

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-73760; File No. SR-EDGX-2014-29)

December 5, 2014

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Eliminate Reference to the EdgeRisk Gateway in Rule 13.10 of EDGX Exchange, Inc.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on November 25, 2014, EDGX Exchange, Inc. (the “Exchange” or “EDGX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Exchange has designated this proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)(iii) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange is proposing to eliminate reference in Rule 13.10 to the EdgeRisk Gateway<sup>SM</sup>, which is a risk management tool that is to be discontinued by the Exchange. The Exchange also proposes to delete the fees related to EdgeRisk Gateway<sup>SM</sup> from its fee schedule.

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

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

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

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

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

<http://www.directedge.com/>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

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

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

1. Purpose

The Exchange proposes to delete reference to the EdgeRisk Gateway<sup>SM</sup> in Rule 13.10 as well as its related fees from the Exchange's fee schedule. In sum, the EdgeRisk Gateway<sup>SM</sup> is an optional fee-based risk management tool that provides Members and non-Members the option to obtain dedicated primary and backup access gateways<sup>5</sup> in

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<sup>5</sup> The Exchange currently offers logical ports through which order are submitted to the Exchange, receive drop copies of orders and execution messages, and receive transmission of depth of book data ("Logical Ports"). Each Logical Port is assigned an access gateway that performs order validations and manages the cycle of a submitted order's flow of information back to the Member. The access gateway performs functions such as message validation, acknowledgement messaging, risk checks, matching engine routing and execution messaging. The Exchange currently assigns Members' and non-Members' Logical Ports to the access gateways through a standard method that accounts for the relative message traffic expected over the Logical Port as well as redundancy requirements, where an access gateway contains assigned Logical Ports for a number of firms. The Exchange assigns Member and non-Member sessions to multiple access gateways so that the failure of one gateway may not result in the loss of access.

addition to, or in place of, a shared access gateway.<sup>6</sup> The tool was intended to assist subscribers' efforts to mitigate the risks associated with disruptions caused by excessive message traffic or programming mistakes experienced via a shared access gateway because the subscriber's order flow on its dedicated access gateways would be insulated from such external disruptions.

Earlier this year, the Exchange and its affiliate EDGA Exchange, Inc. ("EDGA") received approval to effect a merger (the "Merger") of the Exchange's parent company, Direct Edge Holdings LLC, with BATS Global Markets, Inc., the parent of BATS Exchange, Inc. ("BATS") and BATS Y-Exchange, Inc. ("BYX", together with BATS, BYX, EDGA and EDGX, the "BGM Affiliated Exchanges").<sup>7</sup> In the context of the Merger, the BGM Affiliated Exchanges are assessing certain system functionality, retaining only intended differences between the BGM Affiliated Exchanges. As part of this effort, the Exchange proposes to: delete reference to EdgeRisk Gateway<sup>SM</sup> in Rule 13.10 as well as its related fees from the Exchange's fee schedule because it intends to discontinue offering this product. Therefore, reference to the product within Exchange's rules and applicable fees in its fee schedule would no longer serve any legitimate purpose upon the product being retired by the Exchange. The Exchange has few subscribers to the EdgeRisk Gateway<sup>SM</sup> and has determined that the current customer demand does not warrant the infrastructure and ongoing maintenance expense required to support the

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<sup>6</sup> See Securities Exchange Act Release No. 69855 (June 25, 2013), 78 FR 39386 (SR-EDGX-2013-21) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Offer and Establish Fees for a New Exchange Service, EdgeRisk Gateways).

<sup>7</sup> See Securities Exchange Act Release No. 71449 (January 30, 2014), 79 FR 6961 (February 5, 2014) (SR-EDGX-2013-43; SR-EDGA-2013-34).

product within the new Exchange environment. Therefore, the Exchange will terminate the product on January 12, 2015.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with the requirements of Section 6(b) of the Act,<sup>8</sup> in general, and Section 6(b)(5) of the Act,<sup>9</sup> in particular, in that it promotes just and equitable principles of trade, removes impediments to, and perfects the mechanism of, a free and open market and a national market system, and, in general, protects investors and the public interest. The Exchange also believes that its proposal is consistent with Section 6(b)(4) of the Act,<sup>10</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using its facilities.

Specifically, the proposal is consistent with Section 6(b)(5) of the Act,<sup>11</sup> in that it eliminates any investor confusion by deleting references to a product, and its related fees, that is to be discontinued by the Exchange, thereby removing impediments to and perfecting the mechanism of a free and open market and a national market system, and, in general, protecting investors and the public interest. In addition, the Exchange has very few subscribers to EdgeRisk Gateway<sup>SM</sup> and has determined that the current customer demand does not warrant the infrastructure and ongoing maintenance expense required to support the product within the new Exchange environment. In addition, EdgeRisk Gateway<sup>SM</sup> is not a core product offering by the Exchange, nor is the Exchange required

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<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 15 U.S.C. 78f(b)(4).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

by the Act to offer such a product. The proposed rule change will not permit unfair discrimination among customers, brokers, or dealers because the EdgeRisk Gateway<sup>SM</sup> will no longer be offered by the Exchange.

In addition, the Exchange believes that the proposed removal of the fees for the EdgeRisk Gateway<sup>SM</sup> from its fee schedule is consistent with Section 6(b)(4) of the Act<sup>12</sup> because it would delete fees for a product that is to be discontinued by the Exchange, thereby eliminating investor confusion. Lastly, the Exchange also believes that the proposed amendment to its fee schedule is reasonable and non-discriminatory because it will apply uniformly to all members.

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

The Exchange believes the proposal is consistent with Section 6(b)(8) of the Act<sup>13</sup> in that it does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change will discontinue ConenctEdge [sic] by removing references to the service from its rules, and its related fees from the fee schedule, and is not designed to have a competitive impact. Therefore, the Exchange does not believe the proposed rule change will have any effect on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

<sup>13</sup> 15 U.S.C. 78f(b)(8).

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

Because the proposed rule change does not: (1) significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) by its terms does not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(6) thereunder.<sup>15</sup>

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

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has met this requirement.

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-EDGX-2014-29 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-EDGX-2014-29. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 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-2014-29, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>16</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>16</sup> 17 CFR 200.30-3(a)(12).