April 10, 2013

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

Re: NYSE Arca (File No. SR-NYSEArca-2013-34)

Dear Ms. Murphy:

The United States Commodity Funds LLC is writing to respond to NYSE Arca's proposal to create the NYSE Arca ETP Incentive Program ("Incentive Program"),a pilot program that would provide incentives to market makers to undertake Lead Market Maker ("LMM") assignments in certain exchange-traded products ("ETF/ETPs") listed on the NYSE Arca, Inc. ("Exchange").

United States Commodity Funds LLC ("USCF") is an issuer of ETPs. At present USCF sponsors twelve different ETPs with combined assets under management of approximately $2.7 billion (as of March 31, 2013). USCF listed its first ETP, the United States Oil Fund, LP (NYSE: USO), in 2006. As such we are not only the exact sort of firm who will be heavily impacted by any new Fixed Incentive Programs, but we have also been active in this space for a number of years and believe we can bring a particular vantage point that other commentators may lack.

The Fixed Incentive Program is one of several market maker incentive programs offered by exchanges to issuers of ETFs/ETPs. USCF has long been a supporter for regulatory changes that would result in more efficient markets for issuers of ETFs/ETPs and we support this new initiative.

We will summarize our support by highlighting two issues.

The first is that we would respectfully encourage the Commission to bear in mind that this is a "pilot" program that will, by design, be limited in its initial scope. In the event that over the course of its first year of operation some negative and unintended consequences arise from the implementation of the program it will be fairly easy for either the Exchange or the Commission to alter or terminate the program with little or no negative consequences to the marketplace.

The second issue we would mention is that it is our observation that the current market model as practiced on exchanges in the post-Reg NMS environment does not encourage broker/dealers to assume the additional responsibilities of being an LMM. Over the past seven years in which we have been sponsoring ETPs, we have seen fewer firms stepping up to the plate to fill this role. Over the last few months, we would argue that the LMM pool of firms active in this space has shrunk such that a firm looking to launch a new fund has, at most, three firms to discuss being the LMM (at times during the 2009-2010 period, we observed that the number of firms had shrunk to only one). Those firms that do participate as an LMM are increasingly less willing to commit capital to this space. Many or most firms would prefer to remain an ordinary market maker, even if they are listed as being eligible to act as an LMM, and not have any further obligation to support liquidity in the market, especially during adverse market moves.

**United States Commodity Funds LLC**
1999 Harrison Street Suite 1530
Oakland CA 94612
Phone: 510.522.9600 | Fax: 510.522.9604

If the Commission believes it is desirable that more firms remain more firmly committed to supporting market liquidity, than some steps must be taken to reverse the recent trend. It is no guarantee that this pilot program is in fact the perfect solution to reverse the trend, or for that matter the only approach that might be tried. However, it certainly appears that it will give many ordinary market making firms a new reason to consider committing to the LMM model.

Unlike some observers who might measure the success of this pilot program over its first year in terms of how tight spreads are in ETFs/ETPs subject to the proposed pilot arrangement, we feel that another, and perhaps better sign of success, will be if the number of firms willing and able to act as an LMM in this space were to increase.

We encourage any programs that make it possible for all firms to attempt to list new and innovative securities in the marketplace and have an opportunity to receive adequate support from the market making community. This is a benefit that would directly benefit either newer entries into this space, or smaller existing players, who may have innovative products but may otherwise lack the market presence to receive adequate attention from the market making community. By allowing innovation to occur from a source other than large, existing sponsors that may dominate the current space, may provide a valuable benefit to investors, as well as alleviate regulatory concerns about various parties becoming too dominant in any financial space.

In composing our comments, we are not addressing the topic of the relative merits of the LMM approach, as practiced on the Exchange or with other approaches used on other trading platforms such as NASDAQ. We believe that is a separate discussion. Rather we assume that it is deemed beneficial for a trading platform to have a market structure that requires at least one market maker to make a two-sided market in securities and where in exchange for this obligation the market maker(s) receive some form of economic benefit.

On balance, we believe that the current proposal from the Exchange does strike a reasonable balance between the stakeholders when attempting to enhance the market making process. We encourage the Commission to support this effort.

* * * * *

If you have any questions on our comment letter, please feel free to contact me directly at (510) 522-9600.

Sincerely,

/s/ John Hyland, CFA

John T. Hyland, CFA
Chief Investment Officer

cc: The Honorable Mary Jo White
The Honorable Elisse B. Walter
The Honorable Luis A. Aguilar
The Honorable Troy A. Paredes
The Honorable Daniel M. Gallagher
John Ramsay, Director Division of Trading and Markets