Lakeshore Securities L.P.

June 4, 2015

Via Electronic Mail - rule-comments@sec.gov

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: File Number S7-05-15; Exemption for Certain Exchange Members

Dear Mr. Fields:

Lakeshore Securities, LP (the "Firm") hereby submits this letter as a response to the request from the Securities and Exchange Commission (the "Commission") for comments on the proposed amendment to Rule 15b9-1. The Firm appreciates this opportunity to provide its comments.

Firm Background

The Firm is a registered Broker-Dealer and acts as a Floor Broker on the Chicago Board Options Exchange ("CBOE"). The Firm is also a clearing member of the Options Clearing Corporation ("OCC") and it clears certain transactions it executes for customers, prior to transferring such cleared transactions to applicable custodians, as discussed below. The Firm does not engage in proprietary trading, other than that related to liquidation of error transactions. The Firm's sole business is to provide execution services to its customers, who are exclusively institutional and professional traders. After executing transactions for customers, the Firm transfers the resulting position to the appropriate broker-dealer or custodian, where the position is actually carried for the customer. Importantly, the Firm does not have customer accounts, in that it does not carry any customer accounts or funds.

Under Rule 15b9-1 as currently effective, the Firm is not required to be a member of a registered national securities association. The CBOE is the Firm's designated examining authority ("DEA") and, as such, has responsibility for regulatory oversight of the Firm. Should Rule 15b9-1 be amended as proposed, the Firm is concerned that it may be required to become a member firm of the Financial Industry Regulatory Authority ("FINRA"), at substantial initial and ongoing cost and be subject to substantially duplicative regulation, with little benefit to the

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Firm. Further, no customer protection interest would be advanced by requiring the Firm to become a member of FINRA, because the Firm carries no customer accounts or customer funds.

The Proposed Amendment and its Potential Effect on the Firm

On March 25, 2015, the Securities and Exchange Commission ("SEC") published a proposal to amend Rule 15b9-1 ("Proposing Release")[1] The Proposing Release would substantially change Rule 15b9-1. We certainly understand that concerns have been expressed about exchange member firms with no floor presence engaging in unlimited off-exchange proprietary trading without becoming a FINRA member. We further understand that some of these concerns arise from the algorithmic and high-frequency trading activities of such firms. However, our Firm is a true floor-based operation and should not be subject to the requirement to become a member firm of FINRA.

Under the rule, as proposed in the Proposing Release, there are only two exemptions with respect to transactions effected on national securities exchanges other than those of which the firm is member: (1) the hedging exemption, available to dealers; and (2) transactions off the exchange resulting from orders that are routed by a national securities exchange of which it is a member, to prevent trade-throughs on that exchange. The Firm, as a broker, would not be eligible for the first exemption, as it is limited to dealers effecting proprietary transactions.

Under the proposed revision to Rule 15b9-1 reflected in the Proposing Release, we believe that the Firm might well have to become a member of FINRA. The Firm currently rarely, if ever, executes brokerage transactions in securities off the CBOE. While it is clear that the Firm would not have to become a FINRA member if it were to strictly limit its activities to the CBOE, this may not always be possible. The Firm specializes in execution of options strategies and, with options traded on numerous U.S. securities exchanges, execution of complex orders may require execution of instruments on exchanges or marketplaces other than the CBOE, if not now, then potentially in the future.

The Firm is Already Effectively Regulated by FINRA Staff

It is clear that becoming a member firm of FINRA would entail substantial initial and ongoing costs to the Firm. These costs would include, but not be limited to, the costs to prepare an initial membership application and go through the registration process, ongoing annual compliance costs and the payment to FINRA of the annual gross income assessment. These costs would be significant, particularly in light of the fact that it is not clear what benefit would be obtained by requiring the Firm to become a FINRA member. As the Commission is aware, the CBOE already outsources much of its regulatory function to FINRA through the Regulatory Services Agreement ("RSA") between the CBOE and FINRA. Under this arrangement,

[1] Exchange Act Release No. 74581 (March 25, 2015).

implemented on January 1, 2015, FINRA absorbed the vast majority of the CBOE's Regulatory Services Division staff who supported options regulation. This provided that individuals with substantial options regulatory experience would provide the backbone of the FINRA staff providing the regulatory services to CBOE under this arrangement. Presumably, these same staff members would have the primary responsibility for overseeing regulation of the Firm if the Firm became a FINRA member. There is no clear benefit (or perhaps any benefit) to be gained by having the Firm regulated by the same FINRA staff members applying both CBOE regulatory requirements and FINRA regulatory requirements.

It should be noted that any such increase in costs would be in addition to substantially greater regulatory assessments paid by the Firm since the RSA was implemented. Due to changes in calculation method for regulatory fees, the Firm's regulatory assessment has approximately doubled. Additional costs, both in terms of assessments payable to FINRA and internal compliance costs, should not be placed on the Firm unless there are clear benefits, in the form of greater customer protection or otherwise, to be obtained. Here, it is doubtful that any meaningful benefits would arise from requiring the Firm to become a member of FINRA.

Conclusion

We believe that amending Rule 15b9-1 to require that the Firm become a FINRA member would impose unnecessary burden and expense on the Firm without providing discernible benefit to the Firm or improved customer protection. Given that the Firm's exchange floor-based brokerage activities have not changed, we would request that that a broader exemption from becoming a member of a national securities association be provided for floor brokers who execute transactions off-exchange through FINRA member firms. At a minimum, we request that the proposed revision to Rule 15b9-1 be clarified to exempt brokers with respect to transactions off-exchange that are part of brokerage transactions predominantly conducted on an exchange of which the floor broker is a member.

Sincerely,

LAKESHORE SECURITIES, LP

Mark E. Gannon
Chief Compliance Officer

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