

CONVERGEX

Convergex Execution Solutions
1633 Broadway, 48th Floor
New York, NY 10019

T 212.468.7500
800.828.5454
www.convergex.com

September 15, 2015

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: File Number - SR-CBOE-2015-026

Ladies and Gentlemen:

Convergex Execution Solutions LLC ("Convergex" or, the "Firm") appreciates the opportunity to comment on the proposal by The Chicago Board Options Exchange, Inc. ("CBOE" or, the "Exchange") to amend Rules 6.74A and 6.74 regarding the solicitation of market-makers as the contra party to an agency order entered into the Exchange's Automated Improvement Mechanism ("AIM") and Solicitation Auction Mechanism ("SAM") auctions (collectively, the "Auctions").¹ As explained below, Convergex fully supports the proposed rule changes and encourages the Commission to approve it.

I. Discussion

As a leading provider of agency-focused execution services, Convergex's options desk combines industry-leading, proprietary tools with the professional experience, insight, and service of its highly-skilled team of options traders. Convergex has found that the broader the pool of potential respondents to a particular auction, the greater the likelihood of a customer order receiving price improvement.

Convergex has found this price improvement opportunity to be especially prevalent in nickel option classes. For example, CBOE's VIX is primarily an institutional product where the minimum spread is a nickel. If the market for a particular VIX series was quoted at \$0.35 (5,000) x \$0.40 (5,000), a retail order for 10 contracts would likely be filled at the national best bid best offer ("NBBO"). However, if market-makers were eligible to be solicited and participate in the Auctions, the same retail order would be more likely to obtain price improvement and get filled at a better price than the NBBO.

Indeed, the ability to solicit market-maker interest is already available in "open outcry." Limiting the ability of parties to solicit liquidity electronically when they can do so in the open outcry environment results in a disparate experience for such parties and risks harming retail investors, depending upon how their order was submitted, handled, and actually executed.

Finally, we would note that BOX Options Exchange LLC ("BOX") already has the ability for market-makers to be solicited in its price improvement auction, so the proposed rule change would

¹ Release No. 34-75245; File No. SR-CBOE-2015-026 (Jun. 18, 2015); (the "Proposed Rule Change")

serve to "level the playing field" vis-à-vis CBOE and BOX. More importantly, it would also ensure the harmonization of important investor protection rules across the exchanges.

II. Comments on Specific Questions Raised by the Commission

Set forth below are Convergex's views on the specific issues on which the Commission invited comment.

A. How CBOE's proposal could impact the quality of the Auctions, internalization rates, liquidity, and competition, within or outside of the Auctions

Convergex believes that the proposal would largely have a positive impact on the quality of the Auctions. As a general proposition, the greater the number of investors who have the ability to provide potential price improvement and liquidity in order to initiate the auction process, the higher the likelihood investors will receive price improvement.

Convergex does not believe that the proposed rule change will adversely impact internalization rates (making them too high). As previously noted, the concept of soliciting a market-maker for a cross trade already exists in open outcry. In those markets, the Firm has not seen data that reflects such markets being materially impacted from the availability of a market-maker to be solicited on a crossing order.

B. The potential impact of CBOE's proposal on the quoting behavior of Market-Makers

Convergex believes that the quoting behavior of market-makers is of great importance to the markets, as well as the overall liquidity on the Exchange, it does not believe that the Proposed Rule Change would negatively impact market-maker quoting behavior. Investors face challenges under the current market rules as spreads have widened and fewer market-makers appear to be participating actively at the NBBO.

The marketplace is also seeing a greater percentage of orders getting processed via the Auctions, which is likely associated with the degradation of the quoted spreads. Limiting potential respondents' ability to participate in the Auctions has not actually resulted in fewer auctions; rather, it has led to a less competitive process that is less likely to provide price improvement for customers. There are a number of current concepts on improving or altering the auction processes being discussed in the industry that could improve quoted spreads and provide an incentive for market-makers to participate more actively at the NBBO.

The simplest of these proposals relates to providing "enhanced standing" in the auctions to market-makers (or market participants) which are at the top of the quote when an auction is initiated. Convergex believes this to be an excellent way to improve execution quality and market efficiency, and to tighten spreads and improve quoting performance of market-makers. This type of incentive provides the best economic inducement to be at the top of the quote, and the Firm believes will result in the best markets, regardless of what type of market participant is solicited to initiate the auction.

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Thank you for your consideration of our comments.

Sincerely,



Benjamin Londergan
Executive Managing Director
Convergex Options Trading & Technology

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