

SR-ISE-2006-23 comment

I am a retail trader who trades equity options, stock and futures. I would like to express my displeasure and continuing shock at the effort by the ISE Options Exchange to place barriers to trade and to manipulate who has access to their trading systems. This new proposed rule is merely the latest in a continuing effort to identify active and successful traders and discourage them from trading. I am waiting for an ISE proposed rule which simply states, "Anyone who makes money trading options on our system cannot trade on our systems." That may be a bit hyperbole but it captures the way I feel and, I believe, how the management of ISE feels. There is no other reasonable explanation for the time and effort made by ISE to propose these absurd rules.

Why shouldn't retail traders, no matter their success or background, be allowed to enter orders and cancel them? Where is the proof that this is overwhelming the ISE systems? It is a creation of ISE to justify this rule. Now ISE will benefit from canceled orders and derive a profit center for traders not getting filled on orders rather than getting filled. Why is their no effort to propose rules to open up ISE trading or to ensure traders are guaranteed fills within a certain time or price rather than rules that close the system off for a class of retail traders ISE deems too successful? It is simply because ISE does not want intelligent traders to trade on their systems. And what they are doing is blocking or erecting barriers to customers trading with other customers. The orders being canceled and being filled that ISE complains about are largely if not almost entirely customer to customer trades. This rule would decrease and impair customers' abilities to get orders filled in a timely manner at a fair price and with adequate size. This rule would decrease price discovery and liquidity all to the benefit of ISE and their professional market makers. The rule at its core eliminates competition. Period. That's what is at the heart of this rule. The great declarations of free markets, risk and capitalism is just platitudes for ISE. What they really want is total control of the access to their markets. This proposed rule accomplishes that.

The excuses ISE gives about clogging their system or bandwidth are just that – excuses. This rule is simply a way to eliminate smart, active retail traders to the detriment of customers and the marketplace and for the benefit of ISE market makers. It's as simple as that. The rest is just argument. If this rule passes many traders will no longer be able to post bids and offers giving customers a choice in price and size. And if this rule doesn't pass ISE will be back soon with another rule or rules that seek the same thing. To identify through trading records who is actively trading and who is successfully trading and then write rules to propose the SEC to eliminate these traders. They have been trying for a long time and will continue to try to manipulate the market. It is the SEC's responsibility to stand in their way and not allow that to happen.

Sincerely,

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