

*April 30, 2012*

*Via Email and First Class mail*

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 collectively known as “Miniature-Options”**

Dear Ms. Murphy:

TD Ameritrade, Inc.<sup>1</sup> (“TD Ameritrade” or “the Firm”) appreciates the opportunity to comment on the above referenced proposals by the above exchanges that were filed with the Securities and Exchange Commission (“Commission”) to list Miniature Options. The Firm notes that NYSE Arca filed their proposal on April 3<sup>rd</sup>, and 15 days later on April 18<sup>th</sup>, the International Securities Exchange filed a similar, yet different version.

As an initial matter, the Firm notes that certain popular stocks are reaching prices beyond the reach for the typical retail dollar investment. As a result we find our retail clients are increasingly trading in odd-lot increments (less than 100 shares of a round lot). In fact during the month of April, the percentage of odd lot trades as compared to all trades for the Firm in the proposed Miniature Option securities is as follows: AAPL 77%, SPY 69%, GLD 73%, GOOG 84%, AMZN 69%, PCLN 84% and IBM 72%. The Firm finds that as security prices increase, retail investors continue to dedicate the same dollar amount to invest in the security. As security prices increase beyond \$50 TD Ameritrade has observed that there is a commensurate increase in the amount of odd lot trades the Firm handles.

As investors are increasingly purchasing odd lots their availability to engage in hedging strategies, such as selling a covered call, is diminished as the deliverable under standard options

---

<sup>1</sup> TD Ameritrade is a wholly owned broker-dealer subsidiary of TD Ameritrade Holding Corporation (“TD Ameritrade Holding”). TD Ameritrade Holding has a 36-year history of providing financial services to self-directed investors. TD Ameritrade serves an investor base comprised of over 5.7 million funded client accounts with approximately \$452 billion in assets. During March 2012, the Firm averaged a total of 388,000 client trades per day.

is 100 shares of stock. The listing of Miniature Options opens the door to these investors who can now hedge against their underlying. In the case of AAPL for example, an investor could buy or sell 8 Miniature Options on their underlying position (80 shares being the average odd lot size for TD Ameritrade clients).

TD Ameritrade strongly supports the listing of Miniature Options because the Firm believes they will be popular among retail investors. The Firm, however, is concerned with the ISE proposal as it only will list Miniature Options on underlying security prices greater than \$150 while the NYSE Arca proposal plans to list on prices greater than \$90. Given TD Ameritrade's above noted increased odd lot trading for securities priced above \$50, the Firm believes the lower threshold of \$90 is appropriate.

Additionally, TD Ameritrade believes that the contract multiplier of the NYSE Arca plan will lead to significant investor confusion because the strike price will be significantly different from the underlying security price which makes the calculations difficult for the investors to comprehend easily and very difficult for firms to display correctly under current symbology methods. Conversely the ISE methodology is straight forward and does not require the investor to perform complex calculations to convert to their underlying odd-lot position.

Moreover, TD Ameritrade notes that although both proposals attempt to achieve a similar result, the difference between both proposals is stark and would result in the products being non-fungible between each other. The Firm is extremely concerned that in the event both products are approved retail investors may engage in spread strategies between the non-fungible products which raise margin issues pursuant to FINRA's margin guidelines<sup>2</sup>.

Finally, the Firm requests that the Commission clarify if an Options Disclosure Supplement would be necessary.

**Given the above concerns, the Firm strongly urges the Commission to disapprove both proposals and requests that the exchanges take into account the above comments and re-file proposals that use a consistent approach and methodology.**

---

<sup>2</sup> See FINRA Rule 4210(f).

Ms. Elizabeth M. Murphy  
April 30, 2012  
Page 3

Please feel free to contact me at 402-970-5656 with any questions regarding our comments.

Respectfully Submitted,

/S/ Christopher Nagy

Christopher Nagy  
Managing Director Order Routing & Market  
Data Strategy  
TD Ameritrade