

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64848; File No. SR-EDGX-2011-19]

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

July 8, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 30, 2011, the EDGX Exchange, Inc. (the "Exchange" or the "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 Members³ of the Exchange pursuant to EDGX Rule 15.1(a) and (c). All of the changes described herein are applicable to EDGX Members. The text of the proposed rule change is available on the Exchange's Internet Web site at <http://www.directedge.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

Purpose

Currently, Members can qualify for the Mega Tier Rebate and be provided a rebate of \$0.0034 per share for all liquidity posted on EDGX if they add or route at least 4,000,000 shares of average daily volume prior to 9:30 a.m. or after 4 p.m. (including all flags except 6) *And* add a minimum of 38,000,000 shares of average daily volume on EDGX in total, including during both market hours and pre- and post-trading hours. The Exchange proposes to amend the second prong of this criteria for achieving a \$0.0034 per share rebate to indicate that Members will qualify for such rebate if they add a minimum of 20,000,000 shares (instead of 38,000,000 shares) of average daily volume on EDGX in total including during both market hours and pre- and post-trading hours.

Members can also currently qualify for the Mega Tier and be provided a rebate of \$0.0032 per share for liquidity added on EDGX in either of two ways:

(i) If the Member, on a daily basis, measured monthly, posts 0.75% of the Total Consolidated Volume ("TCV")⁴ in average daily volume; or (ii) if the Member, on a daily basis, measured monthly, posts 10,000,000 shares more than their February 2011 average daily volume added to EDGX. The Exchange proposes to amend the Mega Tier criteria in (ii), above, for achieving a \$0.0032 rebate to indicate that Members will qualify for such rebate if, on a daily basis, measured monthly, they post 0.12% of the TCV in average daily volume more than their February 2011 average daily volume added to EDGX. This latter criteria in (ii) is designed to reward a Member's growth pattern in providing liquidity beyond a designated baseline (Feb. 2011 average daily volume added to EDGX).

Finally, the Exchange proposes to provide an additional rebate of \$0.0029 per share for Members who post 0.065% of TCV in average daily volume more than their February 2011 average daily volume added to EDGX, unless they otherwise qualify for a higher rebate. This criteria is also designed to reward a Member's growth pattern in providing liquidity beyond a designated baseline (Feb. 2011 average daily volume added to EDGX).

EDGX Exchange proposes to implement these amendments to the Exchange fee schedule on July 1, 2011.

Basis

The Exchange believes that the proposed rule changes are consistent with the objectives of Section 6 of the Exchange Act,⁵ in general, and furthers the objectives of Section 6(b)(4),⁶ 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 also believes that proposing an additional rebate of \$0.0029 per share represents an equitable allocation of reasonable dues, fees, and other charges since higher rebates are correlated with Member's liquidity provision and/or meeting growth criteria beyond a designated baseline, as described above. The new rebate offers a new, flexible way for Members to achieve a higher rebate than the standard rebate of \$0.0023 per share. The Exchange believes that the proposed rebate is non-discriminatory in that it applies uniformly to all Members.

The Mega Tier rebate of \$0.0034/\$0.0032 per share has both strict liquidity provision and/or growth criteria associated with it, and is \$0.0003/\$0.0001 greater than the Ultra Tier rebate (\$0.0031 per share) and \$0.0004/\$0.0002 greater than the Super Tier rebate (\$0.0030 per share) and is \$0.0005/\$0.0003 per share greater than the new rebate proposed of \$0.0029 per share.

For example, and as proposed in this filing, based on average TCV for May 2011 (7.0 billion), in order for a Member to qualify for the Mega Tier rebate of \$0.0034, the Member would have to add or route at least 4,000,000 shares of average daily volume during pre- and post-trading hours and add a minimum of 20,000,000 shares of average daily volume on EDGX in total, including during both market hours and pre- and post-trading hours. The criteria for this qualification is the most stringent of the liquidity provision criteria amongst the tiers as 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 this higher rebate awarded to Members would incent liquidity during these trading sessions. Such increased volume increases potential revenue to the Exchange, and would allow the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 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.

⁴ TCV is defined as volume reported by all exchanges and trade reporting facilities to the consolidated transaction reporting plans for Tapes A, B and C securities.

⁵ 15 U.S.C. 78f.

⁶ 15 U.S.C. 78f(b)(4).

Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of a higher rebate. The increased liquidity also benefits all investors by deepening EDGX's liquidity pool, offering additional flexibility for all investors to enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Volume-based rebates such as the ones proposed herein have been widely adopted in the cash equities markets, and are equitable because they are open to all members on an equal basis and provide discounts that are reasonably related to the value to 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.

Another way a Member can qualify for the Mega Tier (with a rebate of \$0.0032 per share) would be to post 0.75% of TCV. Based on average TCV for May 2011 (7.0 billion), this would be 52.5 million shares on EDGX. A second method, as proposed in this filing, to qualify for the rebate of \$0.0032 per share would be to post 0.12% of the TCV in average daily volume more than the Member's February 2011 average daily volume added to EDGX. As mentioned above, this criteria is designed to reward growth by a Member beyond a designated baseline (Feb. 2011 average daily volume added to EDGX). Assuming the Member's February 2011 average daily volume added to EDGX was 0 shares, this would amount to an additional 8.4 million shares. The Exchange believes that requiring Members to post 0.12% of the TCV in average daily volume more than a February 2011 average daily baseline volume offers an additional, flexible way to achieve the Mega Tier rebate and encourages Members to add increasing amounts of liquidity to EDGX each month, and thereby rewards a Member's growth patterns. Such increased volume increases potential revenue to the Exchange, and would allow the Exchange to spread its administrative and infrastructure costs over a greater number of shares, leading to lower per share costs. These lower per share costs would allow the Exchange to pass on the savings to Members in the form of a higher rebate. The increased liquidity also benefits all investors by deepening EDGX's liquidity pool, offering additional flexibility for all investors to

enjoy cost savings, supporting the quality of price discovery, promoting market transparency and improving investor protection. Volume-based rebates such as the ones proposed herein have been widely adopted in the cash equities markets, and are equitable because they are open to all members on an equal basis and provide discounts that are reasonably related to the value to an exchange's market quality associated with higher levels of market activity, such as higher levels of liquidity provision and/or growth patterns, and introduction of higher volumes of orders into the price and volume discovery processes.

In order to qualify for the Ultra Tier, which has less stringent criteria than the analogous liquidity provision criteria of the Mega Tier, the Member would have to post 0.50% of TCV. Based on average TCV for May 2011 (7.0 billion shares), this would be 35 million shares on EDGX.

Finally, the Super Tier has the least stringent criteria of the analogous tiers that only reward liquidity provision. In order for a Member to qualify for this rebate, the Member would have to post at least 10 million shares of average daily volume to EDGX. As stated above, these rebates also result, in part, from lower administrative and other costs associated with higher volume.

Finally, the Exchange also believes that adding criteria that allows Members to qualify for a \$0.0029 per share rebate if they add an average of 0.065% of the TCV in average daily volume more than their February 2011 average daily volume added to EDGX, provided they don't qualify for a higher rebate, allows Members even greater flexibility with respect to achieving an additional rebate and rewards growth patterns in volume by Members as this rebate's conditions encourage Members to add increasing amounts of liquidity to EDGX each month. Based on an average daily volume in February 2011 of 0 shares, the Member would have to add 4.5 million shares to qualify for such rebate. This rebate also result, in part, from lower administrative and other costs associated with higher volume.

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 changes reflect a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange. The Exchange believes that the proposed rates are non-discriminatory in that they apply uniformly to all Members. 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 Act⁷ and Rule 19b-4(f)(2)⁸ 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. Please include File Number SR-EDGX-2011-19 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-2011-19. This file

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 19b-4(f)(2).

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, 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-EDGX-2011-19 and should be submitted on or before August 4, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Cathy H. Ahn,

Deputy Secretary.

[FR Doc. 2011-17694 Filed 7-13-11; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64847; File No. SR-BATS-2011-019]

Self-Regulatory Organizations; BATS Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Related to Fees for Use of BATS Exchange, Inc.

July 8, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 1, 2011, BATS Exchange, Inc. (the "Exchange" or "BATS") 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 Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposed rule change 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 proposes amend the fee schedule applicable to Members⁵ and non-members of the Exchange pursuant to BATS Rules 15.1(a) and (c). Changes to the fee schedule pursuant to this proposal will be effective upon filing.

The text of the proposed rule change is available at the Exchange's Web site at <http://www.batstrading.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

In addition to minor structural changes, the Exchange proposes to modify the fee schedule to: (i) Increase the standard fee to access the Exchange; (ii) introduce a tiered pricing structure applicable to the rebate for adding displayed liquidity to the Exchange's order book, including the adoption of definitions relating to such pricing

structure; (iii) adopt a program, the "NBBO Setter Program," which will provide an additional rebate specifically for orders that set the national best bid or offer (the "NBBO"), subject to average daily volume requirements; (iv) reduce the rebate for adding non-displayed liquidity to the Exchange's order book; (v) discontinue payment of a liquidity rebate for non-displayed orders that add liquidity to the Exchange and receive price improvement when executed; (vi) increase the standard routing fee for the CYCLE, RECYCLE, Parallel D and Parallel 2D routing strategies;⁶ and (vii) make other modifications to certain other non-standard routing options and strategies.

(i) Increase to Standard Access Fee

The Exchange currently charges \$0.0028 per share for all orders executed on the Exchange that remove liquidity from the Exchange. The Exchange proposes to increase the standard fee to remove liquidity from the Exchange to \$0.0029 per share. Consistent with the current fee to remove liquidity, the charge per share for executions that remove liquidity from the Exchange will not apply to executions that remove liquidity in securities priced under \$1.00 per share. The fee for such executions will remain at 0.10% of the total dollar value of the execution. Similarly, as is currently the case for the rebate for adding liquidity to the Exchange, there will be no liquidity rebate for adding liquidity in securities priced under \$1.00 per share.

(ii) Tiered Rebate Structure

The Exchange currently rebates \$0.0027 per share for orders that add displayed liquidity to the Exchange's order book and are executed by the Exchange. The Exchange proposes to decrease the standard rebate for adding displayed liquidity to \$0.0025 per share and to simultaneously adopt two volume-based tiers through which Members can realize higher rebates for adding displayed liquidity, as further described below.

First, the Exchange proposes to provide a rebate of \$0.0029 per share for orders that add displayed liquidity to the Exchange's order book for any Member that has an average daily volume ("ADV"), as defined below, equal to or greater than 1.0% of total consolidated volume ("TCV"), also as defined below. Accordingly, the proposal will result in an increased rebate of \$0.0002 for Members with an ADV of 1.0% of TCV or more.

⁶ As defined in BATS Rule 11.13.

⁹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ A Member is any registered broker or dealer that has been admitted to membership in the Exchange.