

June 21, 2011

VIA ELECTRONIC MAIL

Ms. Elizabeth A. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090
rule-comments@sec.gov

Re: File Number 4-626 Existing Private and Public Efforts to Educate Investors

Dear Ms. Murphy:

This letter is submitted by The Options Industry Council ("OIC") in response to the Commission's recent request for comment on the effectiveness of existing private and public efforts to educate investors. OIC welcomes the opportunity to provide our specific comments based upon our nearly 20 years of experience educating investors about the benefits and risks of U.S. exchange-traded options.

OIC Background

Founded in 1992, OIC's mission is to increase the awareness, knowledge and responsible use of exchange-traded equity options among retail investors, financial advisors and institutional investors. This is accomplished through a comprehensive education program consisting of live seminars and conferences, market research, academic studies, brochures and a robust website featuring online classes and interactive trading tools.

OIC is an industry co-operative comprised of The Options Clearing Corporation ("OCC") and all U.S. securities exchanges that list equity options: BATS Options Exchange, BOX Options Exchange, C2 Exchange, Chicago Board Options Exchange, International Securities Exchange, NASDAQ Options Market, NASDAQ OMX PHLX, NYSE Amex Options and NYSE Arca. Its governing structure consists of thirteen voting organizations representing full service firms, discount brokerages, exchanges and OCC. OIC operates on a not-for-profit basis at a funding level of \$7.5 million of which the first \$2 million is funded by the exchanges with OCC contributing the remainder. Through this industry support, OIC is able to offer its educational programs for free.

OIC Investor Education

OIC offers a full range of options curricula to serve the needs and interests of investors who are new to options as well as experienced traders. As a neutral industry resource, we do not promote individual exchanges or specific product listings. Our curriculum covers options fundamentals and strategies for a variety of market outlooks. We focus on relatively conservative strategies suitable for beginner- and intermediate-level options investors. OIC always communicates both the benefits and the risks associated with each option strategy it presents and is very careful not to give investment advice. All of our educational material is reviewed and approved by Compliance and Legal professionals.

OIC provides education in a variety of formats to suit different learning styles, schedules and locations. Educational programs include 3-hour evening seminars across the continental U.S. and all-day investor conferences. At the request of international hosts, OIC has presented options education programs throughout Europe, Asia, India, Australia, Canada, and in Mexico. In the past year more than 9,000 investors have attended live OIC presentations.

Given the limited reach of live events, OIC developed a website, www.OptionsEducation.org, that has proven to be a measurable, cost efficient way to reach a broad audience. The site received nearly three million page views during the first quarter 2011. An e-Learning platform provides a customized learning path based on the results of an initial assessment test and allows investors to track their coursework. More than 62,000 registered users have access to the e-learning platform. Experience tells us that people have shorter attention spans for web-based education than for live events. Our library of on-demand video webcasts average 15 minutes in length and our weekly audio podcasts are less than 10 minutes. The website also features online classes with integrated quizzes, option pricing calculators and a virtual trading system. These interactive tools allow investors to test options strategies using real securities and delayed market data without risking investment capital as they build their options knowledge.

In addition to seminars and online education, OIC directs investors with questions to OCC's Investor Services via a toll-free phone line (1-888-OPTIONS), email (options@theocc.com) or live chat. This is a unique public service that provides unbiased options education in direct response to an individual's questions. Investor Services is staffed by highly trained options professionals who have no constraints relative to the length of the calls and who share OIC's standard of balanced education – clearly disclosing risks. They field more than 2,000 investor inquiries each month. This service also provides OIC insight into the informational needs of investors. OIC tracks frequently asked questions and will increase the visibility of related content on our website and if needed, will develop new content to address current topics.

Program Performance Measurement

OIC measures program performance through participation levels and surveys. We employ tracking software on our website to monitor the number of visits, unique visitors,

registrations and downloads. We can also see which content receives the most traffic and how much time is spent per visit. In addition to web traffic statistics, OIC uses I-Perceptions, an online survey tool, to learn about the purpose behind site visits and their frequency, task completion rates and visitors' product knowledge. Survey respondents also rate the content, navigation and interactivity engagement. OIC can parse these ratings by options knowledge level. Furthermore, we use I-Perceptions to identify dislikes and provide a venue for recommendations. This data is instrumental in guiding our educational efforts to meet the interests and needs of our audience.

By their very nature, live events render less opportunity for gathering performance data than online programs. However, these events provide meaningful feedback in the form of visible responses to the presentations (*e.g.*, are attendees engaged or confused?) and questions. All attendees of OIC's live events are asked to complete an evaluation form on which they rate the curriculum, speaker and provide general comments. This information is supplemented by an annual survey conducted by an independent research firm commissioned by OIC. The commissioned survey consistently finds that seminars are highly valued by attendees and are a positive influence on options trading. These findings are consistent with the experience of several firms that report a strong correlation between live education and trading activity.

Evaluations by Third Parties/Partners

OIC's programs are evaluated informally by independent, non-commissioned third parties on an ongoing basis. Most of the evaluations come from organizations who are interested in partnering with OIC in pursuit of common education goals. OIC programs appeal to these organizations because of our long-standing reputation as a neutral, trustworthy source for investor education. Adding to that appeal is OIC's ability to offer its resources free of charge to entities that can broaden OIC's educational reach and allow us to measure results. Over the years we have developed a network of distribution channels with the help and collaboration of valued partners: brokerage firms, industry associations such as CFA Institute, exchanges worldwide and academic institutions to name a few (see Exhibit A). Currently, more than 50 organizations use OIC educational material in some way. In addition, OIC representatives have been invited to present options education to market regulation staff at the SEC, CFTC, FINRA and the House Financial Services Committee. These organizations conducted their own assessment of OIC and our programs to varying degrees before entering into formal agreements and/or extending presentation opportunities to OIC.

Characteristics of Effective Investor Education

OIC believes that the most important characteristic of effective investor education is to provide neutral, unbiased information that presents both the benefits and the risks of a financial product or investment strategy. This goes beyond a simple reference to a formal disclosure document or a footnoted disclaimer. Curriculum should balance information about potential gains with clear communication about potential losses. Furthermore, investors need

to understand the circumstances or market movements that can lead to gains or losses. We think this approach best serves both investors and financial markets.

Educational material should also note that fees, commissions and taxes need to be factored into the cost of every trade. Brokerage firms and advisors can specify the fees their organization charges but other educational providers cannot and it would be misleading to communicate pricing that they do not control.

If investor education is offered as a public service, it should be widely accessible and affordable. This can be accomplished by offering live events in numerous locations and varying schedules across the country and by offering education online and related help desks.

Each course or module should include clear goals and objectives prior to the student's enrollment in the training course. These should also include any prerequisite information. Because of the broad range of financial products and markets, each with its own vernacular and varying levels of complexity, it is critical to use clear, concise, language and to define financial terms upfront. Educational content must be well organized and slowly build from the basics. It should include realistic examples of trades and strategies. Realistic simulations – for example virtual trade systems, calculators and role play scenarios – provide students hands-on practice to reinforce the concepts learned. Live presentations should be engaging with a skilled public speaker and well-designed presentation material. The course should conclude with recommended next steps to encourage continued learning.

Web-based education should follow the best practices listed below.

- Short Modules – Each training module should not take longer than 20 minutes to complete. A module can be an entire online class, a section of a class, podcast, webcast, etc.
- Interactivity – Interactive elements such as animations, quizzes (with appropriate feedback), and memory games can keep the student engaged. They can also further explain a complex concept that may not be best represented by the use of text.
- Good Usability – Modules should be tested for usability to ensure that the student can easily progress without becoming confused. Course navigation should be clearly marked and highly visible. The design should cater to the student with the least technical experience in the anticipated audience.
- Clean Visual Design – The consistent usage of course players, fonts, icons, and styles allows the student to more easily locate targeted information and links.
- Simple Technology – The user interface should be clean and simple to minimize distractions. Video and audio should be easily played and accessible. Overly complex technologies or interfaces can turn away students before they even begin their training path.

- Mobile Learning – More and more students are requesting that course modules be available in mobile and tablet format. Designing for mobile is quite different than designing for the web, so it is important that mobile learning efforts be considered during the development of course modules. Mobile modules tend to be shorter, have less interactivity (due to bandwidth/loading time), and are organized/presented in a more simplistic manner than web modules.

Finally, it is important to measure the effectiveness of the program and make adjustments for optimal performance based on evaluations. This can be accomplished by conducting in-house surveys of program participants or through third-party evaluation, and by offering multiple channels for feedback such as in person feedback at live events, email and phone contact.

Recommendation to Simplify the Options Disclosure Document

OIC fully supports disclosing risks associated with trading options to customers and the brokerage requirement to give investors a copy of Characteristics and Risks of Standardized Options, known as the Options Disclosure Document (ODD), prior to opening an options account. However, based on feedback from individual investors and their advisors, OIC feels strongly that the ODD should be simplified and streamlined. A shorter version written in plain English is more likely to be read in its entirety and understood by investors than the current 158 page document. We suggest an approach to customer risk disclosure similar to that employed in the Futures industry. Futures customers receive a generic risk disclosure document that is short and easy to understand. The Futures disclosure document is free of detailed product information which can be accessed interactively on exchange websites and other online venues, allowing investors to make targeted inquiries.

Conclusion

OIC appreciates the opportunity to comment on effective investor education. We would be pleased to provide the Commission with any additional information that might be useful in efforts to advance the financial literacy of investors.

Sincerely,



Gina McFadden
President
The Options Industry Council

Exhibit A

OIC Education Partners as of June 2011

AB Wong Capital LLC
Alpha Equities and Futures
AOS , Inc.
Arin Risk Advisors, LLC
Asigna, Compensacion y Liquidacion
Baruch College
BMO Investor Line
Bombay Stock Exchange, Limited
BOX Options Exchange
Bourse De Montreal, Inc.
BrokersXpress
Capital Analysts
CFA Institute
Choice Trade
Clothier Springs
Drexel University
E*Trade Financial Corporation
Equinox Securities, Inc.
EZ Options
Finance Banter
Financial Technologies (India) Ltd.
Firstrade Securities, Inc.
FS-ISAC, Inc.
Futures Industry Association
Gain Securities
Greenmoor Capital Management
Harbour Investments
Hilliard Lyons LLC
Illinois Institute of Technology
Institute for Management & Executive Development, Rutgers University
Intelligent Investment Strategies
Investing Minds
InvestorPlace Media
ISE
John Hancock Financial Network

Know Your Options Inc.
Learning Markets, LLC
Lightspeed Trading
Merrill Edge
Morgan Keegan
Muriel Siebert & Co., Inc
NASDAQ
Nasdaq Dubai Limited
NYSE AMEX
Ned Davis Research. Inc.
Options House
Options Insider (The)
Options Slam.Com LLC
OptionsMonster Holdings, Inc.
Optionsource, Inc.
OptionsXpress
Orbis Systems
Partnervest Financial Group
Schaeffer's Investment Research
Schwab
Scottrade, Inc.
Share Builder Securities Corp.
Smart Options. Com
Standard & Poor's
Stock-Trek Group, Inc.
Terra Nova Financial, LLC
Thailand Futures Exchange PLC
TheStreet.com, Inc.
ThinkTech, Inc.
Tokyo Stock Exchange, Inc.
US Brokerage Inc.
Vision Financial Markets LLC
Warsaw Stock Exchange
Wells Fargo Advisors, LLC