



July 23, 2008

VIA ELECTRONIC MAIL

Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File Numbers SR-NYSEArca-2008-75 and SR-NYSEArca-2008-76

Dear Ms. Morris:

Citadel Investment Group L.L.C. ("Citadel") appreciates the opportunity to comment on the NYSE Arca Options' ("Arca") proposed amendments to its fee schedule referenced above (the "Fee Amendments"). If implemented, the Fee Amendments would, among other things, increase the fees Arca imposes on certain orders that are executed on Arca, and also would increase the rebates Arca provides firms who provide those orders. For the reasons described below and in the petition for rulemaking we submitted to the Commission on July 15, 2008,¹ we urge the Commission to reject the Fee Amendments. In particular, the Commission should reject the proposed amendment contained in SR-NYSEArca-2008-76 and to summarily abrogate the amendment contained in SR-NYSEArca-2008-75.²

As described in greater detail in our petition for rulemaking, we believe that options exchanges using so called maker-taker fee structures are charging excessive fees to obtain access to their quotations ("Taker Fees") and are thereby causing distortions in the options markets. For example, the introduction of maker-taker pricing to the options markets appears to have increased the frequency and duration of locked markets. Moreover, current Taker Fee levels are not supported by competitive dynamics. These fees are sustainable only because regulatory

¹ Our rulemaking petition is available at <http://www.sec.gov/rules/petitions/2008/petn4-562.pdf> and we incorporate it by reference in our comments on the Fee Amendments.

² We understand that while Arca has designated the rule amendment contained in SR-NYSEArca-2008-75 as effective upon filing, it has determined not to implement that amendment unless and until the Commission approves the amendment contained in SR-NYSEArca-2008-76. See NYSE Arca Options Introduces the Industry's Highest Rebate for "Tier 1" Penny Pilot Securities (July 16, 2008), <http://www.nyse.com/press/1216203156353.html>; SR-NYSEArca-2008-76 ("The Exchange plans to implement this new Linkage fee, in conjunction with the implementation of the new transactions fees for Tier 1 issues [contained in SR-NYSEArca-2008-75.]). It is unclear, however, as a legal matter, if the rule filing contained in SR-NYSEArca-2008-75 became effective upon filing, or whether Arca's decision not to implement the amendment tolls the 60-day period in which the Commission may summarily abrogate rules that become effective upon filing. In any case, we urge the Commission to summarily abrogate this filing as soon as it is able to do so.



Nancy M. Morris
July 23, 2008
Page 2

obligations — primarily rules prohibiting trade-throughs — require options orders to be executed on the options exchange with the best price, regardless of the size of any additional Taker Fees. Thus, when an options exchange is quoting alone at the national best bid or offer, market participants cannot avoid the Taker Fees imposed by that exchange, no matter how great they may be. Indeed, the Commission found it necessary to cap access fees in the equity markets for similar reasons.³ We, therefore, urge the Commission to reject the Fee Amendments.

We appreciate the Commission's consideration of our comments on the Fee Amendments, and we will make ourselves available at your convenience to discuss our views.

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Nagel", written over the typed name and title.

John C. Nagel
Managing Director & Deputy General Counsel

³ See Rule 610(c) of Regulation NMS. See also Exchange Act Rel. No. 51808 (June 9, 2005).