International Securities Exchange

May 17, 2013

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: File Nos. SR-NYSEArca-2013-25, SR-NYSEMKT-2013-24 and SR-PHLX-2013-45

Dear Ms. Murphy:

The International Securities Exchange, LLC ("ISE") appreciates the opportunity to comment on the above referenced proposals ("Proposals") of NYSE Arca, Inc. ("Arca"), NYSE MKT LLC ("MKT") and NASDAQ OMX PHLX LLC ("PHLX").[1] In these Proposals, Arca, MKT and PHLX establish transaction fees for option contracts overlying 10 shares of the underlying security, better known as Mini Options. Mini Options are geared toward retail investors in order to provide them with additional trading opportunities in some of the most actively-traded option classes.

Arca, MKT and PHLX have each established transaction fees as high as $0.09 per contract for certain participants, constituting 90% of the notional value of the spread of Mini Options that trade in one cent increments. Standard option contracts that overly 100 shares of the underlying security that trade in one cent increments imply a value of $1.00 for every traded increment – $0.01 x 100 shares. For Mini Options, this value is only $0.10 for every traded increment - $0.01 x 10 shares. Generally, fees currently in effect across all the options exchanges do not exceed $0.50 per contract for standard options because fees that exceed half the notional value of an option tick are distortionary and inappropriate, and would have a negative impact on market quality and customer experience across the exchanges as it relates to best execution practices.

Exchange fees and rebates have a direct impact on the quoted markets, used by Market Makers and other professional participants as they turn their theoretical bids and offers into rounded quotes submitted to exchanges. Furthermore, as brokerage fees and exchange charges passed on to customers exceed the value of a full quoted increment, the actual price at which a trade transacts becomes less meaningful. As the range of fees charged by exchanges begins to vary from a potential rebate of a half an

[1] Securities Exchange Act Release Nos. 69246 (March 27, 2013), 78 F.R. 19784 (April 2, 2013); 69247 (March 27, 2013), 78 FR 19777 (April 2, 2013); and 69555 (May 10, 2013), 78 F.R. 28908 (May 16, 2013).

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increment to a fee of as much as 90% of an increment, the differential between two participants, executing at what appears to be the same price could add up to as much as one and a half of a traded increment, increasingly rendering the quoted price meaningless. This is especially concerning because Mini Options are geared towards individual investors.

Arca, MKT and PHLX each fail to address the issue of price distortion in their filings. For example, Arca states in its filing, in the context of the $0.09 per contract fee it has established for Firms and Broker Dealer orders, that these "charges are generally anywhere from slightly less than 1/10th to slightly more than 1/10th of the charges incurred by NYSE Arca Options Market Makers today for standard option contract transactions." Both MKT and PHLX make a similar assertion in their filings.

Arca, MKT and PHLX appear to contend that a fee of $0.09 per contract to remove liquidity in Mini Options is approximately 1/10th of the fee these exchanges charge for a standard-sized contract. That would be true if Arca, for example, charged approximately $0.90 for the standard-sized contract. However, Arca charges $0.48 for such standard-sized contract and therefore, should not be able to charge more than approximately $0.048 per contract for Mini Options. Arca's assertion that $0.09 is only "slightly more" $0.048 is both mathematically untrue and disingenuous.

When ISE adopted fees for Mini Options, it did so based on guidance from Commission staff that fees for Mini Options should not exceed half the notional value of an option tick. ISE agreed with the Commission staff's advice and therefore, adopted fees for Mini Options that are $1/10^{th}$ of the fees ISE charges for standard-sized contract.[2] ISE presumed that the other options exchanges were given the same advice. We continue to believe that the staff's guidance was appropriate and that the Commission should not permit fees such as these that are well outside the guidance to remain in effect.[3]

We thus urge the Commission to suspend the Proposals and to institute proceedings under Section 19(b)(2)(B)[4] of the Exchange Act to determine whether the Proposals should be approved or disapproved. If you have any questions on our comments, or if we can be of further help to the Commission on this matter, please do not hesitate to contact us.

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[2] Securities Exchange Act Release No. 69270 (April 2, 2013), 78 F.R. 20988 (April 8, 2013).

[3] Additionally, ISE believes that the Proposals do not comply with the procedural filing requirements of Rule 19b-4 under the Exchange Act and, based on the sparse discussion in the filings, the Proposals do not meet the substantive requirements of the Exchange Act. The Proposals fail to explain why it is appropriate for transaction fees to constitute as much as 90% of the option increment spread and rely on misleading and egregious mathematical approximation and fee comparison.

[4] 15 U.S.C. 78s(b)(2)(B).

Sincerely,

Michael J. Simon
Secretary

cc: John Ramsay, Acting Director, Division of Trading and Markets
Heather Seidel, Associate Director, Division of Trading and Markets
John Roeser, Assistant Director, Division of Trading and Markets
David Demetrious, Assistant Director, Division of Trading and Markets