



November 13, 2013

Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

RE: File No. SR-PHLX-2013-113

Dear Ms. Murphy:

Direct Edge Holdings LLC (“Direct Edge”)<sup>1</sup> appreciates the opportunity to offer its initial views to the Securities and Exchange Commission (“Commission”) regarding the above referenced proposal (the “Proposal”) from NASDAQ OMX PHLX (“PHLX”), which would for the first time create pricing incentives across multiple nationally-registered securities exchanges and independent self-regulatory organizations (“SROs”). In the interest of brevity, Direct Edge would offer two principal comments for the Commission’s initial consideration:

1. Because the Proposal would for the first time create trading incentives based on the activity of a member across multiple exchanges, it goes far beyond simply “establishing or changing a due, fee or other charge imposed on any person, whether or not the person is a member of the [SRO] which renders the proposed rule change effective on filing.” Accordingly, immediate effectiveness upon filing pursuant to Section 19(b)(3)(A)(ii) of the Securities Exchange Act of 1934 (the “Exchange Act”) is highly inappropriate in this instance. Given the profound potential impact that the application of the Proposal’s principles could have across all SRO pricing going forward, a period of public notice and comment pursuant to Section 19(b)(2) of the Exchange Act is strongly warranted.
2. Direct Edge submits that, because the Proposal would create incentives to trade on PHLX-affiliated exchanges – the NASDAQ Options Market LLC (“NOM”) and NASDAQ OMX BX, Inc. (“BX Options”) – by creating higher PHLX rebates potentially based on NOM and BX Options activity, it should be consequently filed as a proposed rule amendment by NOM and BX Options independently of PHLX. As an SRO, each registered national securities exchange has an obligation under Section 6(b)(4) of the Exchange Act, separate and distinct from that of any affiliated exchange, to “provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities.” To the extent a NOM or BX Options member receives economic benefits from the NOM or BX Options trading in the form of increased payments from PHLX, it affects them as a member using NOM and/or BX Options facilities as much as it does with respect to PHLX. Thus, Direct Edge believes the proposal must be submitted and independently pass Exchange Act scrutiny for all three exchanges.

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<sup>1</sup> Direct Edge is one of the leading stock exchange operators in the United States and globally. More information about Direct Edge is available at <http://www.directedge.com>.

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Direct Edge would like to thank the Commission again for providing us with the opportunity to offer our initial comments on the Proposal. We look forward to providing additional comments as part of the public notice and comment process.

Sincerely,



William O'Brien  
Chief Executive Officer

cc: Hon. Mary Jo White, Chair  
Hon. Luis A. Aguilar, Commissioner  
Hon. Daniel M. Gallagher, Commissioner  
Hon. Kara M. Stein, Commissioner  
Hon. Michael S. Piwowar, Commissioner

John Ramsay, Acting Director, Division of Trading & Markets  
James R. Burns, Deputy Director, Division of Trading & Markets  
Heather Seidel, Associate Director, Division of Trading & Markets  
David S. Shillman, Associate Director, Division of Trading & Markets