



April 11, 2011

The Honorable Mary L. Schapiro  
Chairman  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Dear Chairman Schapiro:

Chicago Board Options Exchange, Incorporated ("CBOE"), NASDAQ OMX Group, Inc. ("NASDAQ") and NYSE Euronext ("NYSE") submit this letter to collectively convey our serious concerns with the proposal by the Securities and Exchange Commission ("Commission" or "SEC") to establish a limit on the fees that an options exchange may charge to access the displayed best bid and offer for options listed on an exchange (the "Proposal").<sup>1</sup> Our exchanges account for over 75% of the trading in listed options. For the significant reasons set forth in our individual comment letters,<sup>2</sup> and as discussed below, we strongly and unanimously urge the Commission to not proceed with the proposed rulemaking.

Although the Commission's proposing release does not state that existing options fees are predatory or inappropriate, and offers no evidence to that effect, the Proposal would impose a \$0.30 per-options-contract cap on fees for executing against an option exchange's disseminated best bid or offer. The amount of the proposed cap corresponds to the amount of the cap imposed on equity trades in 2005. We believe imposing equity market regulations on the options market is a mistake and that imposing a cap on transaction fees in any form is anticompetitive and ill-advised.

Unlike in the fragmented equity market where substantial trading occurs off-exchange on dark pools and other non-exchange venues that do not publish quotes, all trades in the listed options market must occur on an SEC-registered exchange. Every fee

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<sup>1</sup> Proposed Amendments to Rule 610 of Regulation NMS (Release No. 34-61902, File No. S7-02-10).

<sup>2</sup> See Letters to Elizabeth M. Murphy, Commission, from: William J. Brodsky, CBOE (June 21, 2010) (available at <http://www.sec.gov/comments/s7-09-10/s70910-20.pdf>), Joan C. Conley, NASDAQ (June 23, 2010) (available at <http://www.sec.gov/comments/s7-09-10/s70910-27.pdf>), and Janet M. Kissane, NYSE (June 18, 2010) (available at <http://www.sec.gov/comments/s7-09-10/s70910-16.pdf>).

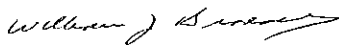
established by an exchange must be filed with the Commission. Thus, the SEC rule filing review process already provides a mechanism to ensure that improper discriminatory transaction pricing does not occur in listed options. The transparency and the competitiveness of pricing and trading in the options market is highly beneficial to investors, and there is no need to adopt fee caps that are used in the fragmented equity market as a means of quote protection.

We also believe that a fee cap would reduce incentives for options exchanges to innovate to create new option products. Options exchanges invest millions of dollars annually to research and develop new hedging products that are valued by consumers. A cap on fees will severely dampen the ability to earn a reasonable return on these investments thereby reducing innovative product offerings.

We recognize how important it is to the Commission to ensure that the capital markets remain vibrant and fair. However, government-imposed price controls are an extremely intrusive form of regulatory action, and they should be pursued only under egregious circumstances when market forces and competition have failed. Today competition among options exchanges couldn't be more robust. This competition, along with ease of entry by new competitors and total transparency in exchange pricing, effectively constrains exchange fees. Congress intended *competition* to drive fees, and the costs associated with options trading today are at an all-time low. A fee cap is unnecessary and its imposition may cause unintended consequences.

We welcome the opportunity to further discuss our views concerning the Proposal with the Commission and its dedicated staff, and we appreciate your willingness to consider our thoughts regarding important market structure matters. Please do not hesitate to contact us if you have any questions regarding this letter.

Sincerely,



William J. Brodsky  
Chairman & CEO  
CBOE Holdings



Robert Greifeld  
CEO & President  
The Nasdaq OMX Group



Duncan L. Niederauer  
CEO & Director  
NYSE Euronext

cc: The Honorable Luis A. Aguilar, Commissioner  
The Honorable Kathleen L. Casey, Commissioner  
The Honorable Troy A. Paredes, Commissioner  
The Honorable Elisse B. Walter, Commissioner  
Robert W. Cook, Director, Division of Trading and Markets