



October 15, 2013

By Electronic Submission

Elizabeth Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
www.sec.gov

Re: *Proposed Rule Change Amending Rule 6.72 to Make Permanent the Penny Trading Program for Options; File No. SR-NYSEArca-2013-42*

Dear Ms. Murphy:

Citadel LLC (“**Citadel**”)¹ appreciates the opportunity to submit this comment letter in response to the NYSE Arca, Inc. (“**Arca**”) rule filing referenced above (the “**Rule Filing**”).² The Rule Filing would make permanent the penny trading program in options, with a reduction from the current 363 classes participating in the program to the 150 most active classes. Citadel supports the Rule Filing and urges the Commission to approve it without delay.

Citadel agrees with the comments made by Chicago Board Options Exchange, Incorporated in its letter dated October 7, 2013 and offers the following additional comments to supplement that letter.

Arca’s proposal would promote price and quote size competition, while easing the burden of repeated quote updates that provide little economic benefit. The statistics and reports cited in the Rule Filing indicate that the benefits to investors of the Penny Pilot are overwhelmingly in the 150 most active Penny Pilot issues (the “**Top 150**”), and that little additional benefit accrues to issues outside of the Top 150 (the “**Bottom 203**”). In fact, the evidence suggests that the costs

¹ Established in 1990, Citadel is a leading global financial institution that provides asset management and capital markets services. With over 1,100 employees globally, Citadel serves a diversified client base through its offices in the world’s major financial centers, including Chicago, New York, London, Hong Kong, San Francisco and Boston. Citadel Securities operates an industry leading market making franchise and an institutional markets platform. On an average day, Citadel accounts for over 14 percent of U.S. listed equity volume and over 19 percent of U.S. listed equity option volume.

² Notice of Filing of a Proposed Rule Change Amending Rule 6.72 to Make Permanent the Penny Trading Program for Options, Exchange Act Release No. 70317 (Sept. 4, 2013), 78 FR 55312 (Sept. 10, 2013).

of the Penny Pilot in the Bottom 203 outweigh the minimal benefit that quoting those issues in pennies provides. In its Rule Filing, Arca describes a study that shows that quote traffic in the lower tier issues has increased significantly without a corresponding increase in volume. Excessive and unnecessary quote traffic imposes technology costs and strain on Arca, regulators, market makers and all market participants, including customers. Furthermore, unnecessary quote traffic needlessly places undue stress on the overall financial system.

We also believe that Arca rightly points out that average spreads in the less active names currently included in the Penny Pilot are relatively wide, and that such names do not appear to benefit from penny quoting. Also, Arca points out that average quote size at the NBBO in such names is quite low. We believe that quote size at the NBBO and liquidity overall in such names might benefit from fewer price points.

Beyond the fact that the Rule Filing makes a persuasive case concerning the merits of limiting the Penny Pilot to the Top 150 options, it also thoughtfully and comprehensively addresses the various procedural aspects of the permanent program, including introducing new options to, and removing options from, the program.

In terms of the empirical basis for approving Arca's proposal, the benefits of permanent approval have been well supported by Arca. Indeed, the operation of the program and the performance of options included (and not included) within the program in its various phases have been thoroughly documented and analyzed by the exchanges (including in the periodic reports that they have produced during the Penny Pilot). We see little incremental benefit in delaying the approval of a permanent program, as suggested by some commentators, as we believe that all of the information regarding the benefits and costs of the program that could have been gathered and analyzed has been.

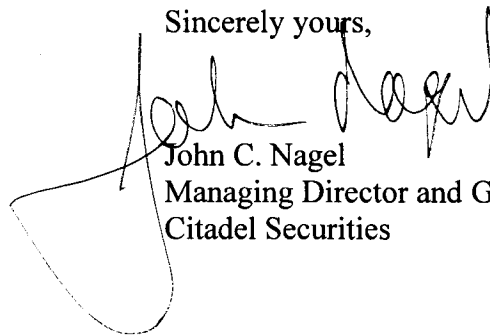
Accordingly, we believe that Arca's proposal is consistent with the requirements of Exchange Act Section 6(b) in general, and furthers the specific objectives of Exchange Act Section 6(b)(5), as it would "remove impediments to and perfect the mechanism of a free and open market and a national market system" and serve to "protect investors and the public interest." Furthermore, Arca's proposal is consistent with Exchange Act Section 3(f), which requires the Commission to consider when reviewing a rule of a self-regulatory organization, among other things, whether the rule would promote efficiency, competition and capital formation.

For the reasons provided above, we urge the Commission to approve the Rule Filing without delay.

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If you have any questions, please do not hesitate to contact me at (312) 395-2100.

Sincerely yours,



John C. Nagel
Managing Director and General Counsel
Citadel Securities