

*November 14, 2011*

*Via Email and First Class mail*

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

**Re: SR-BOX-2011-046 (“BOX Proposal”)**

Dear Ms. Murphy:

TD Ameritrade, Inc.<sup>1</sup> (“TD Ameritrade” or “the Firm”) appreciates the opportunity to again comment on the above referenced fee change to increase the inducements for the Price Improvement Period (“PIP”) of the Boston Options Exchange Group, LLC, (“BOX”) (“the BOX Proposal”). TD Ameritrade is a strong proponent of market structures that promote the interests of retail investors and believes that the above proposal stands to serve the interests of retail investors as the Firm previously has argued.<sup>2</sup>

The Firm strongly believes that Commission disapproval of the BOX Proposal is not in the public interest in that unlike the Commission’s proposal to amend Rule 610 of Regulation NMS, the BOX proposal concerns unpublished quotations. The Commission amendments to Rule 610 would prohibit an exchange such as the BOX from imposing unfairly discriminatory terms that inhibit efficient access to published quotations in a listed option. TD Ameritrade strongly recommends that for *published* quotations the protections of Regulation NMS Rule 610 should be extended to the options markets and again recommends that the Commission move to adopt the proposed rule.<sup>3</sup>

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<sup>1</sup> TD Ameritrade is a wholly owned broker-dealer subsidiary of TD Ameritrade Holding Corporation (“TD Ameritrade Holding”). TD Ameritrade Holding has a 36-year history of providing financial services to self-directed investors. TD Ameritrade serves an investor base comprised of over 5.5 million funded client accounts with approximately \$405 billion in assets. During October 2011, the Firm averaged a total of 407,000 client trades per day.

<sup>2</sup> See TD Ameritrade letter to Ms. Elizabeth M. Murphy dated September 12, 2011, <http://www.sec.gov/comments/sr-bx-2011-046/bx2011046-5.pdf>

<sup>3</sup> See TD Ameritrade letter to Ms. Elizabeth M. Murphy dated June 30, 2010, <http://www.sec.gov/comments/s7-09-10/s70910-28.pdf>. See Release No. 34-61902.

The BOX proposal, on the other hand, concerns *unpublished* quotations contained within the BOX PIP Auction. The Commission previously noted that the PIP uses pennies in an auction, not in public quotations.<sup>4</sup> The Firm agrees with the Commission that the PIP is a mechanism designed to contribute to the best execution of investors' orders by providing price improvement over and above the best displayed quotation published in the market-place.<sup>5</sup> The Firm notes that price improvement opportunities are important for retail investors and are of greater significance in the options markets versus the equity market as each penny of improvement represents \$1.00 per contract directly into the pocketbook of an investor. To elaborate further, during the month of September, 2011, the Firm averaged 10.48 contracts per order in nickel series names. This resulted in an average savings of \$68.12 per improved client order. Additionally, price improvement opportunities for investors are sought by brokers as part of their regular and rigorous review of execution quality in the marketplace. The Firm, however, is concerned by the Commission's intent to disapprove the price improvement features of the PIP, particularly as there is a lack of public information relating to overall quality afforded in the options market as no standard quality of execution reports exist. Therefore, the Firm recommends that the benefits brought by Rule 605 in the equity markets be afforded to the options markets.

The Firm strongly believes that the fee structure proposed in the PIP for penny and nickel series is consistent with current nickel payment for order-flow ("PFOF") arrangements available by most options specialists. In fact, in many nickel series names such as Google, the BOX fee is 33% lower than available private market PFOF rates.

TD Ameritrade also believes that the BOX fee has not inhibited competition nor fostered internalization in the options market. To the contrary, the Firm has actually been approached by two additional specialist firms seeking to compete in the BOX program since it was launched and the Firm has seen price improvement rates superior to that available through other programs in the market. In fact, TD Ameritrade believes an examination of statistical data regarding nickel series options before the Commission abrogated the rule supports its position. Specifically, the below table shows price improvement data for the BOX versus price improvement data for five market makers used by TD Ameritrade during the month of September 2011. As is evident, the BOX PIP provided superior price improvement percentages as compared to other market makers.<sup>6</sup>

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<sup>4</sup> See Regulation NMS, Release No. 34-51808, 70 Fed. Reg. 37,496 at 37,557 (June 29, 2005).

<sup>5</sup> See Section 11A(a)(1)(D) of the Exchange Act, 15 U.S.C. 78k-1(a)(1)(D).

<sup>6</sup> The Firm notes that the nickel price improvement data for the BOX is not specific to TD Ameritrade alone and was the total amount generated while the \$0.75 program was in place during the month of September 2011 compared to actual nickel tick price improvement realized on TD Ameritrade order-flow during the month of September 2011.

Nickel Tick Series	Total \$ Improvement	Total Marketable Contracts	Contracts Traded Better than NBBO	% Improved	Average \$ Improvement/Contract
BOX (PIP Auction)	\$8,061,914.00	3,436,787	1,925,105	56%	\$0.042
Market Maker A	\$251,643.00	511,036	96,402	19%	\$0.026
Market Maker B	\$63,092.00	185,613	19,015	10%	\$0.033
Market Maker C	\$1,951,868.01	575,158	203,737	35%	\$0.096
Market Maker D	\$8,902.00	27,893	1,363	5%	\$0.065
Market Maker E	\$61,066.00	95,970	36,400	38%	\$0.017

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The Firm strongly supports the BOX Proposal as it delivers price improvement directly into the pocket book of retail investors, is consistent with other inducement programs available in the options market and believes that Commission intervention is unnecessary. Further, the Firm believes that expanding Rule 605 to the options market would create much needed transparency. Finally, the Firm recommends that the Commission move with all due speed to adopt the provisions of Rule 610 to the options markets.

TD Ameritrade again appreciates the opportunity to comment. Please feel free to contact me at 402-970-5656 with any questions regarding our comments.

Respectfully Submitted,

/S/ Christopher Nagy

Christopher Nagy  
Managing Director Order Strategy  
TD Ameritrade