



June 24, 2010

BY EMAIL TO: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

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

Re: File No. S7-09-10  
Proposed Amendments to Rule 610 of Regulation NMS

Dear Ms. Murphy:

The Equity Options Trading Committee (“Committee”) of the Securities Industry and Financial Markets Association (SIFMA)<sup>1</sup> appreciates the opportunity to share its observations and to request additional clarification on several points regarding the Proposed Amendments to Rule 610 of Regulation National Market System (Reg NMS).<sup>2</sup>

The Committee applauds the Commission’s intention to begin addressing some of the complexity around the cost of accessing quoted option prices. The Committee appreciates the Commission’s careful deliberations on the proposed amendments to Rule 610 of Reg NMS, specifically as it relates to the pending rule change regarding flash orders and the recent extension of Reg NMS to the option markets. At this time, the potential impact of these proposed changes on routing decisions for option orders is unclear.

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<sup>1</sup> SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit [www.sifma.org](http://www.sifma.org).

<sup>2</sup> Notice of Filing of Proposed Amendments to Rule 610 of Regulation NMS, Release No. 34-61902; File No. S7-09-10, available at <http://frwebgate1.access.gpo.gov/cgi-bin/PDFgate.cgi?WAISdocID=dPbiWP/11/2/0&WAIAction=retrieve>, Federal Register / Vol. 75, No. 75 / Tuesday, April 20, 2010 / Proposed Rules

The Committee agrees with the Commission's observation that "there are so many different fees across option exchanges, across different categories of option participants, and across different product types, that it is not easy to estimate the total cost of executing against a quotation for a particular transaction."<sup>3</sup> A complex range of factors drives the differences in the cost of accessing quoted option prices, which we have attempted to illustrate in Appendix I.

In light of the current complexity in option fee market structure, the Committee continues to support the Commission's efforts to foster transparency in the cost of accessing quoted prices. To better understand and comment on the Commission's proposed amendments, the Committee would like to request further clarity with regard to the following:

- The definition, requirements surrounding, and calculation methodology for "all-in"<sup>4</sup> costs associated with the new proposal, and how this inter-relates to the definition and calculation of the \$0.30 access fee.
- The particular fees to be included in and excluded from the calculation of the access fee, e.g., Options Regulatory Fees (ORF), Trading Activity Fee (TAF), and SEC Section 31 fees. The Committee believes ORF should not be part of the access fee calculation because it does not apply to all option market participants. The Committee encourages the Commission to separately review the current ORF program. We believe this review should include a detailed analysis of market data information to ensure that customer fees are fair and that regulatory expenses are consistently captured and charged for all option customers.

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<sup>3</sup> Notice of Filing of Proposed Amendments to Rule 610 of Regulation NMS, Release No. 34-61902; File No. S7-09-10, available at <http://frwebgate1.access.gpo.gov/cgi-bin/PDFgate.cgi?WAISdocID=dPbiWP/11/2/0&WAIAction=retrieve>, Federal Register / Vol. 75, No. 75 / Tuesday, April 20, 2010 / Proposed Rules; Page 20740

<sup>4</sup> Notice of Filing of Proposed Amendments to Rule 610 of Regulation NMS, Release No. 34-61902; File No. S7-09-10, available at <http://frwebgate1.access.gpo.gov/cgi-bin/PDFgate.cgi?WAISdocID=dPbiWP/11/2/0&WAIAction=retrieve>, Federal Register / Vol. 75, No. 75 / Tuesday, April 20, 2010 / Proposed Rules; Page 20744: The commission also believes that for quotations to be fair and useful there must be some limit on the extent to which the "all-in" price for those who access quotations can vary from the displayed price. Page 20744: The term "all-in" price is intended to capture the total costs for executing a trade. Page 20745: The "all in" fee for transactions in option contracts may include multiple charges such as Take fees or transaction fees, routing fees and licensing fees. This access fee cap level would help ensure that the "all-in fee would be below the \$1 minimum quoting increment."-?

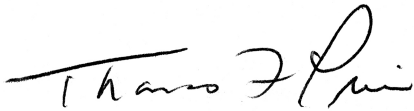
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If you have any questions regarding our observations or requests for greater clarity, you may contact me at (212) 313-1260 or [tprice@sifma.org](mailto:tprice@sifma.org).

Sincerely,

A handwritten signature in black ink that reads "Thomas F. Price". The signature is written in a cursive style with a large, looping initial "T".

Thomas F. Price  
Managing Director  
SIFMA

Cc: Robert Cook, Director, Division of Trading and Markets  
Jamie Brigagliano, Deputy Director, Division of Trading and Markets  
Heather Seidel, Assistant Director, Division of Trading and Markets

Enc.: Appendix I

## **APPENDIX I**

The following table seeks to highlight the extent of the complexity embedded in electronic routing decisions by showing a range of factors that determine the costs associated with accessing quoted option prices:

### **1. Customer Type:**

- Non-professional Customer
- Customer Broker Dealer
- Professional Customer

### **2. Option Exchange Model:**

- Price-Time Priority
- Customer Priority

### **3. Pricing Structure:**

- Maker Taker Model
- Taker Maker Model
- Broker Payment Model

### **4. Product Type:**

- Single Stock Options
- ETFs
- Index
- FX
- Other product types

### **5. Penny or Non-Penny Pilot Underlying**

### **6. Royalty / Licensing Costs**

### **7. Name Specific Pricing:**

- ISE: (Maker / Taker Pricing in the following names)
  - AA, AAPL, AIG, AMZN, AXP, BAC, BBY, C, CAT, CHK, CIEN, CSCO, DNDN, DIA, DRYS, EEM, EFA, EWZ, F, FAS, FAZ, FCX, FSLR, GDX, GE, GLD, GS, INTC, IWM, IYR, JPM, MGM, MS, MSFT, MU, PALM, PBR, PG, POT, QQQQ, RIG, RIMM, SDS, SKF, SLV, SPY, T, UNG, VZ, X, XLE, XLF, XOM
- PHLX: (Maker / Taker Pricing in the following names)

- AA, AAPL, ABK, ABX, AIG, ALL, AMD, AMR, AMZN, ARIA, AXP, BAC, BRCD, C, CAT, CIEN, CIGX, CSCO, DELL, DIA, DNDN, DIA, DRYS, EBAY, EK, F, FAS, FAZ, GDX, GE, GLD, GLW, GS, HAL, IBM, INTC, IWM, IYR, JPM, LVS, MGM, MOT, MSFT, MU, NEM, NOK, NVDA, ONN, ORCL, PALM, PFE, POT, QCOM, QID, QQQQ, RIG, RIMM, RMBS, SBUX, SDS, SIRI, SKE, SLV, SMH, SNDK, SPY, T, TBT, TZA, UAU, UNG, USO, UYG, V, VALE, VZ, WYNN, X, XHB, XLF, XTO, YHOO

- Which of 8 exchanges list products; including specific classes. (i.e. LEAPS, long dated options, or less liquid names)

**8. Size:**

- CBOE / ISE - ETF & Holders for orders >100 contracts different pricing structure from < 100 contracts
- Depth of market / liquidity across markets at specific price point
- Market Width/Spread

**9. Price Improvement:**

- Ability to receive price improvement for customer