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January 28, 2015

By Electronic Mail (rule-comments@sec.gov)
Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: BATS Request for Comment on SEC File No. SR-BATS-2014-067

Dear Mr. Fields:

The Securities Industry and Financial Markets Association ("**SIFMA**")[1] appreciates the opportunity to comment on the above-referenced filing, which is a proposed rule change filed by BATS Exchange, Inc. ("BATS") with the Securities and Exchange Commission ("Commission").[2] BATS' has filed a proposed rule change to replace current Rule 20.6 ("Current Rule"), entitled "Obvious Error," with new Rule 20.6 ("Proposed Rule"), entitled "Nullification and Adjustment of Options Transactions including Obvious Error." For the reasons outlined below, SIFMA supports BATS request to create a new rule set related to the adjustment and nullification of erroneous options transactions.

"The Proposed Rule is the culmination of a coordinated effort undertaken by the options exchanges to universally adopt: (1) certain provisions already in place on one or more options exchanges; and (2) new provisions that the options exchanges collectively believe will improve the handling of erroneous options transactions.[3]" Once approved by the Commission, other listed options exchanges will amend their rules "to ensure that the Exchange will have the same standards as all other options exchanges." The new rule set also features a provision to coordinate in connection with large-scale events involving erroneous options transactions.

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[1] The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

[2] *See* Securities Exchange Act Release No. 34-73884 (December 18, 2014), 79 FR 77557 (December 24, 2014).

[3] Id.

SIFMA believes it is appropriate that the Commission approve BATS' amended Rule 20.6 in order for the exchanges to have harmonized obvious and catastrophic error rules. SIFMA first addressed obvious and catastrophic errors with the Commission in a comment letter dated March 14, 2013 which supported PHLX's proposed rule[4] to permit the nullification of trades in certain situations when the resulting price of a non-broker-dealer customer order would violate the customer's limit price. In its letter, SIFMA encouraged the other options exchanges "to adopt similar amendments to their Obvious and Catastrophic Errors Rules, thereby eliminating price uncertainty for retail investors and minimizing excess capital expenditures on trades, given the limited amount of funds most retail investors hold in their accounts."[5] This was SIFMA's initial foray into obvious and catastrophic errors on listed options exchanges, and as follow-up, SIFMA began working with the exchanges to try and harmonize critical aspects of the rule sets.

On September 12, 2013, following the August 22, 2013 interruption in the trading of NASDAQ-listed securities, SEC Chair Mary Jo White issued a statement following a meeting with the leaders of the equities and options exchanges, FINRA, DTCC and OCC. In her statement, Chair White asked those at the meeting to work constructively with the Commission staff, and she outlined a series of action items designed to "consider ways to enhance the integrity of market systems.[6]" This directive specifically included a "review of their rules relating to trade break processes"[7] in the listed options market.

SIFMA applauds the effort of BATS and the listed options exchanges for their collaborative effort to create a uniform rule for the Nullification and Adjustment of Options Transactions including Obvious Error. As stated in the filing, "The goal of the process that the options exchanges have undertaken is to adopt harmonized rules related to the adjustment and nullification of erroneous options transactions as well as a specific provision related to coordinate in connection with large-scale events involving erroneous options transactions.[8]" SIFMA agrees with the exchanges that the proposed changes "will provide transparency and finality with respect to the adjustment and nullification of erroneous options transactions. Particularly, the proposed changes seek to achieve

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[4] SEC File No. SR-PHLX-2013-05.

[5] See SIFMA Comment letter on PHLX proposal on SEC File No. SR-PHLX-2013-05: http://www.sifma.org/issues/item.aspx?id=8589950066.

[6] See SEC Press Release 2013-178 - http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370539804861#.VMEd7CvF_To.

[7] Id.

[8] See 79 FR at 77557.

consistent results for participants across U.S. options exchanges while maintaining a fair and orderly market, protecting investors and protecting the public interest.[9]"

While SIFMA is in general agreement with rule, there are critical aspects of it discussed in the filing which will require additional time to allow for discussions between the industry and exchanges. One such item is the goal of "additional objectivity and uniformity with respect to the calculation of Theoretical Price.[10] SIFMA agrees that it would benefit the erroneous trade policy if exchanges had ready access to a third party vendor system that generates theoretical values. A common source for theoretical value would allow the exchanges to rule more expeditiously, which diminishes the risk to market makers, whose business requires real time hedging to manage risk. Accordingly, SIFMA urges the exchanges to work expeditiously to implement a solution to calculate Theoretical Value.

SIFMA also supports further development of exchange pre-trade risk functionality which could prevent erroneous trades before they occur. An exchange suite of pre-trade risk tools that are designed to detect and prevent erroneous options transactions before they occur, safeguards market participants in an increasingly complex market. SIFMA commends the OCC and exchanges planned adoption of new pre- and post-trade risk controls which are "designed to enhance the monitoring of trading activity on a real-time basis and reduce the risk of errors or other inappropriate activity that poses a material risk of significant market disruption.[11]" These new risk controls include price reasonability checks, drill through protections, activity based protections and kill switches – all of which are designed to help maintain a fair and orderly market that protects investors and the public interest.

For the reasons set forth above, SIFMA agrees with BATS request to amend and replace Rule 20.6 with a new rule entitled Nullification and Adjustment of Options Transactions including Obvious Errors. As a result, SIFMA believes it is appropriate that the Commission approve SR-BATS 2014-067.

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SIFMA greatly appreciates the SEC's consideration of SIFMA's comments in reference to the above. If you have any questions, please do not hesitate to contact me at (212) 313-1287 or egreene@sifma.org.

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[9] "Id.

[10] See 79 FR at 77558.

[11] OCC Press Release dated May 21, 2014: http://www.optionsclearing.com/about/newsroom/releases/2014/05_21.jsp.

Respectfully Submitted,

Ellen Greene

Ellen Greene
Managing Director

cc: Mary Jo White, Chair
Luis A. Aguilar, Commissioner
Daniel M. Gallagher, Commissioner
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Michael S. Piwowar, Commissioner
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