



311 S. Wacker Drive, Suite 4700
Chicago, IL 60606

March 11, 2013

Via Electronic Mail

By Electronic Mail (rule-comments@sec.gov)

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

Re: CBOE Request for Comment on SEC File No. SR-CBOE-2013-016

Dear Ms. Murphy:

LiquidPoint LLC¹ (“LiquidPoint”) appreciates the opportunity to comment on the above-referenced filing, which is a proposed rule change filed by the Chicago Board Options Exchange (“CBOE”) with the Securities and Exchange Commission (“Commission”).² CBOE has filed a proposed rule change to permit the minimum price variation for mini-options³ to be the same as permitted for standard options on the same underlying security. For the reasons outlined below, LiquidPoint strongly agrees with CBOE’s request to mimic the pricing convention of standard options with mini-option contract pricing. As a result, LiquidPoint believes it is appropriate that the Commission approve penny-pricing for mini-options on those securities for which standard options already trade in pennies.

¹ LiquidPoint LLC, a wholly owned subsidiary of ConvergEx Group, LLC (“ConvergEx Group”), specializes in providing derivatives technology and execution solutions for U.S. listed options traders. LiquidPoint provides electronic direct market access to every U.S. options exchange, as well as advanced trading capabilities that include order execution, order management, order routing and optimization, quality assurance review, and a variety of reporting and books and records capabilities. ConvergEx Group is a global technology firm. Its companies focus on providing software products and technology-enabled services in the following areas: global execution, commission management, independent research, transition management, trade order management, portfolio margining and prime services.

² See Securities Exchange Act Release No. 34-68873 (February 8, 2013), 77 FR 10671 (February 14, 2013).

³ A mini-option is a contract that delivers 10 shares as compared with a standard option that delivers 100 shares on the same security.

The CBOE recently amended its rules to allow for the listing of mini-options that deliver 10 physical shares on SPDR S&P 500 (“SPY”), Apple, Inc. (“AAPL”), SPDR Gold Trust (“GLD”), Google Inc. (“GOOG”) and Amazon.com Inc. (“AMZN”).⁴ Mini-options trading is expected to commence on March 18, 2013, and the CBOE is proposing to establish and permit the minimum price variation for mini-option contracts to be the same as permitted for standard options on the same underlying security in order to harmonize pricing between the mini option and the standard option. Of the five securities on which mini options are permitted, SPY, AAPL, GLD and AMZN participate in the Penny Pilot Program.

As detailed in the CBOE’s proposed rule filing, there is a preference that premium pricing for mini-options match what is currently permitted for standard options on the same security. LiquidPoint agrees with this preference, as its systems are programmed such that it would be difficult and confusing to system users to assign different minimum pricing variations to mini-options and standard options on the same security. CBOE also is concerned that given the significant liquidity in the standard options of the five securities in the mini-option pilot program, investor confusion could be profound if the standard and mini-options are not aligned with respect to the minimum price variation. Lastly, LiquidPoint agrees that penny pricing for mini-options would benefit anticipated users by providing additional price points, particularly as the product is intended to be an investment tool with more affordable and realistic prices for the average retail investor.

For the reasons set forth above, LiquidPoint strongly agrees with the CBOE’s request to conform the pricing convention of mini-options to that of standard options. As a result, LiquidPoint believes it is appropriate that the Commission approve penny-pricing for mini-options on those securities for which standard options already trade in those increments.

LiquidPoint greatly appreciates the SEC’s consideration of these comments in reference to the above matter. If you have any questions, please do not hesitate to contact me at (312) 986-2006 or ds@liquidpoint.com.

Sincerely,

David Schmueck
Director
Chief Regulatory Officer
LiquidPoint, LLC

⁴ See Securities Exchange Act Release No. 34-68656 (January 15, 2013), 77 FR 4526 (January 22, 2013).