



August 5, 2013

Via Electronic Mail ([rule-comments@sec.gov](mailto:rule-comments@sec.gov))

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: File No. SR-Arca -2013-059

Dear Ms. Murphy:

The Securities Industry and Financial Markets Association (“SIFMA”) <sup>1</sup> appreciates the opportunity to comment on the above-referenced filing, which was a proposed rule filed by NYSE Arca (“Arca”) with the Securities and Exchange Commission (“SEC”).<sup>2</sup> In the proposed rule change, Arca extended the Penny Trading Program (“Pilot”) to December 31, 2013.<sup>3</sup> SIFMA supports the extension to the Pilot. The extension of the Pilot prevents the investor confusion that would ensue if the Pilot were to expire prior to a permanent program being approved. The extension will allow the Exchange and the SEC “additional time to analyze the impact of the Pilot Program.”<sup>4</sup>

At the same time, SIFMA supports Arca amending its Rule 7.72 to make the Pilot permanent for multiply-listed options classes.<sup>5</sup> Arca received initial approval to trade a limited number of options in penny increments on January 23, 2007, and the Pilot has been expanded and extended numerous times since then. Today, under the Pilot program, 363 multiply-listed options classes have the ability to trade in pennies. Penny increments were introduced to “create tighter markets and thus reduce overall costs of trading in

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<sup>1</sup> SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit [www.sifma.org](http://www.sifma.org).

<sup>2</sup> See Securities Exchange Act Release No. 34-69790 (June 18, 2013), 78 FR 37853 (June 24, 2013)

<sup>3</sup> *Id.*

<sup>4</sup> See 78 FR at 37853.

<sup>5</sup> See Securities Exchange Act Release No. 34-55156 (January 23, 2007), 72 FR 4759 (February 1, 2007)

options for retail investors.”<sup>6</sup> SIFMA concurs with Arca’s statement that “the Pilot Program promotes just and equitable principles of trade by enabling public customers and other market participants to express their true prices to buy and sell options.”<sup>7</sup>

SIFMA believes that Arca and the other options exchanges should submit proposed rule changes to make the Pilot into a permanent Penny Trading Program (“Penny Program”). In this regard, SIFMA believes that it will be critical for each options exchange to adopt uniform rules with respect to the number of multiply-listed options classes that trade in pennies and the methodology to move classes in and out of the Penny Program.

The creation of a uniform Penny Program across exchanges would provide transparency into the penny process and minimize investor confusion by establishing criteria to define which options classes qualify for the Penny Program. The Penny Program should outline key dates for options classes to enter the Penny Program and prescribe a plan for those options that no longer qualify to trade in pennies to phase out of the Penny Program.

SIFMA recommends that, once the Penny Program is made permanent, it should apply to the most actively traded multiply-listed options classes, based on trading activity in the previous six full calendar months. This application should take into account those names already in the Pilot or, if for classes not currently in the Pilot, those multiply-listed options classes whose underlying common stock is priced below \$200 per share.

SIFMA recommends that Arca and the other options exchanges outline a methodology to move multiply-listed options classes in and out of the Penny Program and provide an allowance for an option to remain in the Penny Program, even if it falls out of the Penny Program based on an established numerical criteria of options classes that are permitted to trade in pennies. SIFMA recommends that the permanent Penny Program take effect on the first business day following January, 2014 expiration. SIFMA supports a uniform plan for adding and deleting issues in the Penny Program where the underlying securities have been de-qualified, typically because of delisting. The transparent process in which names should be moved in and out of the Program, both on an annual and interim basis, will allow broker-dealers and their customers’ visibility into the changes with ample time to digest and prepare for them.

SIFMA’s members strongly recommend that the Commission ensure that the Penny Program be consistent across all options exchanges. Consistency will reduce confusion and allow all investors to seamlessly determine which options classes are

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<sup>6</sup> See Securities Exchange Act Release No. 34-54590 (October 12, 2006), 71 FR 61525 (October 18, 2006)

<sup>7</sup> *Id.*

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traded in pennies. Similarly, the options exchanges should all have an efficient, transparent and uniform convention which is used to move products in and out of the program. Lastly, SIFMA and the options exchanges should continue to work together to ensure that the program is as efficient as possible, and make modifications and improvements as needed to ensure a robust and transparent Penny Program on the U.S. options exchanges.

For the reasons set forth above, SIFMA agrees with the extension of the penny pilot to December 31, 2013 and recommends consistent filings by the options exchanges to make the Penny Pilot Program permanent.

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SIFMA greatly appreciates the SEC's consideration of SIFMA's comments in reference to the above. If you have any questions, please do not hesitate to contact me at (212) 313-1287 or [egreene@sifma.org](mailto:egreene@sifma.org).

Respectfully Submitted,



Ellen Greene  
Vice President  
Financial Services Operations

cc: Mary Jo White, Chairman  
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