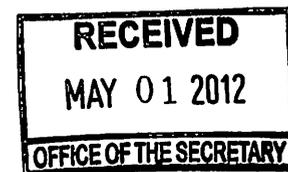# NASDAQ OMX™

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April 30, 2012

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

Re: *Mini-Options Proposals (Release No. 66827, SR-ISE-2012-26; Release No. 66725, SR-NYSEArca-2012-26)*

Dear Ms. Murphy:

The NASDAQ OMX Group, Inc. ("NASDAQ") appreciates the opportunity to comment on two competing proposals for listing and trading "mini-options" that were filed by NYSE Arca LLC ("NYSE Arca") and the International Stock Exchange LLC ("ISE"). NYSE Arca and ISE both propose to list and trade options that are one tenth the size of current standard options contracts ("Mini-Options"), which consist of one hundred shares of the underlying security, albeit using different methodologies to structure such Mini-Options.[1] The Exchange believes, first and foremost, that if the Commission does approve the listing and trading of Mini-Options, it should approve only one of the pending proposals for all options markets. The Exchange believes also that should the Commission choose to approve a proposal, the ISE proposal represents the healthier alternative for the industry.

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[1]   See, Securities Exchange Act Release Nos. 66827 (April 18, 2012), 77 FR 24547 (April 24, 2012)(SR-ISE-2012-26)(notice for comment); and 66725 (April 3, 2012), 77 FR 21120 (April 9, 2012)(SR-NYSEArca-2012-26)(notice for comment).

Since the 1980s, when standardized options began trading in the United States, options have traded in "round lots" and "odd lots," whereby one option contract represents one hundred shares of the underlying security or less than one hundred shares of the underlying security, respectively. The quintessential one hundred share option contract now in use (the "standard option contract") is engrained in the rules and procedures of all options markets and trading systems. The standard option contract has, over the decades, provided the proper balance of leverage and value in option products. Traders and investors of all ilk, be they retail or institutional, have clearly recognized this, as reflected in the significant expansion of options trading (using standard option contracts) on regulated and transparent options markets. The expansion is particularly noticeable in comparison to the trading of other investment vehicles available to investors and traders. The recent expansion of options reflecting shorter expiration periods, as an example, has been very helpful for all market participants and investors. Mini-Options that have a smaller contract size than the current 100 lot standard option contract, on the other hand, may or may not fill a void that NYSE Arca and ISE perceive is an underserved market - retail investors seeking to hedge less than 100 shares of high-priced securities. We believe that it is worthwhile to let the market determine the viability of such Mini-Options.

Furthermore, we strongly believe that if the Commission feels compelled to approve the listing and trading of Mini-Options, it should approve only one proposal. This is because any approved Mini-Options proposal will likely, from a competitive perspective, be copied and followed by most, if not all, options markets. Having two or more competing standards forMini-Options would cause significant confusion in the market place and for traders and investors.

We have heard from market participants that they prefer the ISE proposal over the NYSE Arca proposal. We agree. The ISE proposal is, we believe, constructed to minimize confusion by simply expressing Mini-Option contracts in terms of dollars per one tenth of the value of the current 100 lot standard option contract. The ISE proposal also designates Mini-Options contracts with a different trading symbol than the symbol used for the standard option contracts.

Considering that Mini-Options have never been offered to investors in the United States, however, we believe there are legitimate investor protection concerns. As such, we would welcome the Commission limiting ISE's proposal to the securities described in the ISE proposal: Apple, Inc., (AAPL), SPDR Gold Trust (GLD), Google, Inc. (GOOG), Amazon, Inc. (AMZN), International Business Machines (IBM), and Priceline.com, Inc. (PCLN) (taken together, "Industry Mini-Options"). We would further welcome the Commission establishing specific criteria for Industry Mini-Options: (1) Industry Mini-Options must meet initial and continued generic equity and ETF listing standards; (2) underlying security trading volume (in all markets in which the underlying security is traded) must have averaged at least 2,250,000 shares per day in the preceding twelve months prior to initial listing, and must continue to average at least 2,000,000 shares per day in the preceding twelve months for continued listing; and (3) average daily option trading volume during the three previous months prior to the initial listing of an Industry Mini-Options must be at least 10,000 contracts. We believe that these criteria should
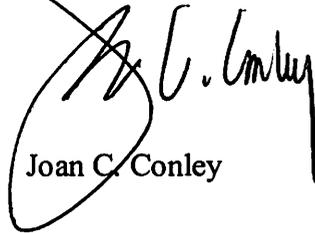
help establish sufficient liquidity while initially limiting unnecessary proliferation of the new Mini-Options.

We appreciate the opportunity to express our thoughts and concerns regarding the Mini-Option proposals pending before the Commission.

Respectfully submitted,

Joan C. Conley

cc: The Hon. Mary L. Schapiro, Chairman
        The Hon. Elisse B. Walter, Commissioner
        The Hon. Luis A. Aguilar, Commissioner
        The Hon. Troy A. Paredes, Commissioner
        The Hon. Daniel M. Gallagher, Commissioner

        Robert W. Cook, Director, Division of Trading and Markets
        James A. Brigagliano, Deputy Director, Division of Trading and Markets
        David S. Shillman, Associate Director, Division of Trading and Markets