



February 4, 2011

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

**Re: File No. SR-BATS -2010-034**

Dear Ms. Murphy:

CTC Trading Group, L.L.C. ("CTC" or the "Firm") is submitting this comment letter in response to the proposed rule submission, SR-BATS-2010-034, ("Rule Filing") by BATS Exchange, Inc. ("BATS") which proposes the establishment of a directed order program on the BATS Exchange Options Market ("BATS Options"). CTC respectfully submits that the Rule Filing should not be approved.

CTC believes that this Rule Filing, if implemented, will reduce competition and market transparency. Specifically, the Rule Filing allows BATS Options market makers to select counterparties for orders thereby circumventing any market exposure or meaningful market participation. The ability for market makers to select their counterparties unfairly advantages this subset of market participants. Further, if approved, the Rule Filing will likely spread to the other options exchanges having an impact far beyond this single exchange.

The BATS Rule Filing and other forms of internalization damage market transparency simply by eliminating opportunities for participation. CTC, like other options market makers, provides price discovery and liquidity to the options marketplace through transparent, competitive quoting. Competitive quoting is vital to achieving best price for customer orders. The BATS Rule Filing not only significantly reduces any meaningful third party participation and opportunity for price improvement but also unfairly advantages BATS Option market makers to leverage their relationships to maximize revenues. Many current exchange rules incentivize options market makers to provide competitively priced two-sided markets with sufficient quantity in order to attract order flow. Internalization mechanisms such as this Rule Filing not only allow the participating market maker to garner significant order flow without competition but will also erode the motivation of other "non-participating" market makers from providing liquidity by posting competitive markets.

In sum, approval of the Rule Filing is in contravention of long standing marketplace rules and principles established to obtain price discovery, transparency, and investor protection. The Firm appreciates the opportunity to comment and would welcome the chance to discuss any issues raised in this letter. Should you have any questions regarding this letter, please contact the Legal and Compliance Department at (312) 863-8000.

Sincerely,

Matthew D. Abraham  
Chief Compliance Officer  
CTC Trading Group, L.L.C.