

May 12, 2011

Elizabeth Murphy,  
Secretary  
U.S. Securities and Exchange Commission  
100 F. Street, NE  
Washington, D.C. 20549 - 1090

**Re: File No. SR-NYSE Arca- 2011-20 - Proposed Rule Change to Eliminate Registration Fees and Institute an Options Regulatory Fee ("Proposal")**

Dear Ms. Murphy:

optionsXpress, Inc. ("optionsXpress") is a registered Broker-Dealer and Futures Commission Merchant that provides an online trading platform and execution services to self-directed retail investors and clearing services for domestic equity and options transactions. optionsXpress' clients include retail individuals and entities that place self-directed orders for their individual, joint, IRA, and corporate accounts.

While optionsXpress understands the competitive need for NYSE Arca, Inc. ("NYSE Arca" or the "Exchange") to participate in collecting an options regulatory fee ("ORF"), optionsXpress is concerned that unlike the Chicago Board Options Exchange ("CBOE"), which sought to replace lost revenue resulting from the elimination of Registered Representative Fees, the introduction of the new ORF may result in incremental revenue gains for the Exchange to the detriment of retail customers. While optionsXpress understands that the registered representative fee previously charged of firms resulted in a misallocation of regulatory costs, such a cost should not be passed along solely to retail investors.

While the introduction of the CBOE ORF fee was a more efficient manner of allocating and collecting regulatory costs across the industry, as we noted in optionsXpress' comment letter on Boston Options exchange filing SR-BX-2010-001, ensuring that other exchanges did not take advantage of this new fee structure without concomitant regulatory burden as a revenue generation tool was critical. In optionsXpress' comment letter responding to the CBOE's ORF proposal, optionsXpress raised concern that the seven other exchanges offering options trading would soon seek their own fees to recoup "regulatory costs" which could result in significant fees for retail investors trading options.<sup>5</sup> The Proposal makes clear that is exactly what is happening. The initial costs of the ORF have significantly increased for the retail investor since the CBOE initially filed its Rule Proposal, with investors paying up to .02 per contract. The declared exchange costs of regulation and work to both streamline the process and lower the total ORF fee should be examined.

---

<sup>5</sup> Letter from Hillary Victor, Associate General Counsel, optionsXpress Holdings, Inc., to Florence Harmon, Acting Secretary, SEC, dated November 13, 2008.

Further, the Proposal was not posted for comment until after the Exchange's April 1, 2011 notice had been sent to Members indicating that the ORF would become effective on May 1, 2011 without providing an advance opportunity for firms or their retail customers to comment on the Proposal. The options exchanges have greatly increased their fee filings since the CBOE's initial introduction of the ORF as a result of the dramatic shift in market structure and increased competition for market share. optionsXpress respectfully requests that the Securities and Exchange Commission ("SEC") critically examine the Exchange's Proposal and the ORF charged by all of the options exchanges and coordinate a reasonable plan, together with the Options Clearing Corporation, to institute a reasonable fee schedule that would enable the multiple options exchanges to recoup solely the actual costs of regulation of the options markets while consolidating the duplicative regulatory efforts of these exchanges. optionsXpress further urges the SEC to consider equitably imposing the ORF across all transactions and not solely on customer range transactions.

optionsXpress appreciates the opportunity to comment on the Proposal. If you have any questions or need further clarification of the concerns raised herein, please do not hesitate to contact the undersigned. It is our sincere hope that the SEC and exchanges will respond affirmatively to this comment so that a uniform standard can be communicated to the industry while serving the investors who the industry seeks to protect.

Respectfully,



Peter Bottini, EVP Trading and Customer Service, optionsXpress, Inc.,

Thomas E. Stern, CFO, optionsXpress, Inc.

and

Hillary Victor, Associate General Counsel, optionsXpress Holdings, Inc.