GETCO

GLOBAL ELECTRONIC TRADING COMPANY

July 20, 2007

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Comments Regarding NASDAQ Stock Market LLC's Proposal to Establish Rules Governing the Trading of Options on the NASDAQ Options Market (SR-NASDAQ-2007-004)

Dear Ms. Morris:

Global Electronic Trading Company ("GETCO")[1] appreciates the opportunity to comment on the Proposal of the NASDAQ Stock Market LLC ("NASDAQ") to establish rules governing the trading of options on the NASDAQ Options Market, LLC ("NOM"), a new options facility of NASDAQ ("NASDAQ Proposal").[2] GETCO supports the introduction of NOM into the options market and believes that it will introduce efficiency into the marketplace, by encouraging competition between the NOM and markets that employ a specialist market structure, thereby narrowing spreads and enhancing customer executions. As in the trading of equities, market intermediaries are not generally necessary in liquid options classes such as the QQQQ.

I. PRICE/TIME PRIORITY

NOM would execute orders based on price/time priority, without the intermediation of specialists or other market participants. Specialists or other designated market participants typically receive enhanced priority and trade allocations at the existing options exchanges. GETCO believes that the options markets with priority or allocation advantages do not necessarily encourage competition especially in liquid options classes. GETCO agrees with NASDAQ that its flat and open system will encourage better executions and provide increased liquidity to the market.[3] The program established by NYSE Arca, Inc. ("NYSE Arca"), in

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[1] GETCO, with offices in Chicago, New York and London, is a privately-held, electronic trading firm that provides liquidity to exchanges and Alternative Trading Systems ("ATSs") in the US and Europe. GETCO, an early entrant in electronic trading, utilizes automated trading models to trade on various exchanges and ATSs.

[2] See Securities Exchange Act Release No. 55667 (April 25, 2007), 72 FR 83 (May 1, 2007) (SR-NASDAQ-2007-004).

[3] The Commission has stated that "large specialist guarantees [can] significantly discourage intramarket price competition by 'locking up' such a large proportion of each order that market makers in the crowd would be seriously hindered in their ability to compete with the specialist. Over the long-term, the decrease in intraexchange competition could widen spreads and diminish the quality of prices available to investors." See Securities Exchange Act Release No. 49068 (January 13, 2004), 69 FR 2775, 2785 n. 161 (January 20, 2004) (SR-BSE-2002-15).

conjunction with the U.S. Securities and Exchange Commission's ("SEC" or "Commission") Penny Pilot Program in the options markets ("Penny Pilot"), is similar to the proposed NOM facility. As part of the Penny Pilot, NYSE Arca is currently trading options on the NASDAQ 100 Tracking Index ("QQQQ") based on strict price/time priority, without the involvement of a Lead Market Maker.[4] The marketplace has embraced this initiative and NYSE Arca has reported that during the Penny Pilot, QQQQ effective spreads decreased by 63% while the average daily volume increased by 10%.[5]

Furthermore, price/time priority for order execution is the new goal of the equities exchanges with most of the equities markets having moved away from the specialist model and toward electronic trading platforms, especially with the implementation of Regulation NMS. Such a transition has been remarkably successful in reducing trading costs for customers, increasing competition and efficiency, and providing better executions overall. Based on the success of such price/time priority electronic trading platforms in the equities markets, we believe that NOM will generate similar results in the options markets. Moreover, NOM will lower barriers to provide liquidity to its market, and lower barriers to entry typically add liquidity, narrow spreads and improve execution quality for customer orders.

II. LIQUIDITY

The NASDAQ Proposal would permit options market makers on NOM to register on a series-by-series basis, as opposed to a class-by-class basis. We agree with NASDAQ that giving market makers the alternative to register in only a few select series will allow them to target the series for which they are most apt to provide liquidity, and this specialization in turn will create greater liquidity across the entire market. With no limitation on the number of market makers admitted to trading privileges on NOM, the market will be better served by many market makers competitively quoting in series for which they are best able to provide liquidity, rather than a select few who are forced to quote in numerous series in which they have no real desire to provide any liquidity. We believe that the cumulative effect of the proposed NOM model will lead to enhanced liquidity across the entire options market.

III. RESERVE/NON-DISPLAYED ORDERS

The NOM will utilize reserve and non-displayed orders. NOM will not be the first options market to utilize these order types.[6] Non-displayed orders,[7] and reserve orders[8] have been used

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[4] See "Making Cents of the Options Penny Pilot - NYSE Arca Options," available at: http://www.nyse.com/pdfs/Options_Penny_Pilot.pdf.

[5] See Eric Stockland, "Understanding Economic and Capacity Impacts of the Penny Pilot," NYSE Arca Options (May 31, 2007).

[6] NYSE Arca Options utilizes reserve orders. See NYSE Arca Options Rule 6.62(c)(3)

[7] See NASDAQ Rule 4768(c)(3)(C); Chapter XXXVII, Section 2(c)(ii)(P) of the Rules of the Boston Stock Exchange ("BSE"); Rule 4(b)(9) of the Chicago Stock Exchange ("CHX").

[8] See NASDAQ Rule 4756(c)(3)(A); Chapter XXXVII, Section 2(c)(ii)(H) of the BSE Rules; NYSE Arca Rule 6.31(h)(3); CHX Rule 4(b)(21).

for years in the equities markets and currently are used in the Regulation NMS environment. The use of such orders has neither impeded the Firm Quote Rule obligations of the Exchanges under Regulation NMS, nor have they diminished competition or liquidity in the equities markets. In fact, the Commission stated in its approval of the former Pacific Stock Exchange's electronic trading facility, entitled the Archipelago Exchange ("ArcaEx"), that "...the use of various tools, such as discretionary orders and reserve size, ...will allow investors greater flexibility in displaying and managing their orders, thereby allowing them to more fully represent their trading interest in a public marketplace."[9] GETCO believes that reserve orders will encourage liquidity providers to bring their interests to the options market in a manner that best suits their trading requirements. Anti-competitive practices are regularly surveilled by each SRO, and the NASDAQ Proposal affirmatively states that they will conduct real-time surveillance. There is no evidence that the use of non-displayed and reserve orders in the equities markets has led to anti-competitive practices; therefore, we do not see any reason to believe that it would lead to such practices in the options markets. Moreover, the increased utilization of reserve orders in the options markets will help to mitigate concerns that penny increments will hurt institutional investors.

IV. CONCLUSION

We believe that NOM will introduce exciting new concepts and be a welcome addition to the options marketplace. Since the NASDAQ Proposal will introduce efficiency into the marketplace, foster provision of much needed liquidity, and enhance customer executions, we encourage the Commission to approve it.

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GETCO appreciates the opportunity to submit these comments on the NASDAQ Proposal. If you have any questions, please do not hesitate to contact one of us at 312.242.4600.

Sincerely,

Stephen Schuler
Managing Member

Daniel Tierney
Managing Member

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[9] See Securities Exchange Act Release No. 44983 (October 25, 2001), 66 FR 55225, 55235 (November 1, 2001) (SR-PCX-00-25).