



January 29, 2014

Mr. Thomas Wittman
Senior Vice President
NASDAQ OMX Group
1900 Market Street
Philadelphia, PA 19103

Re: Options Listing Procedures Plan – Penny Program

Dear Tom:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ Listed Options Trading Committee (the “Committee”) appreciates the collaborative effort undertaken by the U.S. Equity Options Exchanges (the “Exchanges”) to create a permanent Penny Trading Program (“Penny Program”) to replace the current Penny Pilot Program (“Pilot”). Your support of an industry sponsored plan by the Exchanges to create a permanent Penny Program that can be filed and upon approval, codified by the Securities and Exchange Commission (“SEC”), is generally consistent with SIFMA’s comment letter on ARCA’s extension of the penny pilot program in 2013².

In our comment letter, SIFMA recommended that Arca and the other Exchanges submit a proposed rule change to the SEC that would create a permanent Penny Program. In this regard, SIFMA recognized that it is critical for each Exchange to adopt uniform rules with respect to the number of multiply-listed options classes that trade in pennies and the methodology to move classes in and out of the Penny Program.

SIFMA also recommended that, once the Penny Program is made permanent, it should apply to the most actively traded multiply-listed options classes, based on trading activity in the previous six full calendar months. This application should take into account those names already in the Pilot or, if for classes not currently in the Pilot, those multiply-listed options classes whose underlying common stock is priced below \$200 per share.

¹ The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

² See Letter from Ellen Greene, Vice President, SIFMA, to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, dated August 5, 2013.

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SIFMA recommended that the Exchanges establish key dates for options classes to enter the Penny Program and prescribe a plan for those options that no longer qualify to trade in pennies to phase out of the Penny Program. SIFMA also recommended that Arca and the other Exchanges outline a methodology to move multiply-listed options classes in and out of the Penny Program and provide an allowance for an option to remain in the Penny Program, even if it falls out of the Penny Program based on an established numerical criteria of options classes that are permitted to trade in pennies.

SIFMA was pleased to see the Exchanges collaborate and agree on a Penny Program, the details of which have been communicated to SIFMA. While SIFMA generally supports the plan, there is one component of it which is not consistent with SIFMA's comment letter. In the plan, the Exchanges agree to add a security priced over \$200 to the Program that is not currently in the Pilot. The security is slated to remain in the program on a 12-month trial basis, whereby the Exchanges will re-evaluate after 12 months to determine whether the name should be kept or dropped. As stated above, this is inconsistent with SIFMA's recommendation in our comment letter, and does not conform to the penny pilot, which excludes stocks greater than \$200 (but grandfathers any qualifying \$200 plus stocks already in the program).

SIFMA's members recommended that the Exchanges remove this security from the program since its stock price exceeds \$200 which 1) is inconsistent with SIFMA's recommendations; 2) inconsistent with the criteria outlined for the Penny Program and 3) inconsistent with how the current penny pilot is structured. Once this is agreed upon, the Exchanges should continue to work together to ensure that the program is as efficient as possible, and make modifications and improvements as needed to ensure a robust and transparent Penny Program for U.S. listed equity and index options.

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SIFMA greatly appreciates the Exchange's consideration of SIFMA's comments in reference to the above. If you have any questions, please do not hesitate to contact me at (212) 313-1287 or egreene@sifma.org.

Respectfully Submitted,

Ellen Greene
Vice President
Financial Services Operations

cc: Walt Smith, Vice President, NASDAQ OMX Group
Heather Seidel, Associate Director, Division of Trading and Markets