I'd like to submit the following commentary regarding this proposed rule change. In my opinion as a floor broker on the NYSE Arca exchange, this proposal would in fact cause irreparable harm to customers and prohibit competition for improving prices of marketable orders.

In particular, in response to the following;

IV. Solicitation of Comments
Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. The Commission requests comment, in particular, on the following aspects of the proposed rule change:
1. Under current rules, the NDX and RUT combination orders, as described above, could not be executed at a price that would result in any underlying option leg trading through a contemporaneous resting order for that option. Do commenters believe this restriction impedes trading of such combination orders? If not, why not?

Absolutely not. Just as in using underlying stock for a tied option/stock order on an ETF or Equity option, market participants (i.e. floor brokers) can simply "adjust" the levels of the trade so they are printed in range of current markets and still equate to the same cash value.

For example, if an order is given to sell 100 RUT Apr 950 Puts at 30.00 tied to 975 on a 20 delta. Then when the order is executed, the underlying combo has moved and the floor broker must print the combo at 980, the price of the Puts will be adjusted so that a 5.00 difference in the combo (980 - 975) is accounted for.

980 - 975 = 5.00 ; so we adjust the option price to 5.00 x .20 (20 delta) = 1.00 and therefore print the Apr 950 Puts at 29.00. The cash equates to the same NET PRICE on the trade for the customer. The adjustment equates to a $10,000 difference in both directions.

Option adjustment: 30.00 - 29.00 = 1.00 * 100 * 100 = $10,000 lower

Futures Combo adjustment: 975 - 980 = -5.00 * 20 * 100 = $10,000 higher

A net gain/loss of ZERO

We do this in practice all day every day. We do this with stock/option orders for single stock options and there's absolutely NO REASON we shouldn't do this with Index options.

The reason we need to continue with this practice is because it keeps the market consistent with current prices and supply/demand movements. In theory market prices reflect the ideas of all participants and provide an equilibrium at which buyers and sellers should be indifferent, that is there should be no advantage to either.

For instance, in the example above; if we adjusted the combo to fit current prices of 980 but then saw that the bid on the Apr 950 Puts was in fact 29.25 then we would not be allowed to print it at 29.00. We would have to go back to the trader that gave us the order and tell them this trade

doesn't fit the screens. The customer would get a better fill if this was executed against the screens.

Example: As above we agreed that the cash difference in the combo adjustment is $10,000

Then if we sold the Apr 950 Puts at 29.25 it would only be $7,500 difference. This equates to a net GAIN to the customer of $2,500

2. If so, what is the nature of the impediment? Would the proposed provision of a two-hour look-back window mitigate this impediment? If so, why?

There is NO impediment. No need for a silly "look-back" window. Prices should be printed with respect to current published market prices. Currnet market prices are determined by variables and information and are believed to be the best estimate of TRUE VALUE at that instant!

I'd be happy to explain and demostrate this to ANYONE with the intelligence to understand how we do this.

3. During any look-back window, prices of underlying option legs may change as a result of changing buy or sell pressure for any given option, competition among market participants, changes in views of implied volatility of any option, or changes in the NDX and RUT indices themselves. Does the efficacy of the proposed rule change depend on why the bid and offer prices for the underlying legs have moved during the look-back window?

Not sure what this question means... sounds like blathering to me. But, to be certain as mentioned previously current prices are a reflection of market participants ability to process information and determine value. Therefore, trades should be executed based on current value and not what happened two hours ago. That is just ridiculous.

4. What would be the impact of a contemporaneous trade-through on market participants who provide liquidity in the underlying leg options? Would knowing that they can be traded through as a result of the NDX and RUT combination orders cause them to change the way they quote for the underlying options? Are there any negative implications regarding the provision of liquidity in the underlying options? If so, would the proposed two-hour look-back window mitigate these effects?

I don't think that would have an effect. It would just screw over the customer, not anyone else. Market-makers are always happy to trade outside of published markets.

5. Do commenters believe that there is currently insufficient information to fully inform the implications of this proposed rule, and that a decision should be made only after a pilot period?

What pilot period? We've been succesfully adjusting these types of trades for many years. Why should we change a rule or current practice that works simply because a few floor-broekrs can't adapt and figure out the math?

6. If so, what type of data should be collected during the pilot period? What type of analyses would be performed on such data that could more fully inform market participants and regulators regarding the nature of the proposed rule? Are there specific criteria that would suggest the changes were either net positive or net negative to the markets?

I don't really have any more time to spend on this. The bottom line is we can do as many tests as possible to exhibit how these types of orders are traded using current rules. Student Options and even XFA have no problem executing these orders and everyone else should be able to do the same.

Have Elizabeth Murphy call me and I can go over all this with her.

In summary - THIS PROPOSED RULE CHANGE WILL EQUATE TO POTENTIAL CUSTOMER HARM!!!!!

7. Do commenters believe that market participants consider NDX combination orders traded on NYSE MKT and spreads or combinations in Nasdaq 100 Index futures traded on CME to be substitutes for each other for purposes of hedging NDX positions? Do commenters believe that market participants consider RUT combination orders traded on NYSE MKT and spreads or combinations in Russell 2000 Index futures traded on ICE to be substitutes for each other for purposes of hedging RUT positions? If so, provide examples of the Nasdaq 100 and Russell 2000 Index futures strategies with which NDX and RUT combination orders may compete.

8. Do commenters believe that NYSE MKT's current rules for trading NDX and RUT combination orders make NDX and RUT options listed on NYSE MKT less attractive than Nasdaq 100 Index and Russell 2000 Index futures traded as spreads or combinations on CME and ICE, respectively, as a means for hedging Nasdaq 100 Index and Russell 2000 Index exposure? If so, why? If not, why not?
9. Please provide data, if available, about any preference you believe exists for market participants to use Nasdaq 100 Index and Russell 2000 Index futures combination orders traded on CME and ICE, respectively, over NDX and RUT combination orders traded on NYSE MKT.
10. Do commenters believe that the proposed pilot program will make the trading of NDX and RUT combination orders more competitive with the trading of delta-hedged options strategies using CME's Nasdaq 100 Index futures and ICE's Russell 2000 Index futures, respectively, and combinations of options on those futures and, if so, why?
11. Do commenters believe that the ability of an ATP Holder executing an NDX or RUT combination order to look back two hours to price some or all of the legs of the NDX or

RUT combination order, as provided in the proposed pilot program, will affect the willingness of other market participants to trade with the NDX or RUT combination order? If so, how?

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[redacted]