange's Fee Schedule captioned, "Equity Options Fees (Includes options overlying equities, ETFs, ETNs, HOLDRS, BKX, RUT, RMN, MNX, NDX which are Multiply Listed)" and instead substitute the word "indexes." The Exchange proposes to make other conforming changes in the Fee Schedule.

The text of the proposed rule change is available on the Exchange's Web site at <http://nasdaqtrader.com/micro.aspx?id=PHLXfilings>, 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

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

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

<sup>3</sup> RMN represents options on the one-tenth value Russell 2000® Index (the "Reduced Value Russell Index" or "RMN").

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

<sup>17</sup> 17 CFR 19b-4(f)(2).