

April 5, 2013

Heather Seidel
Associate Director
Division of Trading and Markets
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Ms. Seidel:

As you know, the options exchanges have filed various proposed rule changes recently to address options orders in response to the Regulation NMS Plan to Address Extraordinary Market Volatility (the "Plan"). On behalf of the NASDAQ Options Market, NASDAQ OMX PHLX and BX Options, this letter is in connection with one of those filings. Specifically, in SR-BX-2013-026, SR-NASDAQ-2013-048 and SR-Phlx-2013-29, we proposed to amend the relevant obvious and catastrophic error rules to specify how such rules will operate during a Limit State or Straddle State, as those terms are defined in the Plan. In those filings, we stated that we would conduct an analysis concerning the elimination of obvious and catastrophic error provisions during Limit States and Straddle States and agreed to provide you with relevant data to assess the impact of the changes. As part of such analysis, we agreed to (1) evaluate the options market quality during Limit States and Straddle States; (2) assess the character of incoming order flow and transactions during Limit States and Straddle States; and (3) review any complaints from members and their customers concerning executions during Limit States and Straddle States. Additionally, we agreed to provide you data to evaluate the impact of the elimination of the obvious and catastrophic error provisions, including data relevant to assessing the various analyses noted above.

Understanding that your main concern is whether market quality and liquidity for options is maintained despite changes to the obvious error rules, we will provide the following:

- (A) At least two months prior to the end of the pilot period, NOM, PHLX and BX Options will provide to the SEC staff assessments relating to the impact of the operation of the obvious error rules during Limit and Straddle States as follows:
1. Evaluate the statistical and economic impact of Straddle States on liquidity and market quality in the options markets.
 2. Assess whether the lack of obvious error rules in effect during the Straddle and Limit States are problematic.
- (B) For each month, by the end of the following month (unless we specifically request a longer time period for the initial months in order to implement this), NOM, PHLX and BX Options shall provide to the SEC staff and the public a data set containing the data for each Straddle and Limit State in optionable stocks. For each option impacted by a Limit or Straddle State, we will select those options which meet the following conditions:

- The options are more than 20% in the money (strike price remains < 80% of last stock trade price for calls and strike price remains > 120% of last stock trade price for puts when the Straddle or Limit state is reached)
- Option has at least 2 trades during the Straddle or Limit State
- The top 10 options (as ranked by overall contract volume on that day) meeting the conditions above

For each of those options affected, each data record will contain the following information:

- Stock symbol, option symbol, time at the start of the Straddle or Limit State, an indicator for whether it is a Straddle or Limit State,
- For activity on the exchange:
 - executed volume, time-weighted quoted bid-ask spread, time-weighted average quoted depth at the bid, time-weighted average quoted depth at the offer,
 - high execution price, low execution price,
 - number of trades for which a request for review for error was received during Straddle and Limit States,
 - an indicator variable for whether those options outlined above have a price change exceeding 30% during the underlying stock's Limit or Straddle state compared to the last available option price as reported by OPRA before the start of the Limit or Straddle state (1 if observe 30% and 0 otherwise). Another indicator variable for whether the option price within five minutes of the underlying stock leaving the Limit or Straddle state (or halt if applicable) is 30% away from the price before the start of the Limit or Straddle state.

If you have any questions, please contact me at (215) 496-5631, Kevin Kennedy at (215) 496-5467 or Edith Hallahan at (215) 496-5179.

Sincerely,



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