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Sent via rule-comments@sec.gov

March 3, 2011

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Release No. 34-63878 (SR-ISE-2011-08): Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Expand the Short Term Option Series Program

Dear Ms. Murphy:

Wolverine Trading, LLC ("Wolverine" or the "Firm") respectfully submits this letter to the Securities and Exchange Commission (the "Commission") to comment on the above-referenced proposal by the International Securities Exchange, LLC ("ISE"), and similar filings made by NASDAQ OMX PHLX, LLC ("PHLX"), and the Chicago Board Options Exchange, LLC ("CBOE", and collectively with ISE and PHLX, the "Exchanges") to expand their respective programs related to the listing and trading of short-term options series (the "Programs") to permit each of the Exchanges to list fifteen (15) options classes on a weekly basis, an increase of three times the initial limit.[1] While Wolverine commends the Exchanges for taking actions to accommodate the needs of the public and enhance investment options, we believe the proposed increase to any of the Programs may have an unintended negative impact on the marketplace. Accordingly, Wolverine asks the Commission to seek empirical data from each of the Exchanges that would quantify the impact an expansion of the Programs would have on market participants, and to make this information available to the public. The collection and review of this data should focus on at least the following three areas, each of which the Firm believes is currently affected by the Programs in their current state and may be impacted more with these significant expansions:

Liquidity Effects

While the Exchanges tout the effects of the current Programs based on the volume of short-term options transacted, Wolverine believes these volume statistics are misleading. Specifically, the Firm believes most, if not all of the volume that is represented by short-term options is simply a shift away from the near-term standard monthly options (i.e., options contracts that expire on the third Friday of the upcoming month). While

[1] *See* Securities Exchange Act of 1934 ("Exchange Act") Release Nos. 63878 (February 9, 2011), 76 FR 8796 (February 15, 2011) (SR-ISE-2011-08); 63875 (February 9, 2011), 76 FR 8793 (February 15, 2011) (SR-Phlx-2010-183); and 63877 (February 9, 2011), 76 FR 8794 (February 15, 2011) (SR-CBOE-2011-012).

additional products such as short-term options may offer a few retail investors additional avenues to manage their trading strategies, the rules of the Exchanges do not relieve member firms registered as market makers in these products from having to meet a continuous quoting obligation, despite the lighter trading volume in these products. As the listing of related products continues, we believe this will have a long-term effect on liquidity availability and cause wider bid-offer spreads for all expiration cycles including standard monthly contracts and Long-term Equity AnticiPation Securities ("LEAPs"), products that many other investors, both public and professional, use to manage their portfolios.

Bandwidth Limitations

In each of the filings provided by the Exchanges, and presumably in the reports submitted separately to the Commission, the Exchanges claim that neither they nor the Options Price Reporting Authority ("OPRA") would have any "system capacity" issues related to accepting quotes and matching trades for short-term options. Wolverine respectfully disagrees with these claims by the Exchanges as they are now attempting to control or limit the amount of information sent to their systems by imposing minimum quote-to-contracts traded ratios.[2] Exchanges also fail to address any system capacity issues imposed on their members. The burden of these ratios and the strain on member systems will only have negative effects on our markets by either (1) imposing unreasonable costs on market makers while they attempt to provide additional liquidity for short-term options or (2) force market makers to choose which products to quote more actively, thereby reducing liquidity and widening spreads in many series. While the intent of these fees may be to control system capacity now and going forward, Wolverine believes the expansion of the Programs and the onset of the additional fees are conflicting approaches to the market.

As mentioned above, market makers are not afforded relief from their obligations to meet standard quoting requirements, both for continuity and width, yet the inclusion of additional products only results in additional quote traffic with little or no increase in transaction volume. As an underlying equity security or index fluctuates, a registered market maker for the related options must update quotes for all products, a process compounded when up to twenty additional strikes are listed for each short-term options class. As the focus of the Exchanges is on their system capacity and capability, but does not include references to the strain these Programs may place on the systems or operations of their members, Wolverine would request that the Commission investigate what data or feedback, if any, the Exchanges have compiled or received from member

[2] For example, a Trader Update issued by NYSE Amex, LLC ("AMEX") on February 11, 2011 refers to a "Pending Change to the Ratio Threshold Fee." Based on this notice, AMEX intends to assess a fee of $0.01 per 1,000 quotes submitted by a member if that member firm does not meet a minimum quote-to-contracts traded ratio. In their example provided, AMEX notes that these fees may amount to thousands of dollars in extra costs to member firms on a monthly basis.

firms regarding the expansion of the Programs, and whether the capabilities and costs to member firms was afforded equal concern and weight before the Exchanges requested to expand their Programs.

Customer Confusion

Although the proposals by the Exchanges are an attempt to accommodate a "retail" investor, Wolverine believes the impact of the over-expansion of these Programs may lead to confusion for a greater number of retail investors as these short-term options products may not be readily distinguishable from standard monthly contracts, and could lead to customer error. As an example, the misinterpretation of information by retail customers relating to the various SPY options series set to expire in March 2011 -- March 4th, March 11th, March 19th, and March 31st -- could result in unnecessary burdens on brokers or counter parties should erroneous transactions become prevalent.[3] Therefore, Wolverine would request that the Commission contact representatives from several brokerage firms that represent retail public customers to discern whether the listing of additional weekly products has yielded an increase in the number of customer-initiated busts or adjustments as the result of buying or selling the wrong series.

When the original short-term options program was adopted by the CBOE in 2005, the intent was to offer investors greater flexibility and valuable tools to, among other things, "be more responsive to the timing of events affecting the securities that underlie option contracts."[4] In its filing, CBOE stated that it needed to be cautious when introducing products that would increase the number of outstanding strike prices, but that the Program, as proposed at the time, would have a "negligible impact on the [CBOE's] and OPRA's quoting capacity."[5] While each of the Exchanges, including CBOE, have offered to provide the Commission with an analysis of their Programs should any of the Exchanges propose any expansion to such Programs, these analyses are commonly provided to the Commission under separate cover and are not immediately available for public or member review. Nevertheless, Wolverine believes any such analysis should include empirical data that demonstrates the impact and burden on member firms, especially those registered as market makers for the products included within the Programs, to ensure the inclusion of new products does not dilute the quoting of other products or cause member firms to become subject to undue costs.

In summary, Wolverine believes the current short-term options programs offer an important service to our marketplace, but their divergence or overexposure may be equally detrimental to a greater number of market participants as it is beneficial to a minority number of retail investors.

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[3] Although not yet listed by the Exchanges, the Firm presumes the pattern of listing weekly options for SPY would continue, and contracts that would expire on Friday, March 11, 2011, will be listed on Thursday, March 3, 2011.

[4] *See* Exchange Act Release No. 51172 (February 9, 2005), 70 FR 7980 (February 16, 2005) (SR-CBOE-2004-63).

[5] *Id.*

It appears that the choice of what products to list on a weekly cycle is a business decision that the Exchanges must balance, and that limiting these additional products to five classes, or a possible total of forty-five classes in all when considering all registered options exchanges, should provide the appropriate balance for all parties involved.

We thank the Commission for the consideration of our comments, and welcome the opportunity to discuss this matter further.

Best regards,

Kurt Eckert
Principal