



Securities Industry Association

120 Broadway, New York, NY 10271-0080, (212) 608-1500, Fax (212) 608-1604
1401 Eye Street, NW, Washington, DC 20005-2225, (202) 296-9410, Fax (202) 296-9775
info@sia.com, http://www.sia.com

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Mr. Meyer S. Frucher
Chairman and CEO
Philadelphia Stock Exchange, Inc.
1900 Market Street
Philadelphia, PA 19103-3584

Dear Sandy:

The Securities Industry Association¹ ("SIA") is writing to urge the options exchanges to implement the linkage plan that was approved by the SEC in July of 2000.² SIA believes that such a linkage is in the best interest of investors and urges all concerned to complete action quickly. SIA recognizes that the options exchanges have been working hard on building the required linkages. SIA commends you for the progress that you have made to date, but urges continued efforts to achieve the goal we all share.

As you are no doubt aware, the SEC's new Trade-Through Disclosure Rule³ (Rule 11ac1-7) will require broker-dealers to disclose trade-throughs that occur on the options exchanges on customer confirmations beginning April 1. We understand that the linkage will not be operable by that time and that the SEC will only consider a delay in effectiveness of the rule if the exchanges are able to demonstrate substantial progress in

¹ The Securities Industry Association (SIA) brings together the shared interest of more than 740 securities firms to accomplish common goals. SIA member-firms (including investment banks, broker-dealers, and mutual fund companies) are active in all U.S. and foreign markets and in all phases of corporate and public finance. The U.S. securities industry manages the accounts of more than 50 million investors directly and tens of millions of investors indirectly through corporate, thrift and pension plans. The industry generates in excess of \$300 billion of revenues yearly in the U.S. economy and employs approximately 700,000 individuals.

² Exchange Act Release No. 43086 (July 28, 2000).

³ Firm Quote and Trade-Through Disclosure Rules for Options, Securities Exchange Act Release No. 43591 (November 17, 2000).

implementing the linkage plan. Moreover, we understand that the exchanges are currently unable to supply firms with the information about trade-throughs in the short time frame and format necessary for this information to appear on a confirmation. SIA is petitioning the Commission either to find that substantial progress has been made, or to otherwise delay the effective date of the rule.

SIA's member firms strongly believe that the rule imposes unfair regulatory burdens on them for a problem they did not create and cannot solve. It would be unfair for firms to suffer the cost and potential liability associated with disclosing trade-throughs when they have no control over the timing of linkage implementation or what would constitute substantial progress. Furthermore, notice that a particular exchange may have traded through an unverifiable and unreachable quote on another exchange will prove confusing to investors, and may indiscriminately undermine investor confidence in this market.

Regardless of the outcome of SIA's request to the SEC, it is imperative that the exchanges act immediately to implement the linkage in order that firms and investors not bear the cost of further delay. Specifically, we call on the exchanges, and all specialists and market makers to support the interim linkage plan put forth by CBOE and ISE. This plan may evidence substantial progress in the short term (and potentially remove the immediate threat of an unrealistic compliance requirement) while the exchanges continue to work toward building the long-term linkage solution.

The SIA stands ready to assist you in your pursuit of this goal. If SIA can be of any assistance, please do not hesitate to contact me at 202-296-9410.

Very truly yours,

Marc E. Lackritz

Cc: The Honorable Laura Unger, Commissioner, SEC
The Honorable Isaac Hunt, Commissioner, SEC
The Honorable Paul Carey, Commissioner, SEC
Lori Richards, Director, Office of Compliance, Inspections and Examinations, SEC
Robert L.D. Colby, Deputy Director, Market Regulation, SEC
Belinda Blaine, Associate Director, Market Regulation, SEC
Elizabeth King, Associate Director, Market Regulation, SEC
Deborah Flynn, Senior Special Counsel, Market Regulation, SEC