

April 9, 2026

Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: File No. 4-887; Roundtable on Options Market Structure Reform.**

Dear Secretary Countryman:

The Security Traders Association (“STA”)<sup>1</sup> appreciates the opportunity to submit comments in response to File No. 4-887 regarding the Securities and Exchange Commission’s Roundtable on Options Market Structure Reform (“Roundtable”)<sup>2</sup>. Options serve as a uniquely valuable tool for risk management, hedging, and capital allocation. It is STA’s view that options contribute to efficient price discovery and liquidity in their underlying assets. Therefore, we commend the Commission for hosting this important event which seeks to identify areas which enhance competition in a quote-driven market, improve the customer experience, and address both opportunities and challenges for sustained growth and innovation.

STA is a trade association composed of individuals actively involved in securities trading across the United States and Canada. Our members represent a diverse range of business models within the financial services sector, including market makers, broker-dealers, exchanges, clearing firms, and other key participants.

STA maintains four Advisory Committees, each composed of and chaired by industry professionals. These committees promote engagement across the full spectrum of roles essential to equities, options, and ETF trading. Committee membership includes representatives from market makers, exchange operators, central counterparties, clearing firms, retail and institutional brokerages, and technology vendors.

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<sup>1</sup> STA is a trade organization founded in 1934 for individual professionals in the securities industry. STA is comprised of 24 affiliate organizations in North America with individual members who are engaged in the buying, selling and trading of securities. STA is committed to promoting goodwill and fostering high standards of integrity in accord with the Association’s founding principle, Dictum Meum Pactum – “My Word is My Bond.” For more information, visit <https://securitytraders.org/>.

<sup>2</sup> <https://www.sec.gov/newsroom/press-releases/2026-24-sec-announces-roundtable-options-market-structure-reform>

Given our broad and diverse membership, STA aims to provide the Commission with balanced, practical insights into the current state of the U.S. options market.

### **Operational Capability**

Investor confidence is influenced by several factors, none more than the operational capability of the markets. Failures of that capability, even as a rare or isolated incident, erode trust more than any debates over regulatory details or market structure nuances. Accordingly, enhancing operational resilience should be the paramount priority for any regulator or policymaker with oversight of our markets.

STA believes the operational capability of the U.S. listed options market remains robust. This assessment rests on the consistent performance of the market across key metrics during periods of extreme volatility and record volumes, including efficient price formation, reliable investor access, effective quote management, and clearance and settlement. We attribute this resilience primarily to intense competition among market participants and significant ongoing private sector investments in technology and infrastructure.

That said, operational excellence is not static. While the options market functions well overall, meaningful opportunities exist for further enhancements. This letter outlines targeted areas where the Commission can play a constructive role in bolstering operational capability, promoting innovation, and supporting the continued evolution of the market to better serve all investors.

### **1. Options Market Structure: Similarities and Differences Compared to Equity Markets.**

The U.S. listed options market operates under a distinct structure that shares core regulatory foundations with equity markets but diverges significantly in execution mechanics, primarily through its quote-driven model versus the predominantly order-driven (or hybrid) nature of equities. These differences are central to assessing competition, operational resilience, customer experience, and opportunities for sustained growth, as they directly shape liquidity provision, pricing efficiency, and accessibility for retail and institutional participants alike.

Both markets are governed under Regulation National Market System (“NMS”),<sup>3</sup> which is intended to promote fair access, transparency, best execution, and intermarket linkages. Equities trading occurs across multiple exchanges and Alternative Trading Systems, whereas options

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<sup>3</sup> <https://www.sec.gov/files/rules/final/34-51808.pdf>

trading occurs on exchanges. Centralized clearing is provided by the Options Clearing Corporation (“OCC”)<sup>4</sup> for options and the NSCC, a subsidiary of the Depository Trust & Clearing Corporation (“DTCC”),<sup>5</sup> for equities. Electronic trading platforms, real-time data dissemination, and robust linkages enable orders to reach the best available prices in both. Healthy competition between and among market participants in each market drives narrower spreads, venue choice, and operational improvements that benefit investors.

The fundamental distinction lies in the trading paradigm. Options markets are predominantly quote-driven, where liquidity is supplied primarily by designated market makers (including lead market makers) who continuously post firm two-sided bids and asks across a vast array of series. Options market makers commit capital and manage dynamic hedging to maintain markets, ensuring immediate execution even in thinly traded series. This model is essential given the immense scale and complexity of options compared to equities. Without dedicated market makers, many series would suffer from insufficient liquidity, wider spreads, and impaired price discovery.

By contrast, equity markets are more order-driven, where buy and sell orders from participants can be matched automatically. Equities can transition to hybrid models, blending quotes and orders. This order-driven approach suits equities’ simpler structure of one ticker per stock.

The quote-driven options framework effectively overcomes the challenges of multiplicity that would otherwise hinder liquidity in an order-driven system. It fosters reliable access and efficient pricing for investors across an expansive product set. However, it also introduces dependencies on market makers’ capital commitments, technology infrastructure, and risk management capabilities.

## **2. What Makes Options an Attractive Investment Vehicle**

Options have become increasingly appealing as investment vehicles due to their capital efficiency, strategic flexibility, and fungibility. These features enable investors, including retail

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<sup>4</sup> The Options Clearing Corporation (OCC) is the world's largest equity derivatives clearing organization. Founded in 1973, OCC is dedicated to promoting stability and market integrity by delivering clearing and settlement services for options, futures and securities lending transactions. As a Systemically Important Financial Market Utility (SIFMU), OCC operates under the jurisdiction of the U.S. Securities and Exchange Commission (SEC), the U.S. Commodity Futures Trading Commission (CFTC), and the Board of Governors of the Federal Reserve System. OCC has more than 100 clearing members and provides central counterparty (CCP) clearing and settlement services to 20 exchanges and trading platforms. [theocc.com](http://theocc.com)

<sup>5</sup> The Depository Trust & Clearing Corporation, (DTCC) is the central counterparty for the nation’s major exchanges and markets. DTCC’s equities subsidiary, NSCC, clears and settles virtually all broker-to-broker equity, listed corporate and muni bond and UIT trading in the U.S., ensuring capacity, certainty and reliability to handle today’s enormous trading volumes. <https://www.dtcc.com>

participants, to implement strategies which diversify exposure, and manage risk in ways that complement traditional equity holdings.

- *Efficient Use of Capital:* Unlike purchasing stocks outright, options contracts control 100 shares of the underlying asset for a fraction of the cost, typically the premium paid. This cost-efficiency lowers the barriers to entry for investors enabling portfolio diversification and participation in a wider range of opportunities that might otherwise be cost-prohibitive.
- *Flexibility:* Options provide versatile tools for a range of objectives including hedging existing positions (e.g., protective puts to insure against declines), generating income (e.g., covered calls on held shares), or speculating on directional views (bullish, bearish, or neutral) with defined risk parameters. Many strategies limit downside to the premium paid, reducing the opportunity cost of capital and preserving liquidity for other investments.
- *Fungibility and Liquidity:* Standardized exchange-traded options contracts, with uniform terms for underlying assets, strike prices, expirations, and settlement, are fully fungible and interchangeable. This standardization promotes deep liquidity, seamless position management and efficient entries and exits without counterparty matching. The fungibility of options minimizes transaction frictions and supports dynamic strategies in fast-moving markets.

Collectively, these attributes have fueled innovation, record trading volumes, and broadening participation in recent years, underscoring the role of options as an important tool for both retail and institutional investors.

### **3. Contributing Factors for the Growth in Option Volumes**

The U.S. options market has experienced remarkable expansion over the past decade. In 2025, total volume reached approximately 15.2 billion contracts with average daily volume (ADV) of about 61 million contracts, up significantly from prior years.<sup>6</sup> This growth arises from several interconnected drivers: robust operational capability; expanded use cases for existing products; and retail participation fueled by enhanced education and greater accessibility. Underpinned by vigorous competition, substantial private-sector technological investment, and constructive regulatory support, these factors have sustained the market's vitality, elevated the customer experience, and positioned the U.S. options market for continued innovation and inclusive expansion.

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<sup>6</sup> <https://www.theocc.com/market-data/market-data-reports/volume-and-open-interest/historical-volume-statistics>

- *Operational Capability, Price Efficiency and Resiliency*: Options markets have demonstrated strong price efficiency and operational resiliency during periods of elevated volatility, maintaining tight spreads, reliable executions, and clearing and settlement.<sup>7</sup> These strengths bolster investor confidence in an asset class already valued for its strategic versatility and capital efficiency.
- *Short-Dated Options (ODTE's)*: The use of Zero Days to Expiration options, which are contracts expiring the same day, have surged, particularly in index products like SPX, where they accounted for approximately 59% of volume in 2025.
- *Binary Options and Prediction Markets*: Binary options, offering yes/no payouts on price outcomes with defined risk/reward, remain marginal in current volumes but hold potential as prediction markets become more popular for retail investors.
- *FLEX Options and Outcome ETFs*: FLEX options are customizable, exchange-traded options contracts that allow investors to tailor key terms to fit specific investment needs or strategies. They combine the flexibility of over-the-counter (OTC) options with the advantages of centralized clearing, transparency, reduced counterparty risk, and competitive price discovery that are hallmarks of listed, exchange-traded options.

FLEX Average Daily Volume (ADV) reached approximately 1.4 million contracts in 2025 (up 65% YoY).<sup>8</sup> A major catalyst for this dramatic increase has been the rapid growth of Outcome ETFs (also known as Buffer or Defined Outcome ETFs). Since the introduction of the first Buffer ETF in 2018, the category has expanded to approximately 420 funds.<sup>9</sup> BlackRock estimates that U.S. Outcome ETF assets reached roughly \$181 billion by the end of 2024, projecting growth to \$650 billion by 2030, driven by increasing advisor adoption, demographic trends, and demand for structured risk management.<sup>10</sup> These products rely heavily on FLEX options to construct precise, predefined outcome profiles, underscoring the evolving role of FLEX as a mainstream driver of options market innovation and accessibility.

- *Increased Retail Participation Driven by Education and Accessibility*: The retail share of options trading has grown substantially, reaching mid-40% industry-wide in recent years and

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<sup>7</sup> <https://web-docs.stern.nyu.edu/glucksman/docs/Ofek%20Richardson%20Whitelaw%2002-02.pdf>

<https://www.greenwich.com/equities/us-capital-markets-performance-during-covid>

<sup>8</sup> <https://www.cboe.com/insights/posts/the-state-of-the-options-industry-quarter-three-2025>

<sup>9</sup> Morningstar February 18, 2026, report <https://www.morningstar.com/funds/how-largest-buffer-etf-providers-stack-up>

<sup>10</sup> <https://www.blackrock.com/us/financial-professionals/insights/outcome-etfs>

even higher in short-dated options.<sup>11</sup> Enhanced education via broker resources enables investors to learn about the risks and rewards of using options, including the ability for investors to self-evaluate their knowledge by providing simulators to test strategies. Accessibility to the options markets has improved greatly in the last decade through the combination of mobile apps and zero-commission platforms.

#### 4. Proliferation of Strike Series

Today, there are approximately 1.5 to 1.8 million actively quoted series. This results from combinations of approximately 4,000 underlying stocks /ETFs/indices, strike prices, expirations (daily, weekly, monthly, quarterly), and call/put types. Growth of new listings has been significant, with OCC reporting 10,000 to 20,000 series updates per month via new listings and adjustments.<sup>12</sup> The proliferation of strike series continues to be a significant topic of discussion among industry participants. STA believes that targeted reforms to the existing policies governing the listing of new series and the delisting of those with little to no trading activity or open interest could promote more efficient use of capital and enhance investor protections.

- *Use of Capital:* According to the Securities Industry Automation Corporation (“SIAC”)<sup>13</sup> the options markets generate approximately **180 billion quote and trade messages per day**, and with projections estimating that daily message traffic will reach exceed 300 billion in July 2026.<sup>14</sup> While infrastructure expansions are underway to accommodate this growth, the continued proliferation of strike series significantly elevates operational and technology costs for market makers. These challenges arise from the need to process voluminous quote messaging and manage risk across roughly 1.8 million actively quoted series, many of which have little to no trading activity or open interest. This inefficient use of capital and infrastructure resources strains market makers’ quoting capacity and contributes to higher overall costs that are ultimately borne by market participants.
- *Enhance Investor Protection:* STA is concerned about account takeover fraud in brokerage accounts (“ATOs”), where bad actors use stolen credentials to gain unauthorized access and engage in manipulative trading schemes. Account takeovers are not new and occur in the

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<sup>11</sup> <https://www.cboe.com/insights/posts/the-state-of-the-options-industry-quarter-three-2025/>

<sup>12</sup> <https://www.theocc.com/market-data/market-data-reports/series-and-trading-data/new-listings>

<sup>13</sup> The Securities Industry Automation Corporation (“SIAC”) serves as the processor, providing technical systems, communication lines, and hardware to deliver real-time quotes and transaction information to market participants under standards defined by the Options Price Reporting Authority, (“OPRA”) a National Market System Plan that governs the process by which options market data are collected from participant exchanges, consolidated, and disseminated. <https://www.nyse.com/trade/siac>

<sup>14</sup> [https://cdn.opraplan.com/documents/notices/OPRA\\_Capacity\\_Projections\\_Update\\_0925.pdf](https://cdn.opraplan.com/documents/notices/OPRA_Capacity_Projections_Update_0925.pdf)

trading of equities, ETFs, and options, and FINRA has long warned of these risks.<sup>15</sup> As it pertains to manipulative options trading schemes, FINRA notes that fraudsters typically target thinly-traded option series, often far out-of-the-money contracts with wide bid-ask spreads and little to no open interest. Using a separate account at another broker-dealer, the fraudster can direct orders to a specific exchange and execute wash-like trades directly against the victimized retail customer's account at artificially distorted prices leaving the retail customer exposed to significant losses, unexpected margin calls, or unwanted positions upon discovery. It is important to note that these trades generate minimal market impact and detection risk.

The Options Listing Procedures Plan, ("OLPP"),<sup>16</sup> a national market system plan jointly sponsored by the U.S. options exchanges and the Options Clearing Corporation ("Plan Sponsors"), has had a profound impact on options trading since its implementation in the early 2000s. The OLPP formalized standardized, coordinated procedures for selecting underlying securities for options listing, determining series (strikes and expirations), handling adjustments, and facilitating the trading of multiply listed options classes across competing venues.

Its primary positive outcomes include promoting competition enabling multiple listings of the same options class, which has led to meaningfully narrower bid-ask spreads and lower transaction costs for investors.

Despite these benefits, the OLPP has not fully kept pace with the rapid evolution and explosive growth of the options market. Rigid listing rules and antitrust constraints have historically limited aggressive pruning of low-activity strikes. Industry estimates indicate that 30–60% of options series in many classes have zero or negligible open interest and trading activity.<sup>17</sup> STA believes these conditions warrant meaningful improvements to the existing delisting policies. Requiring market makers to continuously quote large numbers of inactive series inefficiently consumes capital and quoting capacity, while the persistence of illiquid, low-activity series creates conditions that can be exploited through ATO schemes. Targeted reforms in this area would enhance operational efficiency, improve liquidity provision, and strengthen investor protections.

On February 25, 2026, the Securities and Exchange Commission approved an amendment to the OLPP.<sup>18</sup> The amendment authorizes the Plan Sponsors to act jointly to discuss matters

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<sup>15</sup> FINRA Regulatory Notice 20-32 (Sept. 2020), which remains relevant in FINRA's 2026 Annual Regulatory Oversight Report; FINRA also provides firms with "Cross Market Options Supervision: Potential Intrusion Report Cards" specifically to help detect options transactions linked to account takeovers.

<sup>16</sup><https://www.federalregister.gov/documents/2001/05/16/01-12250/joint-industry-plan-notice-of-filings-of-a-proposed-options-listing-procedures-plan-by-the-american>

<sup>17</sup> <https://www.theocc.com/market-data/market-data-reports/volume-and-open-interest/open-interest>

<sup>18</sup> SEC Release Number: 34-104892; File Number: 4-443

within the scope of the Plan. Its primary purpose is to establish a formal forum and procedures for the Sponsors and as appropriate other industry participants to collaboratively address issues related to options listing and trading. This includes considering potential amendments to the OLPP itself or individual exchange rule changes designed to promote uniform procedures and standards for multiply listed equity options, with the goal of facilitating fair, orderly, and efficient trading across competing exchanges.

STA views this amendment as a positive and constructive step toward addressing the proliferation of strike series and looks forward to actively engaging with the new forum.

### **5. General State of Market Makers**

Trends in market makers since the early 2010s show consolidation amid the introduction of electronic trading and increased technological and capital requirements. Today, the number of active market makers is between 15 - 20 firms. New entrants - albeit limited - have emerged which we believe is encouraging and a result of third-party vendors offering services in market data, order routing, and clearing which cater to new and non-scale or niche market making firms. Overall, competition remains robust and is reflected in narrow bid-ask spreads, available liquidity, broad investor choice, and strong operational performance.

### **6. General State of Clearing Firms**

In the U.S. listed options market, all trades are centrally cleared through OCC, the sole central counterparty (CCP) for exchange-listed options. Clearing firms (also called clearing members) are the entities that maintain accounts with OCC, post margin, and guarantee the performance of trades for their customers which include market makers, broker-dealers, retail/institutional investors, and proprietary trading firms.

Clearing firms are essential to managing the risk of failure of trades to clear and settle. Clearing firms are subject to a range of regulatory requirements, including those related to clearing member margin and financial contributions to the OCC Clearing Fund.<sup>19</sup>

Most listed options market makers are not direct OCC clearing members because becoming one requires substantial capital, sophisticated operational infrastructure, and ongoing regulatory obligations that are outside their core expertise in liquidity provision and risk management.

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<sup>19</sup> OCC's Clearing Fund is a pool of mutualized assets to which clearing members must contribute under OCC Rules. The Clearing Fund is used to cover any obligations that OCC incurs as the sole central counterparty for contracts in listed options that cannot otherwise be met using margin posted with OCC by its clearing members. See OCC Rulebook, Chapter X, [https://www.theocc.com/getcontentasset/9d3854cd-b782-450f-bcf7-33169b0576ce/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/occ\\_rules.pdf](https://www.theocc.com/getcontentasset/9d3854cd-b782-450f-bcf7-33169b0576ce/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/occ_rules.pdf)

Instead, they typically clear through an OCC clearing member, which adds efficiency but also creates concentration risk in the clearing layer.

While the U.S. listed options market makers benefit from centralized clearing through the OCC, significant concentration exists among the clearing firms that support market makers. Industry participants and recent analyses indicate that three OCC members handle the majority of positions and risk for these key liquidity providers, with the top five OCC clearing members (including these three) contributing nearly half of OCC's Clearing Fund as of the second quarter of 2025.<sup>20</sup> Although OCC maintains more than 100 clearing members overall, this practical reliance on a small group raises considerations about concentration risk in clearing intermediation.

### **7. Options Regulatory Fee (“ORF”)**

The Options Regulatory Fee, (“ORF”) is a per-contract fee on customer transactions cleared at OCC. The fee funds a material portion of each exchange's regulatory costs, including market surveillance, supervision, investigations, examinations, enforcement, policy development, and related activities to ensure fair and orderly markets. Exchanges estimate their annual regulatory budgets, forecast industry-wide customer-cleared options volume, and set the ORF rate accordingly to recover these expenses without generating a profit.

The OCC collects ORF fees on behalf of the exchanges from clearing firms, who are then allowed to pass it through to their customers. The ORF has historically faced criticism for its structure, where exchanges can collect fees on trades executed on rival venues, leading to debates about fairness. On March 24, 2026, the Commission announced, “All options exchanges have filed to assess the Options Regulatory Fee (ORF) only for on-exchange executions effective July 1, 2026. This transformational change will promote greater fairness, transparency, and uniformity for options exchange regulatory funding.”<sup>21</sup>

STA views this as a positive development. However, questions remain regarding the administrative process for ensuring full transparency and accurate collection of fees from end investors. This continues to present challenges for broker-dealers, particularly when executing large institutional trades that are later allocated among multiple accounts.

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<sup>20</sup> Bloomberg, “US Options Market Grapples With ‘Concentration Risk’ in Clearing” (Nov. 30, 2025), available at <https://www.bloomberg.com/news/articles/2025-11-30/us-options-market-grapples-with-concentration-risk-in-clearing>; see also The Economic Times, “US options market grapples with 'concentration risk' in clearing” (Dec. 1, 2025), and Hedgeweek, “Concern over concentration risk in US options market” (Dec. 1, 2025).

<sup>21</sup> <https://x.com/SECGov/status/2036563936405774820?s=20>

Nevertheless, questions remain regarding the administrative process for ensuring full transparency and accurate collection of the fee from end investors. This continues to present challenges for broker-dealers when executing institutional trades that are later allocated among multiple accounts or prime brokers.

### **8. Contrary Exercise Instructions**

Under OCC Rule 805<sup>22</sup>, the Options Clearing Corporation applies an “exercise-by-exception” process at expiration: any equity or ETF option that is in-the-money by one cent or more is automatically exercised. A contrary exercise instruction (also known as a Contrary Exercise Advice or CEA) is the sole mechanism by which a long option holder can override this default. Holders must submit instructions to either (i) not exercise an in-the-money option or (ii) exercise an out-of-the-money option.

For customer accounts, these instructions must be received by the broker and forwarded to OCC by the strict 5:30 p.m. Eastern Time deadline on the expiration day. Institutional investors and market makers benefit from automated systems, dedicated operations teams, and, in certain cases, later processing windows.

Retail investors, however, typically rely on manual broker notifications and lack real-time visibility or automation. As a result, they face a heightened risk of unintended exercises or non-exercises. Consequences for retail customers can include unexpected margin calls, unwanted long or short stock positions, lost premium, or significant cash-flow disruptions.

While comprehensive public data on the frequency of contrary exercise errors is not published, industry participants and broker-dealer compliance teams consistently report that missed or erroneous instructions remain a recurring source of retail investor complaints and operational friction.

STA believes this structural asymmetry undermines the customer experience for retail investors. To properly evaluate the scope of the issue and determine whether targeted improvements - such as extended deadlines for retail accounts or enhanced broker alerts - are warranted, STA recommends that the Commission consider requiring OCC and broker-dealers to provide aggregated data on the frequency and impact of contrary exercise errors, particularly for retail accounts.

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<sup>22</sup> See OCC Rulebook; Chapter VIII – Exercise and Assignment [https://www.theocc.com/getcontentasset/9d3854cd-b782-450f-bcf7-33169b0576ce/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/occ\\_rules.pdf](https://www.theocc.com/getcontentasset/9d3854cd-b782-450f-bcf7-33169b0576ce/dfc3d011-8f63-43f6-9ed8-4b444333a1d0/occ_rules.pdf)

**Conclusion**

STA appreciates the Commission’s initiative in convening the Roundtable on Options Market Structure Reform. The topics of competition in a quote-driven market, customer experience, and identifying opportunities and challenges for continued growth are both timely and critical to the ongoing vitality of the U.S. options market.

We believe the discussions at the Roundtable, combined with thoughtful regulatory engagement, present an excellent opportunity to address the structural and operational issues outlined in this letter including, series proliferation, clearing concentration, account takeover risks, and contrary exercise instructions, while preserving the innovation, accessibility, and robust liquidity that have defined the options market’s success.

STA stands ready to work constructively with the Commission and other market participants to advance practical solutions that enhance market resilience, improve the customer experience for all investors, and support the long-term growth of the U.S. options ecosystem.

Thank you for the opportunity to provide these comments. We look forward to continuing our dialogue with the Commission on these important matters.

Sincerely yours,



Kevin Skarbek  
 Chair of the Board  
 STA



James Toes  
 President & CEO  
 STA