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December 14, 2009

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-21-09

Dear Ms. Murphy,

As CEO of retail online broker, OptionsHouse, LLC ("OptionsHouse") I appreciate the opportunity to provide the Securities and Exchange Commission (the "Commission") with comments regarding the Commission's proposal to eliminate flash orders in the options market. While I understand the Commission's desire for transparency in the markets, flash orders currently save OptionsHouse customers money every day. With multiple options exchanges competing for orders and their various pricing models for exchange services, restricting flash orders promotes options trading solely on the national best bid and best offer ("NBBO") and will also eventually lead to increased commissions to customers.

OptionsHouse attempts to charge its customers as low a commission as possible per options contract. While I understand that paying for order flow may be considered to be a controversial topic, the options exchanges that do not offer flash orders, that do not offer payment for order flow, and that charge for customer executions downplay how expensive that can be for OptionsHouse customers. For example; Assume that on the International Securities Exchange ("ISE") the displayed market for XYZ calls is $1.50 - $1.60, with a displayed size of 50 contracts. Also assume that the same calls are bid $1.51 on NYSE Arca, Inc. ("Arca"), with a displayed size of 8 contracts. If an OptionsHouse customer placed an order to sell 10 XYZ calls at $1.50, I would much rather try to execute this customer order on the ISE at $1.51. If OptionsHouse routed this proposed order to the ISE, the ISE would flash the order for 10 contracts at $1.51. If this order is executed at $1.51 on the ISE, the ISE does not charge an exchange fee, and, the ISE will also most likely offer a payment to OptionsHouse for routing the order. Assume that the payment to OptionsHouse is $.25 per options contact. If, alternatively, OptionsHouse routed the proposed order to Arca and the order is executed at $1.51, Arca will charge OptionsHouse an exchange fee of $.45 for 8 options contracts. If Arca is able to execute the remaining 2 contracts at $1.51, OptionsHouse might receive $.50 per options contact for order flow payment from Arca, however, if OptionsHouse ends up routing to another options exchange, OptionsHouse would likely receive no payment.

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In analyzing the cash flows for this customer trade: OptionsHouse would collect $2.50 if the proposed order were executed on the ISE. On the other hand, if the order were executed by Arca, OptionsHouse would have to pay ($.45*8)-($.25*2) = $3.10. Regardless of payment, the OptionsHouse customer would be filled at the same price in either scenario, however, the total commission the customer pays is only $10 at OptionsHouse. Another example; imagine if the order were for 50 contracts instead. The commission at OptionsHouse will be $16, but the overall cost for OptionsHouse to execute the proposed 50 contracts will go from collecting $12.50 (if executed on ISE) to paying $15.50 (if executed on Arca). Also consider that OptionsHouse remains required to pay $1.50 in OCC fees as well as fees to OptionsHouse's clearing firm, neither of which are currently passed through to OptionsHouse customers. While OptionsHouse strives to offer low commission rates to its customers, OptionsHouse is not in business to lose money, which it would be doing by, as demonstrated in the example above, OptionsHouse routed orders to options exchanges that do not offer flash orders.

While I have nothing against the maker/taker exchanges or the high frequency traders who are proposing that flash orders be banned these options exchanges and traders should expect OptionsHouse to do everything in its power to execute OptionsHouse customer orders away from them. OptionsHouse is doing what brokers are supposed to do with payment for order flow and zero exchange fees in that it is passing on its cost savings directly through to its customers by offering low commissions. Flash orders enable OptionsHouse to continue to keep its commissions low thereby providing an ongoing cost savings to its customers.

If you look at the flip side of the examples above, you see that the person who most benefits by the order being sent to Arca would be the professional trader on the other side of the proposed customer orders. For example, the professional trader would collect $0.25 per contract for buying the options at the same price as the market maker on the ISE. This seems, to me, like a direct payment from retail customers to professional traders. I strongly urge the Commission to consider the examples described above when evaluating comments to ban flash orders.

Feel free to reach out to me with any questions.

Sincerely,

George Ruhana
CEO