



March 23, 2006

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F St, NE
Washington, DC 20549

Re: *Notice of Filing of Proposed Rule Change and Amendment No. 2,3 and 4 to Proposed Rule Change to Modify the Information Contained in a Directed Order on the Boston Options Exchange, File Number SR-BSE-2005-52A-4 (the "Proposal")*

Dear Ms. Morris:

The Options Committee of the Securities Industry Association¹ ("SIA") appreciates the opportunity to comment on the above referenced proposal.² The Boston Options Exchange ("BOX") initially proposed to eliminate anonymity in the BOX's directed order process.³ In its current filing, the BOX proposes to maintain anonymity at the point of execution, but allows its market makers to choose from which order flow providers they will accept directed order flow for potential inclusion within their Price Improvement Process ("PIP").

The BOX's directed order flow process allows order flow providers to send a directed order to a particular market maker. At the market maker's discretion, the market maker may send the order to the PIP, which is a three second auction, allowing orders to be price improved in penny increments, or to send the order to the BOX Book for execution or inclusion in the BOX quote. A market maker that sends an order to the PIP agrees to trade with the order at a minimum of a penny better than the

¹ The Securities Industry Association brings together the shared interests of approximately 600 securities firms to accomplish common goals. SIA's primary mission is to build and maintain public trust and confidence in the securities markets. SIA members (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. According to the Bureau of Labor Statistics, the U.S. securities industry employs nearly 800,000 individuals, and its personnel manage the accounts of nearly 93-million investors directly and indirectly through corporate, thrift, and pension plans. In 2004, the industry generated \$236.7 billion in domestic revenue and an estimated \$340 billion in global revenues. (More information about SIA is available at: www.sia.com.)

² SIA notes that the International Stock Exchange filed for similar treatment of directed orders as a functional change in its Market Operations Information Circular distributed to members on January 11, 2006. SIA similarly objects to the ISE removal of anonymity in directed orders for the same reasons outlined herein.

³ According to the BOX's own admission, since its inception, the BOX has not complied with Chapter 5, Section 14(e) of its rules, which requires that "The identity of Options Participants who submit orders to the Trading Host will remain anonymous to market participants at all times, except during error resolution or through the normal clearing process as set forth in Chapter V, Section 16(a)(vi) of these Rules."

prevailing National Best Bid or Offer. Once the automated auction process commences, other market makers may participate to provide further price improvement on the order, to the ultimate benefit of the investor.

The benefits of price improvement should be available for all customers. The Proposal, however, will permit selective discrimination against certain order flow providers by BOX market makers.

SIA believes the options markets should promote fair access and transparency and that allowing selective discrimination by market makers in accepting directed orders, may result in negative consequences to the marketplace. Moreover, as the SEC concluded when adopting Regulation NMS, fair access to the markets is an important component of our national market system.⁴ Rule 610 of Regulation NMS prohibits a trading center from imposing unfairly discriminatory terms that would prevent or inhibit the access of any persons through members, subscribers or customers of such trading centers.

For the foregoing reasons, SIA urges the Commission to carefully review and consider all potential consequences of the Proposal. We believe investors are entitled to a competitive market place that treats all customers fairly, specifically at the point of execution.

If you have any questions, please do not hesitate to contact me at (402) 970-5656, or Elieen Ryan, Vice President and Associate General Counsel, at (212) 618-0508.

Sincerely

Christopher Nagy
SIA Options Committee

cc: Chairman Christopher Cox, Securities and Exchange Commission
Commissioner Cynthia A. Glassman, Securities and Exchange Commission
Commissioner Paul S. Atkins, Securities and Exchange Commission
Commissioner Roel C. Campos, Securities and Exchange Commission
Commissioner Annette L. Nazareth, Securities and Exchange Commission
Robert L.D. Colby, Securities and Exchange Commission
Elizabeth King, Securities and Exchange Commission
Eileen Ryan, Securities Industry Association

⁴ Securities Exchange Act Release No. 51808 (June 9, 2005), 70 Fed. Reg. 37496, 37528 (June 29, 2005) (“NMS Release”).