



November 6, 2014

**Via Electronic Mail (rule-comments@sec.gov)**

U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090  
Attention: Brent J. Fields, Secretary

Re: ! NASDAQ UTP <http://www.sec.gov/rules/sro/nms/2014/34-73279.pdf>  
NYSE CTA <http://www.sec.gov/rules/sro/nms/2014/34-73278.pdf>

Dear Mr. Fields:

Aplomb Strategies Inc. appreciates the opportunity to comment on the above-captioned notices (the "Notices"), issued by the CTA and UTP Securities Information Processor (SIP) plan operators with regards to implementing a new non-displayed fee. Specifically with regard to the potential unintended negative financial impact to smaller option broker dealers / independent option market makers as they seek to maintain orderly option markets as well as comply with existing regulatory requirements.

Aplomb Strategies recognizes the importance of improving and maintaining a robust and resilient consolidated quote data feed, and the increasing costs associated with maintaining a stable messaging platform. In addition, the importance for investor confidence to bring the SIP technology and data latency in line to be competitive with existing market data technology offerings that average around 10 microseconds in latency compared with the current aggregation time for the CTA and UTP to consolidate data feeds that today is typically 1,000 microseconds.

It is important to consider that US listed options are quote and not order driven markets, with market makers providing liquidity and committing capital consistently for over 700,000 US listed option strikes. Moreover, under the confines of today's US option market structure, option market makers on the larger option exchanges have quoting obligations unlike what is seen in today's cash equity markets. In order to maintain orderly markets and quotes, option market makers must process both SIP and OPRA Market data feeds, as well as futures market data. In addition to comply with equity regulations, option market makers must consume all regulatory messages, which are currently only available through the consolidated SIP feeds.

For example, following the Flash Crash of May 6, 2010, the national securities exchanges and Financial Industry Regulatory Authority (FINRA) proposed and implemented Limit Up Limit Down. The SEC's Limit Up-Limit Down ("LULD") Rule prohibits trading activity in exchange-listed securities at prices outside specified price bands ("upper band"; "lower band"), which are established at a percentage level above and below the average price of a security over the immediately preceding five (5)-minute period. The



market for a security will enter a "Limit State" if the National Best Bid ("NBB") equals the upper price band or the National Best Offer ("NBO") equals the lower price band.

The option market continues to trade during a "Limit State", which increases uncertainty and risk to market participants. As a result, options market centers and exchanges have uniformly opted to reject certain order types, including new "market" orders entered when the underlying security is in a "Limit State" in addition to increasing quote width requirements for option market makers. In order to maintain orderly quote driven option markets, it is imperative that option market makers continue to be able to obtain "Limit State" message information.

Regulatory messages, such as the Limit State or regulatory halts, are only currently available via the consolidated SIP data feeds. As proposed by the CTA and UTP plan operators consuming the SIP feeds in order to obtain and process the regulatory messages could designate option market makers as potential consumers of this data in a non-displayed fashion. In addition, it appears that the use of SIP data by these small broker dealers to drive necessary risk checks (i.e. 15c3-5 Market Access rules) would require them to pay for this data for a non-trading purpose. It appears this categorization would subsequently subject these smaller broker dealer firms to an unexpected \$9500 per month fee in order to consume required regulatory information and market data in addition to their existing OPRA fee costs which are required for option market makers to maintain a fair and orderly markets.

As these rule proposals were submitted prior to the SIP bid process being completed, Aplomb Strategies respectfully requests that a cost benefit analysis be conducted specifically for the impact of this new fee on the option market; specifically, option market makers and smaller broker dealers. The analysis should weigh the current significant revenues generated by the for profit exchanges whose earnings are increasingly tied to market data revenues versus the impact cost to potential liquidity for the listed options markets. Option participants must take in regulatory information, which is not available elsewhere. In addition, listed options are derivatively tied to the underlying stock price. The option market makers cannot maintain fair and orderly markets without running algorithms that enable them to calculate the theoretical value of an option contract. Moreover, the impact of this monthly fee on independent option market makers ability to commit capital should be considered in conjunction with several other regulatory changes anticipated to occur simultaneously; including but not limited to, the SEC's anticipated proposal for Reg SCI, and [OCC's elimination of a discount to the clearing fee schedule](#).

Aplomb Strategies appreciates the opportunity to comment on a potential unintended consequence of the proposed rule on smaller option broker dealers. Thank you very much for your consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Joanna Fields', is written over a circular stamp or seal.

Joanna Fields

Principal

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