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June 8, 2012

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

Re: SR-NYSEArca-2012-26 & SR-ISE-2012-26 Mini-Option Proposals, "Proposals".

Dear Ms. Murphy,

The Security Traders Association, "STA" welcomes the opportunity to comment on Regulatory notices; SR-NYSEArca-2012-26 & SR-ISE-2012-26 Mini-Option Proposals, "Proposals". The STA is an organization comprised of individuals who are involved in the trading of financial securities. Our members represent many of the business models in the financial services sector, including full and discount service broker dealers, agency only broker dealers, asset managers, exchanges and ATS's. Because of the diversity within our membership we are uniquely qualified to provide insight and comments on the, Proposals. The STA uses a Committee structure to vet issues amongst its various constituencies to create bottom-up consensus. With regard to the Proposals, the STA relied mostly on input we received from our Trading Issues: Derivative Committee – which is comprised of representatives of equity option traders from proprietary, discount and full service retail firms.

Over the course of our 75 year history the STA has compiled a list of "Principles of Rule-Making" which we consult to insure our opinions are consistent. We feel two of those Principles apply to Proposals.

- First, and foremost, regulation should do no harm.
- Regulators should not pick winners and losers.

This letter was written in context to these principles which we believe have withstood the test of time.

Executive Summary

STA agrees with the comments made by Ed Tilly, President and Chief Operating Officer of the CBOE, in his letter to the Commission dated April 30, 2012.¹

"Overall, CBOE supports the objective of providing investors with access to exchange traded options overlying high-priced securities that are smaller than in size and therefore more readily available as an investing tool than options that provide for delivery of 100 physical shares."

¹ [Edward T. Tilly, President and Chief Operating Officer, CBOE, Letter to Ms. Elizabeth M. Murphy, Dated April 30, 2012.](#)



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STA feels investors could benefit from having such an investment alternative and that each proposal has the potential to satisfy such an investment alternative.

STA acknowledges that investor confusion would be greatly mitigated with one consistent set of contract specifications; however the STA does not feel it is the role of the Commission to pick winners and losers. Furthermore, it is our opinion that implementation challenges to support a multi contract standard on mini-options regime would be greater than if one consistent set of specifications existed.

STA's Opinion

It's reasonable to assume that if the Proposals were approved other exchanges would file unique mini-option proposals exacerbating investor confusion and implementation costs to perhaps a level that would harm overall investor confidence and negate the benefit to investors of having such an investment alternative.

We therefore recommend the Proposals be rejected until such time that they become fungible and the risks associated with investor confidence mitigated.

SRO Rule Making Process

STA acknowledges that the right of exchanges to compete is often exercised through the SRO rule filing process. While STA sees certain efficiencies and benefits which accrue to investors in this process, we have become concerned that the pattern of one SRO rule approval is often followed by similar, but different Rule filings by competing SROs. This trend has the potential to affect overall market structure and investor confidence. We strongly urge the Commission that when considering the impact to market structure with a single SRO Rule Proposal, it does so under the assumption that competing SROs will file similar proposals.

We thank you for the opportunity to offer comment on the Proposals and will make ourselves available for any follow up questions the Commission may have.

Jennifer Green Setzenfand

Chairman of the Board

James Toes

President and CEO