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Goldman
Sachs

May 5, 2015

**Via Electronic Mail** (rule-comments@sec.gov)

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

*Re: NYSE MKT, LLC, Notice of Filing of Proposed Rule Change Adopting a Principles-Based Approach To Prohibit the Misuse of Material Non-Public Information by Specialists and e-Specialists by Deleting Rule 927.3NY and Section (f) of Rule 927.5NY; SEC File No. SR-NYSEMKT-2015-23 (April 8, 2015)*

Dear Mr. Fields:

Goldman, Sachs & Co. ("Goldman" or the "Firm") appreciates the opportunity to comment on the proposal by NYSE MKT, LLC ("NYSE MKT" or the "Exchange") to adopt a principles-based approach to prohibit the misuse of material nonpublic information by Specialists and e-Specialists on the Exchange (collectively, "Specialists"). The Exchange's proposal is consistent with the recent approved rule changes for NYSE Arca Equities, Inc., BATS Exchange, Inc. and the New York Stock Exchange rules governing cash equity market makers on those respective exchanges.[1] We fully support NYSE MKT's proposal to bring this same principles-based approach for preventing the misuse of material non-public information to its options market.

As noted by the Exchange in its proposal, Specialists in options on the Exchange no longer have informational advantages by virtue of their role. Specialists have access to the same Exchange trading information as all other market participants. As such, we agree with NYSE MKT that the specific and rigid requirements applied to Specialists under Rule 927.3NY and section (f) of Rule 927.5NY are no longer meaningful.

[1] See Securities Exchange Act Release No. 60604 (Sept. 2, 2009), 76 FR 46272 (Sept. 8, 2009) (SR-NYSEArca-2009-78); Securities Exchange Act Release No. 61574 (Feb. 23, 2010), 75 FR 9455 (Mar. 2, 2010) (SR-BATS-2010-003); and Securities Exchange Act Release No. 72534 (July 3, 2014), 79 FR 39440 (July 10, 2014), SR-NYSE-2014-12).

The Exchange has an existing rule that addresses the misuse of material, non-public information that applies equally to all ATP Holders. Exchange Rule 3(j) states that an ATP Holder may not disclose material non-public information to another person or entity for the purpose of facilitating the possible misuse of such material non-public information. Importantly, if the Exchange's proposal is approved, all ATP Holder will still be subject to the principles-based requirements of Rule 3(j). That is, all ATP Holders will be required to maintain policies and procedures designed to prevent the misuse of material non-public information in a manner tailored to the structure of their business.

We believe the NYSE MKT proposal will promote more effective risk management controls for firms that have more than one options trading desk. Under the proposed approach, firms may share proprietary options positions and related hedging position information (e.g., equities, futures, and foreign currency) across trading desks. Many firms have sought to centralize trading operations to eliminate redundancies and develop more resilient system architecture in an effort to reduce market disruptions. Allowing firms to share information on positions in related financial instruments will help firms reduce position risk.

In addition, the NYSE MKT proposal is consistent with the Securities and Exchange Commission ("SEC") efforts to require firms to more effectively limit exposure resulting from trading market risk. Broker-dealers must maintain a system of risk management controls and supervisory procedures reasonably designed to manage financial, regulatory and other risks of business activities. Allowing firms to share position information across trading desks will greatly enhance the effectiveness of this requirement.

As noted earlier, the NYSE MKT proposal is similar to the rules approved by the SEC for cash equity market makers. We note that when the New York Stock Exchange ("NYSE") reformed its Rule 98, the NYSE highlighted that the new approach would provide members with the means to better manage risk across a firm – for example, by integrating position and quoting information with other positions and quotes in other units within the firm. These same principles for risk management apply in the options markets.

To fully realize the risk management benefits that will result from NYSE MKT's proposal, it will be important that a consistent approach to position risk management be adopted by the options exchanges. Without a standardized approach, many of the current rules at options exchanges designed to prevent the misuse of material non-public information will continue to impede the effective implementation of firm-wide risk management.

For example, some options exchanges require options market makers to maintain information barriers between options market makers and any affiliate that may conduct a brokerage business in option classes allocated to the affiliated market maker.[2] It is our

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[2] The International Securities Exchange ("ISE") Rule 810 requires a market maker to maintain an information barrier between the market maker and other businesses, including non-market making proprietary trading in options and handling listed options orders as agent. The Nasdaq Options Market and Nasdaq OMX BX have rules similar to ISE Rule 810.

understanding that under these rules, firms may not share position information, even if the sharing of information would help to mitigate trading risk.

As a practical matter, the risk that a market maker manages is integrated as a consolidated set of positions in one book. To the extent the options exchanges have different and conflicting rules concerning the ability of the market maker to share position information, the market maker would have to comply with the most restrictive rule across the entire book. It would simply not be prudent for the market maker to separately manage the position risk attributable to one exchange in a stand-alone book for the purpose of sharing position information.

We do not believe there is any regulatory need for the options exchanges to maintain fundamentally different rules for preventing the misuse of material non-public information. The NYSE MKT proposal offers a principles-based approach that will maintain the appropriate protections while allowing firms to share appropriate position risk information. We recommend that the NYSE MKT proposed approach be made consistent across the options exchanges. In addition, the lack of standardization across the options exchanges will create confusion and will place an unfair burden on members of multiple exchanges.

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In summary, we believe that the adoption of a principles-based approach for preventing the misuse of material non-public information will give firms with multiple trading units more ability to manage trading risks. We urge the SEC to approve the NYSE MKT proposal and to encourage a standardized approach to the preventing the misuse of material non-public information across all options exchanges. As well, we ask that other option exchanges propose changes to their rules as soon as practicable to conform to the approach proposed by NYSE MKT.

Goldman appreciates the opportunity to comment on the NYSE MKT's proposal. Please feel free to contact me if you have any questions in connection with our comments.

Sincerely,

Peter D. Selman
Managing Director
Goldman Sachs & Co.