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May 29, 2026

VIA ELECTRONIC SUBMISSION

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File Number 4-887 — Roundtable on Options Market Structure Reform

Dear Ms. Countryman:

I write in my personal capacity to offer a practitioner's perspective on the questions before the Commission in File 4-887. I write not because the listed-options market is failing, but because it is succeeding — and because that success now reaches a far larger and newer retail population than when much of the current architecture was designed. The best time to modernize a market's safeguards is before success turns into fragility.

I spent more than two decades in equity and options market-structure leadership — from my analyst days at TABB Group, to co-founding 3D Markets (the first equity-options dark pool), to leading BATS Options from its inception through the May 6, 2010 Flash Crash and into meaningful market share. At BATS, I was the one herding cats through the last cross-industry effort to harmonize obvious-error rules. After BATS, I spent a couple of years at MIAX on global derivatives markets. Today I serve as President of Tellus App, Inc., a consumer PropTech-FinTech company serving many of the same self-directed retail customers who increasingly encounter options, event contracts, and other leveraged or option-like products inside modern financial applications.

Those two seats — exchange operator, then consumer-product operator — are what I hope make this perspective worth the Commission's time. The first gives me what I believe is still a credible inside inside-the-markets view of the challenges; the second has honed my attention to informed consent, user-interface design, and downstream customer harm. I submit this letter independently — not on behalf of any exchange, broker-dealer, market maker, trade association, or consumer platform. I do not currently operate an options exchange or broker-dealer, and Tellus neither offers nor intends to offer listed-options

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trading. I do not write to restrict retail access, to attack market makers or exchanges, or to advantage one business model over another.

The listed-options industry should take the operational lead through the Listed Options Market Structure Working Group (LOMSWG). SIFMA and the Security Traders Association should continue to convene that forum; exchanges, OCC, OPRA, brokers, market makers, clearing members, and appropriate customer representatives should own the workstreams; and the Commission should provide regulatory coverage, public accountability, and a visible escalation path. This division of labor will preserve retail access, venue competition, liquidity-provider competition, product innovation, and the institutional strengths that made the U.S. listed-options market successful — while requiring the next phase of growth to be earned through better transparency, better measurement, refreshed cross-venue playbooks, and clearing-layer readiness.

The U.S. equity options market is far from broken. But its headline success has outgrown parts of its inherited architecture.

I. This is a success story that needs modern safeguards

The options market is one of the great market-structure success stories of the past quarter-century. The Commission's April 2026 supporting data[5] show a market that has expanded dramatically in breadth, messaging, retail participation, and product complexity. Since 2012, the number of unique underliers and listed series has multiplied severalfold; OPRA message traffic has risen from single-digit billions a day to recent peaks above 240 billion; 0DTE activity has become a meaningful share of total volume; and OCC cleared more than 15 billion contracts in 2025 against just over one billion in 2004. At the same time, liquidity remains concentrated in a relatively small set of highly active symbols, and the market-maker base has consolidated materially.

Those facts are not a case for alarmism. They are a case for modernization. A market can be resilient and still deserve a refreshed operating manual. I agree with the measured posture reflected in the roundtable itself[1,2,3,4]: options market structure is too successful, too complex, and too interconnected to be rewritten casually, and the next phase should be driven by industry-led engagement rather than immediate Commission rulemaking. LOMSWG should be the primary forum for cross-market operational work that no single

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participant can solve alone. The Commission's role should be to protect the public record, provide regulatory coverage, and retain a clear path to formal rulemaking where the record shows that industry coordination is insufficient.

II. Make execution quality visible before changing the market's architecture

LOMSWG should develop, for Commission consideration, an options execution-quality disclosure framework analogous in spirit to Rule 605[7]. The need is not new. The Commission's 2004 concept release[6] identified a continuing need for improved options execution-quality information in a market with widespread multiple listing and expanding payment for order flow. More than two decades later, that case is stronger, not weaker. If the Commission and the industry want better competition without heavy-handed structural intervention, better comparative disclosure is a clear and obvious first step.

The empirical gap is wide. Recent randomized retail-trading experiments across roughly 7,000 options orders at six brokers found price improvement ranging from approximately 51% of the NBBO spread at the highest-quality broker to roughly 7% at the lowest — variation that correlated −0.91 with payment-for-order-flow receipts[10]. That is a difference the public record does not currently capture and that retail customers cannot easily see.

An appropriate options execution quality disclosure regime must be designed for options rather than imported mechanically from equities. It should segment execution quality by order type, spread width, moneyness, liquidity, order size, simple versus complex structure, marketable versus non-marketable flow, auction versus book execution, and post-execution markouts. It should permit meaningful comparison across broker routing practices and execution paths. It should also allow the public record to distinguish between retail customers using limit orders effectively in active products and marketable retail orders that may face materially different cost profiles in wider-spread or less liquid series. DERA staff have separately documented that in active 0DTE series, customer interest sits at the best bid or offer more than half the time and customer limit orders account for roughly a quarter of all 0DTE trades — most of them retail-sized, executing at low cost[9]. The picture is not uniform; it is bifurcated. Sound disclosure should make the bifurcation visible rather than averaging it away.

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I support the careful work some retail brokers are doing to make options costs more intelligible at the point of decision[12]. A plain-language dollar estimate of spread cost or execution cost could be a valuable consumer-protection tool — and, for the brokers that deliver it, a potential competitive advantage. But any path forward should distinguish between the strong case for broker-level execution-quality reporting and the difficult design problem of mandating a uniform front-end estimate on every order ticket. A metric that is too crude will confuse rather than enlighten. Options differ across spread width, liquidity, underlying behavior, volatility, moneyness, and execution path. Broker-level execution-quality reporting should come first, paired with clearer after-the-fact customer disclosures. Voluntary front-end pilots should be encouraged, not mandated across all retail interfaces.

The retail question is one of measurement and informed consent, not access restriction. Put aside for a minute the use of options for speculation. Options serve legitimate purposes for individual investors, including hedging, income generation, and defined-risk exposure. The objective should be to keep the entry door honest, not to close it.

III. LOMSWG should refresh the cross-venue playbook before the next cascade

LOMSWG should take point on a fresh cross-venue review of obvious-error, stale-data, OPRA-disruption, customer-notification, and significant-market-event protocols, with the Commission providing the regulatory coverage needed for practical cross-market work. I say that with conviction because I lived through the multiple black eyes that we — as an industry — gave ourselves: the May 6, 2010 Flash Crash, the failed BATS IPO, Knight's August 2012 trading glitch, the NYSE Tape A halt in 2013, and, unfortunately, many others. Following those painful and embarrassing events, I led the industry-wide obvious-error harmonization effort that followed[8].

The work that culminated in the 2014 harmonized obvious-error framework was an important advance. But it was never meant as a permanent answer. Today's market has more venues, more series, more retail participation, more short-dated trading, more OPRA dependence, and more automation — *by far* — than any of the systems we were running at the time were built for. The concrete risk is not abstract. A fast single-name or ETF move in a heavily traded short-dated product, combined with OPRA dissemination latency, stale quotes, crossed markets, or a quote-data disruption, can produce materially inconsistent

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executions across venues before the market converges on an error determination. If some venues cancel or adjust economically similar trades while others let them stand, customers, brokers, market makers, and clearing members can face dramatically inconsistent outcomes in the same market event.

LOMSWG should bring to the table the exchanges, OCC, OPRA, market makers, retail and institutional brokers, clearing members, and appropriate retail-customer representation. That forum should conduct tabletop reviews of at least four scenarios: a stale-quote routing event during an intense 0DTE move; inconsistent error determinations across venues; an extended-hours or near-close event involving thin displayed liquidity and compressed expiration timelines; and a clearing-and-collateral timing event in which significant margin or settlement demands arise while ordinary payment rails are closed or operating on a different clock.

The objective should be practical: update the playbook so that every venue, broker, clearing participant, and regulator knows what happens when conditions become disorderly. What we authored more than a decade ago was an improvement. We do not need to wait for the next cascade event to know that the work was incomplete.

IV. Treat extended hours as a full trade-lifecycle question, not a matching-engine question

Continuous trading is happening. The question is whether to manage the risks proactively or to be dictated to and clean up the mess. If the options industry wants to be proactive, the next phase of extended-hours development should be industry-led through LOMSWG, OCC-coordinated at the clearing layer, and carried forward with SEC regulatory coverage. It is not a question of whether a venue can keep a matching engine open. The full trade lifecycle has to be addressed: margin collection, collateral availability, exercise and assignment, contrary-exercise processing, corporate actions, data dependencies, customer notification, clearing-member staffing, and banking or payment rails.

OCC sits at the center of that analysis as the central counterparty for U.S. listed options[15]. It should not be put in the position of acting as the market-structure regulator, nor should individual exchanges march the market toward longer hours through isolated filings that solve only their own front-end problem. The better division of labor is straightforward:

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SIFMA and STA continue to convene LOMSWG and keep the work moving; LOMSWG drives the cross-market operational work; OCC coordinates the common clearing-layer analysis as the neutral utility; exchanges and OPRA own venue and data dependencies; brokers and clearing members own customer and lifecycle readiness; and the Commission provides regulatory coverage, monitors progress, and retains the escalation path to formal rulemaking if consensus fails.

Any material product-approval or hours-expansion proposal should be accompanied by a clearing-impact statement. That statement should explain not merely how the product trades, but how it safely clears, margins, settles, exercises, assigns, and unwinds under stress. It should address the definition of the trading day, exercise-by-exception and contrary-exercise windows, intraday and extended-hours margin collection, collateral mobility, payment-rail availability, corporate-action processing, customer-notification protocols, and the interaction between exchange hours and banking hours.

The options industry can put itself in the driver's seat if it adopts a clear phased path toward longer trading hours. OCC's own public discussion of a gradual move toward 22-by-5 or 23-by-5 operations before any move to 24-by-7 trading is the right sequencing. The Federal Reserve's parallel move to expand Fedwire and National Settlement Service operating days[16] reinforces the point: modernize the rails, test the readiness, then expand the clock. Plenty of out-of-band collateral questions remain — accepting tokenized substitutions, using distributed-ledger tools, and so on. The answers may eventually improve collateral mobility. But the underlying technology should not be treated as a shortcut around strong clearing discipline.

V. Apply a consistent measurable-benefit standard to legacy privileges and new proposals

LOMSWG should build a common measurable-benefit standard that the Commission can use to evaluate both inherited mechanisms and new proposals. Old privileges can be just as distortive as new ones. New entrants can be just as valuable as old institutions. For competition to bear substantive fruit, the question must be consistent across both: what measurable customer or investor benefit does the mechanism produce, net of the complexity, cost, and structural advantage it creates? That standard should apply to specialist or Designated Primary Market-Maker appointments, small-order guarantees,

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directed-order allocations, auction auto-match or initiator privileges, floor-execution privileges, new floors, and new venue proposals alike. A pro-competition Commission and a pro-competition options industry should be agnostic about whether a privilege is inherited or newly proposed.

Legacy exchange privileges should be measured rigorously and subjected to periodic re-competition. Some mechanisms may once have been justified as tools to attract capital and liquidity in thinner markets. In the most actively traded classes today, however, it is reasonable to ask whether they still purchase incremental market quality or simply preserve incumbency. Steve Crutchfield's counterfactual framing of the five-lot rule is powerful for that reason: if the industry were designing the modern market from scratch, indefinite small-order entitlements in highly liquid classes would be unlikely to survive a demanding showing of customer benefit.

This recommendation is not a blanket ban. It calls for transparent public measurement, periodic review, and re-competition in active classes where the privilege no longer demonstrably produces meaningful customer outcomes. In less liquid classes, the record probably still supports retaining or refining certain incentives. Data, not the age of the mechanism or tradition, should decide.

The same posture should apply to floors and new venues. No one should be asking the Commission to close a trading floor by fiat. Floors may still matter for larger, more complex, or institutionally managed transactions where size discovery and negotiation produce outcomes not easily replicated electronically. But floors should also not continue by assumption. We live in an increasingly electronic, distributed, and automated world. Twenty years ago, we took advantage of an empty floor to cross institutional orders. The time for that anachronism to end is long past. A class-by-class and size-band-by-size-band materiality review can at least approximate whether floor interaction produces verifiable price improvement, size discovery, liquidity contribution, or execution outcomes not reasonably available through electronic mechanisms.

While skepticism toward additional floors or materially duplicative venues is appropriate, outright prohibition does not seem necessary. A new venue or floor can still increase competition, resilience, pricing diversity, and technological innovation. It will also impose connectivity, surveillance, routing, data, and operational costs on the broader market. The

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right question is not whether a proposal can technically operate, but whether it adds observable, measurable investor benefit and competitive value net of those costs.

VI. Preserve broad-based 0DTE access. Require stronger showings for broader single-name expansion

The current record supports a clearer distinction between broad-based index or highly liquid ETF 0DTE products and broader single-name expansion. The scale of 0DTE activity does not warrant halting broad-based index 0DTE trading. Those products can provide liquid, capital-efficient risk transfer for a broad spectrum of participants. The record is stronger for preserving and closely supervising broad-based products than for accelerating into broader single-name proliferation.

The operational asymmetry against broad-based products is real. A single-name 0DTE position can absorb an earnings release, a regulatory headline, or a corporate-action announcement that moves the underlying twenty percent in seconds — into quoted spreads, displayed depth, and market-maker participation that look nothing like SPX or QQQ on the same day. Manipulation sensitivity rises in the same direction: leveraged short-dated exposure to a single name is materially easier to push than the equivalent exposure to a diversified index. Strike proliferation in less liquid single-name series, of the type already flagged in this docket for account-takeover risk, compounds the problem rather than mitigating it.

Single names introduce more idiosyncratic news risk, more manipulation sensitivity, and more difficult operational edge cases. If the market wants the next stage of single-name expansion, it should earn it through sequencing, pilots, and a stronger operational showing than broad-based products should require. Product innovation should continue, but the burden of operational proof should rise with product complexity, customer reach, and lifecycle risk.

VII. Address operational consumer harms directly

The industry can come together through LOMSWG and address operational consumer harms even where broader structural reform remains under study. The record is clear and convergent. Academics and investor-focused commenters[9,10] have highlighted the difficulty ordinary investors face in understanding what their options executions actually cost. Trade

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groups, brokers, and exchanges[11,13,14] have identified strike proliferation, account-takeover vulnerabilities in illiquid series, clearing concentration, stale pricing, OPRA disruptions, and the asymmetry surrounding contrary-exercise instructions. The consumer-protection case is not coming from one side of the market. Exchanges, academics, brokers, operators, and trade groups all speak from different vantage points — the case, here, is compelling and universal.

Three issues deserve near-term attention. First, FINRA, exchanges, brokers, and OCC should establish better data and rapid referral pathways for account-takeover patterns that exploit illiquid or inactive options series. Strike rationalization should be treated as both a market-quality issue and a fraud-mitigation issue. Second, aggregate data should be presented on contrary-exercise errors and their financial impact, so the industry and regulators can determine whether standardized warnings, extended retail deadlines, or modified reference points are warranted. Third, as hours expand, customer notification for exercise, assignment, forced liquidation, and margin consequences must evolve in lockstep. Retail customers should not receive a seamless modern 0DTE trading experience on the front end while remaining exposed to opaque, legacy back-end assignment and exercise processes.

VIII. Restraint is part of prudent reform

Where the current record does not justify intervention, restraint is itself a policy choice worth making explicit. The Commission does not need to ban payment for order flow. Customers should not be restricted from or denied access to listed options. The Commission should not close floors by fiat, nor — though there were times earlier in my career when I poked at it — import an equities-style off-exchange reporting model into listed options, nor impose a categorical moratorium on broad-based index 0DTE, nor force 24-by-7 options trading before the clearing, collateral, and lifecycle foundation is ready.

A prudent Commission should be neither deregulatory by reflex nor interventionist by instinct. It should insist on better measurement, better disclosure, better coordination, and better readiness.

Our markets are strong enough to withstand rigorous measurement. If legacy privileges still buy measurable liquidity and customer benefit, the data will show it. If floors still

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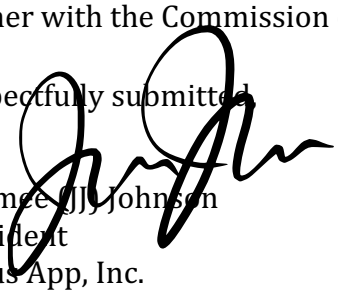
provide material execution value in particular products or sizes, the data will make it clear. If extended-hours expansion can be supported safely, OCC and its clearing members should be able to explain how. If retail customers are receiving strong execution quality across brokers and execution paths, disclosure should make that visible.

The harmonization effort that I led came after so many market-disruptive and disorderly issues that we had no choice. Harmonization was dictated. Nobody wants to see harmonization dictated again. The system being stress-tested in 2026 is larger than the 2010 system in every dimension that matters: venue count, retail share, product proliferation, quote traffic, clock speed, clearing complexity, and cross-product adjacency. The industry has the chance, now, to complete the next harmonization before the next cascade, not after.

Before is always cheaper than after.

I appreciate the opportunity to share these views and would be pleased to discuss them further with the Commission or staff at their convenience.

Respectfully submitted,



Jerome "JJ" Johnson
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cc:

The Honorable Paul S. Atkins, Chairman
The Honorable Hester M. Peirce, Commissioner
The Honorable Mark T. Uyeda, Commissioner
Mr. Jamie Selway, Director, Division of Trading and Markets
Dr. Joshua T. White, Chief Economist and Director, Division of Economic and Risk Analysis

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About the author

Jeromee (JJ) Johnson is the day-to-day strategic and operating leader of Tellus App, Inc., a consumer FinTech company offering integrated high-yield consumer cash accounts, property management software, and residential real estate lending, each grounded in residential real estate. Before Tellus, Mr. Johnson co-founded 3D Markets and served as Head of Options at BATS Global Markets, where he led the exchange from its inception.

This comment is submitted in Mr. Johnson's personal capacity. Neither Mr. Johnson nor Tellus App, Inc. operates an options exchange, broker-dealer, or other SEC-regulated market intermediary, and neither seeks any direct regulatory or competitive benefit from the positions taken in this comment. The views expressed are his own.

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