



March 24, 2011

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 29549-1090

**Re: SEC Release No. 34-64011; File No. SR-C2-2011-008**

Dear Ms. Murphy,

IMC Chicago, LLC d/b/a IMC Financial Markets (“IMC”)<sup>1</sup> appreciates the opportunity to submit this comment letter in response to the proposal by C2 Options Exchange, Inc. (“C2”) to list and trade P.M.-settled S&P 500 Index options (“P.M. SPX”). For the reasons highlighted below, IMC supports this proposal.

IMC appreciates efforts by exchanges to offer new products designed to enhance investor opportunities. IMC does not believe that C2’s proposal will cause greater volatility in the underlying securities of the S&P 500 Index. Furthermore, C2’s proposal to list and trade P.M. SPX offers several benefits to investors, including: enhanced investment opportunities, greater opportunity for price discovery, and increased transparency. Accordingly, we respectfully request that the Securities & Exchange Commission (“Commission”) approve this proposal.

### **Discussion**

#### *A. Offering the P.M. Settlement Methodology Will not Adversely Impact Volatility*

The proposed P.M. settlement feature will not increase volatility in the underlying securities of the S&P 500 Index. Volatility is impacted by a number of variable factors, including a participant’s directional view of the index or underlying security. Whether an options contract is P.M.-settled as opposed to A.M.-settled, in our opinion, is not a contributing factor to volatility. Generally, there is more liquidity in the securities underlying the S&P 500 Index at the close

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<sup>1</sup> IMC is a proprietary trading firm and registered broker-dealer, engaged in providing liquidity in nearly every listed equities and derivatives market in the U.S. In addition, IMC is part of a global firm with affiliates trading in Amsterdam, Zug, Sydney, and Hong Kong. IMC is a registered market maker in U.S. exchange listed products. As a market maker, IMC establishes two-sided markets which serve to aid investors in their effort to mitigate or transfer risk. IMC’s market making strategies use sophisticated risk management controls and innovative technology to safeguard the integrity of its electronic trading system.

compared to the opening. Moreover, exchanges offer closing auction mechanisms designed to facilitate orderly processing of orders so as to determine the closing print and the closing value of options. As a result, IMC believes the exchanges are well equipped to facilitate end of day positions and that P.M.-settled products do not, in and of themselves, contribute to increased volatility. In fact, there are several current examples of P.M. settled products, including: OEX, Flex Options, End-of-Week S&P 500 Index Options (“SPXW”), and Quarterly Index Expirations. IMC does not believe that the P.M. settlement feature of these options has led to increased volatility.

*B. The P.M. SPX Offers Several Benefits to Investors*

By listing and trading the P.M. SPX, C2 is offering several benefits to investors, including: enhanced investment choices, greater opportunity for price discovery, and increased transparency. Introducing the P.M. SPX will create a unique marketplace, closely related to the current SPX, which will provide participants with a fully electronic source of liquidity and price discovery. Similar to SPXW, which recently became a P.M. settled product and which permits electronic quotes, the P.M. SPX should also offer participants a valuable investment tool, to be used either in lieu of or in conjunction with the SPX and/or SPXW. Further, the P.M. SPX should provide participants with an additional means by which to hedge OTC products that also settle on the close.

*C. Offering the P.M. SPX Will Not Facilitate Manipulative Behavior*

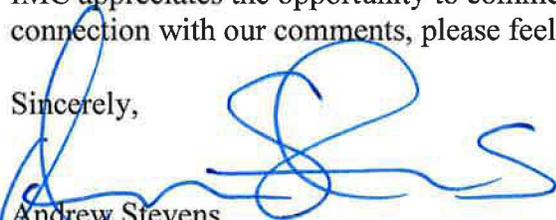
There are several S&P products presently traded, both on the floor and electronically, that have different specifications and settlement methodologies. This does not seem to be the cause of manipulative or intentionally disruptive trading activity. As a result, IMC does not anticipate that C2’s P.M. SPX proposal will facilitate inappropriate trading behavior.

**Conclusion**

IMC believes that C2’s proposal to offer the P.M. SPX enhances investor opportunities, increases transparency, and fosters greater opportunities for price discovery—without unduly or negatively impacting the volatility of the underlying stocks. Accordingly, IMC respectfully requests that the Commission approve this proposal.

IMC appreciates the opportunity to comment on this Proposal. Should you have any questions in connection with our comments, please feel free to contact me at 312-244-3355.

Sincerely,

  
Andrew Stevens  
Legal Counsel

cc:

The Honorable Mary L. Schapiro, Chairman  
The Honorable Luis A. Aguilar, Commissioner  
The Honorable Kathleen L. Casey, Commissioner  
The Honorable Troy A. Paredes, Commissioner  
The Honorable Elisse B. Walter, Commissioner  
Robert W. Cook, Division of Trading and Markets  
James A. Brigagliano, Division of Trading and Markets  
Heather Seidel, Division of Trading and Markets