

July 6, 2004

Mr. Jonathan G. Katz  
Secretary  
U.S. Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549-0609

**Re: Concept Release  
Competitive Developments in the Options Markets  
Release No. 34-49175; File No. S7-07-04**

Dear Mr. Katz:

The Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”) welcomes the opportunity to offer our comments to the Securities and Exchange Commission (“SEC” or “Commission”) on the above-referenced Concept Release (the “Release”). The Release discusses a wide variety of issues that have arisen in the options markets since the start of widespread multiple trading of options, and seeks comments, *inter alia*, on the issues of payment for order flow, internalization and best execution in the options markets.

### **Exchange-Sponsored Payment for Order Flow**

#### **A. Why Ban Exchange-Sponsored Payment for Order Flow?**

In brief, the Exchange believes that exchange-sponsored payment for order flow programs are deleterious to the National Market System. It is anticompetitive; it interferes with market forces by, in effect, creating a known and stable price point (the exchange mandated fee) that affects payment for order flow negotiations and can thus cause market participants to provide their output in an inefficient manner, or can cause firms to provide an inefficient level of quality with respect to the services provided; it has an adverse impact on market makers; and it has the potential to call into question a Self-Regulatory Organization’s discharge of its regulatory obligations. The Exchange has repeatedly made its opposition to exchange-sponsored payment for order flow known to the Commission, most recently by way of the submission of its Petition for Rulemaking cited in the Release.<sup>1</sup>

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<sup>1</sup> See, e.g., letters from Meyer S. Frucher, Chairman & CEO, Phlx, to Jonathan G. Katz, Secretary, Commission, dated August 21, 2000; August 29, 2000; October 17, 2001, and from Lanny A. Schwartz, Executive Vice President & General Counsel, Phlx, to Robert L.D. Colby, Deputy Director, Division of Market Regulation, Commission, dated July 7, 2000. See also letters from Meyer S. Frucher, Chairman &

In addition to the reasons to ban Exchange-sponsored payment for order flow cited above and in the Petition for Rulemaking, the Exchange believes that such a ban would enhance liquidity generally in respect of those options that are subject to such programs. Currently, many market makers elect to provide liquidity only in option classes for which there is no mandatory assessment under an exchange-sponsored payment for order flow program. Without the threat of a per-contract tax for each contract traded, market makers would have an incentive to trade, and quote competitively in, a larger number of option classes, thus expanding liquidity across all option classes and maintaining narrow quote spreads through competitive quoting.

Finally, the Commission specifically requests comments (Question 10) on whether the elimination of payment for order flow would result in better prices for non-professional customers. The Exchange believes that it is likely that quote spreads would decrease if exchange-sponsored payment for order flow were eliminated. Under most exchange payment for order flow plans, market makers are taxed in that they must pay “marketing fees.” Absent the “tax,” which is presumably paid for by market makers by way of wider markets, spreads would likely become tighter.

B. Perhaps Payment for Order Flow as a Whole Should be Banned, but the Exchange Does Not Have, and the Commission May Not Yet Have, the Analysis to Justify Doing It

The Exchange recognizes that banning exchange-sponsored payment for order flow does not necessarily address all of the questions surrounding payment for order flow, and believes that the Commission appropriately raises whether payment for order flow should be banned altogether. This question is a legitimate subject for debate and empirical study – but it is complex.

At the most basic level, the Exchange emphatically agrees that a firm that routes customer orders to a market center, to the detriment of a customer, based upon considerations of remuneration or benefit to the firm should be condemned. However, it is not clear to the Exchange that a firm should be prohibited, *per se*, from obtaining any benefit where the firm at the same time diligently and properly seeks and obtains “best execution” for the customer. Moreover, the Exchange believes that if a firm routing customer orders (the agent having fiduciary obligations) is not so constrained, why should others who would confer that benefit (such as a payment) to receive the order flow be barred from doing so?

Without a doubt, the Commission, self regulatory organizations (“SROs”) and firms must be vigilant and police order routing practices and execution quality to ensure that *potential* conflicts of interest do not result in actual customer harm. And, indeed, the

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CEO, Phlx, to the Hon. Arthur Levitt, Chairman, Commission, dated August 29, 2000, and to the Hon. Harvey L. Pitt, Chairman, Commission, dated February 7, 2003. The Exchange’s Petition for Rulemaking was enclosed with Letter to Jonathan G. Katz, Secretary, Commission, from Meyer S. Frucher, Chairman & CEO, Phlx, dated February 3, 2003 (Petition for Rulemaking File No. 4-474).

Exchange does not foreclose the possibility that either the conflicts inherent in payment for order flow are too real and pervasive to be policed on a case by case basis, or that payment for order flow too fundamentally degrades the quality of the markets overall. However, the Exchange is not aware of comprehensive economic or other policy analysis that reaches this conclusion, or even much empirical evidence that there is an actual widespread problem of order routing firms being corrupted in their order routing decisions by payment for order flow. We are aware only of extensive rhetoric.

The issue of payment for order flow in the options industry is made more complicated by widespread practice of internalization. Clearly, if internalization is generally permitted (subject to whatever limitations exist under SRO rules), firms with order flow to internalize (such as those firms with extensive retail networks) are able to derive benefit to some degree from their order flow -- because they can direct their order flow to units or affiliates that operate as exchange specialists or the like, or “facilitate” orders represented by a floor broker or electronic system -- in a way that is analogous to firms that sell their order flow. If the Commission seeks to ban the practice of payment for order flow, it must logically ban other arrangements where a firm directly or indirectly benefits from its order flow. In addition, banning payment for order flow without at the same time banning internalization and other arrangements in which indirectly benefit is realized by a firm in respect of its order flow would vastly benefit specialists and other firms with affiliates having “natural” order flow; clearly this would be competitively disastrous, and perhaps ultimately fatal, to specialists and other liquidity providers not having such affiliations. This result could have profound consequences for the markets that should not be undertaken lightly and without solid foundation.

For these reasons, the Exchange again urges the Commission to ban exchange-sponsored payment for order flow now – because it can see the harms that it causes and can effect this change by means at hand. At the same time, the Exchange urges the SEC to continue to analyze whether further constraints on payment for order flow (and internalization) are warranted based upon evidence of actual abuse or market degradation.

C. Are the Potential Effects on Some Specialists of Banning Exchange-Sponsored Payment for Order Flow Sufficient to Justify the Harms of the Practice?

Some competitor markets have argued that banning exchange-sponsored payment for order flow would be competitively disadvantageous to some specialists. The Exchange does not dispute this.<sup>2</sup> Indeed, the Phlx concedes that specialists who seek to

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<sup>2</sup> The Exchange notes that at least one specialist firm that is represented on most, if not all, options exchanges has taken the position that exchange-sponsored payment for order flow plans harm investors, market makers, and the markets as a whole by introducing artificial costs into the market, decreasing price transparency, and blurring the lines between an exchange’s role as the regulator of its members and its role as a “marketer” of itself. See letter to Jonathan Katz, Secretary, Commission, from Joel Greenberg, Chief Legal Officer, Susquehanna International Group LLP (“SIG”), dated June 1, 2003 (re Application for Exemptive Relief from Exchange Sponsored Payment for Order Flow Programs), and letter to Jonathan Katz, Secretary, Commission, from Todd Silverberg, General Counsel, SIG, dated April 23, 2004.

purchase order flow are relatively advantaged by exchange-sponsored payment for order flow programs that tax market makers to subsidize the specialist's economic arrangements with order flow providers. In the Exchange's view, the harms of exchange sponsorship -- particularly the burden on intra-market competition and the forced subsidy by market makers of the specialist (their competitor), perhaps (as some allege)<sup>3</sup> in ways that accrue to the specialist alone and do not redound to the market makers or the exchange -- outweigh the potential burden on some specialists. The Exchange believes that this burden contravenes Section 6(b)(4) of the Exchange Act, which requires that the rules of an exchange provide for the equitable allocation of reasonable dues, fees and other charges among its members and issuers and other persons using its facilities.<sup>4</sup>

### **Enhanced Specialist Participation Programs**

Question 23 in the Release requests comment on whether the Commission should ban some or all specialist guarantees and internalization in the options markets. Internalization is discussed below. Under many exchanges' rules, specialists<sup>5</sup> are entitled to an enhanced participation<sup>6</sup> in situations where such specialist is on "parity." The Exchange believes that the "Enhanced Specialist Participation" enhances competition and is not only a valuable means to attract and retain well-capitalized specialists, but also functions as a "cap" to specialists that thus guarantees non-specialist market makers the opportunity to participate in a large portion of an order if they are on parity with the specialist. The Phlx specialist unit currently functions as a key Exchange member organization engaged in aggressive and often expensive marketing efforts to attract order flow in particular options. The Enhanced Specialist Participation provides the appropriate encouragement to specialists to plan, invest in, and effect marketing strategies. Therefore, these programs provide specialists with the appropriate incentive to create more depth and liquidity. Moreover, the Exchange believes that the specialist's entitlement in the proposed algorithm reasonably rewards specialists for their additional obligations, such as the obligation to handle limit orders on the book (to the extent that such handling is not automated); the obligation under the Plan for the Purpose of Creating

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<sup>3</sup> See, e.g., letter to the Phlx Board of Governors, from Merrill G. Davidoff, Esquire, Berger & Montague, P.C. on behalf of the Independent Traders Association ("ITA," an association of options market makers operating on the Phlx) dated December 4, 2000.

<sup>4</sup> Because exchange-sponsored payment for order flow programs have taken the form of exchange "fees," they are subject to the requirement of this provision that the allocation of Exchange fees among its members be "equitable."

<sup>5</sup> We use the term "specialist" to refer to Phlx and American Stock Exchange Specialists; Chicago Board Options Exchange Designated Primary Market Makers; Pacific Exchange Lead Market Makers; and International Securities Exchange Primary Market Makers. We use the term "market maker" to refer to all non-specialist securities dealers on the various options exchanges.

<sup>6</sup> An "Enhanced Specialist Participation" is one type of exception to the general parity rules, allocating to the specialist a greater than equal share of the portion of an order that is divided among the specialist and any market participants that are on parity. See Exchange Rule 1014(g). See also Securities Exchange Act Release No. 47739 (April 25, 2003), 68 FR 23354 (May 1, 2003) (SR-Phlx-2001-39).

and Operating an Intermarket Options Linkage (the “Linkage Plan”)<sup>7</sup> to handle all inbound Linkage Orders and to send Satisfaction Orders on behalf of customer limit orders on the specialist’s book; and the obligation, under certain circumstances, to allocate manually executed trades.<sup>8</sup> The Exchange also believes that its allocation methodology, including the Enhanced Specialist Participation, encourages the dissemination of larger size, which promotes transparency and liquidity in the Exchange’s markets.

In the traditional auction market, the enhanced specialist participation applies only in situations where the specialist is on parity with one or more other market participants; a market maker would thus have an incentive to quote competitively regardless of any enhanced specialist participation, since any market maker that quotes aggressively and establishes a bid or offer at the best price would (for those markets whose rules provide for “price-time priority”) have priority over the specialist and any other market maker that might subsequently match such an established bid or offer.

The Exchange continues to believe that enhanced participations are appropriate in that they balance the legitimate interests of the specialists to be compensated for assuming a variety of costly and burdensome responsibilities (that are necessary and support the exchange’s competitive position) and are sufficiently limited so as to protect the interests of the other market participants and do not burden aggressive quote competition.

## **Internalization**

The controversial practice of internalization has effectively been validated by the Commission by way of its approval of the Boston Options Exchange (“BOX”),<sup>9</sup> which includes a three-second Price Improvement Period (“PIP”), in which an order flow provider may submit its own proprietary order as contra-side to a customer order it represents.<sup>10</sup> The Commission approved the BOX, an exchange that permits – and indeed encourages – internalization more so than any other exchange without having established a general policy on internalization, and before harvesting public comment in response to

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<sup>7</sup> See Securities Exchange Act Release Nos. 44482 (June 27, 2001), 66 FR 35470 (July 5, 2001) (Amendment to Plan to Conform to the Requirements of Securities Exchange Act Rule 11Ac1-7 (the “Amendment”)); 43573 (November 16, 2000), 65 FR 70851 (November 28, 2000) (Notice of Phlx Joining the Plan); and 43086 (July 28, 2000), 65 FR 48023 (August 4, 2000) (Approval of the Plan).

<sup>8</sup> See Exchange Rule 1014(g)(vi) and OFPA F-2.

<sup>9</sup> See Securities Exchange Act Release No. 49068 (January 13, 2004), 69 FR 2775 (January 20, 2004) (SR-BSE-2002-15).

<sup>10</sup> The Phlx commented that the three-second PIP was not a sufficient amount of time for market participants to assess the risks associated with a particular trade and/or position and determine to bid or offer during the PIP, and thus the PIP functions not as an “auction” but as a platform for upstairs firms to internalize order flow while minimizing the possibility that another market participant would actually match or improve on their submitted contra-side order. See letters from Meyer S. Frucher, Chairman & CEO, Phlx, to onathan G. Katz, Secretary, Commission, dated February 12, 2003 and September 12, 2003.

the Release. The result could be a Commission-approved system that is inconsistent with whatever policy the Commission eventually settles on. This is problematic even if later rectified, because competition will have been impacted and it renders strategic planning very difficult (*i.e.*, the Commission could ban a business model entirely after its start-up).

The Phlx is not yet convinced that the potential hazards of internalization, including the potential conflict of interest concerns cited in the Release, merit banning internalization and participation guarantees altogether. Nonetheless, the Phlx recognizes that, taken to an extreme, internalization practices could be highly detrimental to the securities markets.

Excessive internalization in a given market or in the options market in general could have a negative impact on exchange specialists and market makers through a reduction in the overall number of option contracts that are available for specialists and market makers to trade, and specifically, a reduction in the number of profitable options trades available to specialists and market makers. Exchange specialists and market makers, unlike upstairs firms that trade against their internalized order flow, have specific affirmative and negative obligations under SRO rules in order to comply with the requirement that they maintain fair and orderly markets for the options they trade. Because upstairs firms have no similar obligation to maintain fair and orderly markets, they may elect to trade against their internalized order flow when market conditions and the price at which they determine to trade are favorable (*i.e.*, profitable), and may elect to refrain for trading during times of volatility or when other market conditions are not favorable (*i.e.*, not profitable). During unfavorable market conditions, an upstairs firm is free to send unprofitable order flow to the exchanges, completely avoiding market risk by taking advantage of the affirmative obligation imposed on exchange specialists and market makers to trade with such orders. The mandatory assumption of risk imposed on exchange specialists and market makers could lead to exchanges disseminating smaller quotation sizes and wider spreads, compromising the depth and liquidity of exchange markets.

Because of the reduction in the number of profitable trading opportunities stemming from the ability of upstairs firms to take advantage of such profitable trading opportunities while avoiding trading at all during times of uncertainty, it is likely that, in an extreme circumstance, more exchange specialists and market makers will cease operations altogether. The result will be that a few large liquidity providers will be required to trade against a higher percentage of options orders. During times of high market volatility, a depleted pool of liquidity for options market making could cause the options markets to be less able to provide a large pool of liquidity against which customers could trade.

Finally, internalized customer orders, which involve guaranteed participation rights to the order flow provider, might receive less favorable prices than non-internalized customer orders. The guaranteed participation right granted to order flow providers results in a lesser number of contracts available for market makers to trade. Consequently, market makers must make whatever profit they can on fewer available

contracts and thus have little incentive to price improve when the number of contracts available to trade is limited. Thus, exchange rules requiring an auction to take place before an internalized order can be executed<sup>11</sup> do not necessarily ensure that internalized orders are executed at the best available price.

In light of the foregoing and in consideration of former Chairman Pitt's indictment of broker-dealer internalization practices in the listed options market,<sup>12</sup> the Phlx would endorse further study of the matter by the Commission and the Intermarket Surveillance Group.

The Release does contain some preliminary statistical information gleaned from Commission studies that the Exchange finds illuminating – particularly in relation to the discussion of internalization. In the Release, the Commission concludes that one impact of enhanced competition in the options markets is the one-cent narrowing of average realized spreads for options priced below \$20, citing the results of a preliminary study of one-week periods from August, 1999, October, 2000. The Release goes on to provide statistical data for these two periods regarding orders for greater than 50 contracts, and notes a 30% decrease in average realized spreads for orders for less than 50 contracts, compared with a 60% increase in average realized spreads for such orders for greater than 50 contracts.

It is not surprising to the Exchange that average realized spreads for larger sized orders increased dramatically over the two periods. Larger sized orders are generally the orders that upstairs firms seek to internalize if the upstairs firm has determined that market conditions (and the price at which they wish to act as contra-side to a certain percentage of their customer's order) are desirable. There is a concomitant disincentive for market makers to quote competitively (and thus tighten the spread) because a potential price improving market maker understands that he/she could compromise the upstairs firm's pre-determined, required internalized percentage of contracts. Such "orders," presented to trading crowds as market "probes" with contingent internalized percentages, reduce the incentive for market makers to quote competitively (and thus narrow spreads), since orders stemming from such "probes" will generally not trade if an improved bid or offer compromises the percentage required by the upstairs firm. The Exchange encourages the Commission to establish a clear and unambiguous policy concerning this practice.

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<sup>11</sup> For example, Exchange Rules 1064(a) and (b) require a Floor Broker presenting a crossing or facilitation order in a Phlx crowd first to request a market from the trading crowd, and next to provide an opportunity for market makers in the trading crowd to participate by bidding and offering in an auction.

<sup>12</sup> See letter from The Honorable Harvey L. Pitt, Chairman, Commission, to Meyer S. Frucher, Chairman, Phlx, dated January 24, 2003.

## **Best Execution**

In the Release the Commission requests comment on the impact of payment for order flow arrangements and internalization practices on the quality of executions in the options markets.

There is certainly the risk that an upstairs firm could trade against internal order flow (after it has determined that it could benefit therefrom either by way of trading opportunities or commission revenues) to the detriment of customers by not aggressively seeking the best price when such an upstairs firm is guaranteed a certain percentage of such orders by a particular exchange. Most options exchanges have attempted to reduce this risk by adopting rules that require an in-crowd auction to take place, or a minimum time period for exposure of such an order to the market, before the upstairs firm may participate as contra-side to its customer's order. Further, such rules include the requirement that price improvement must occur in order for the upstairs firm to receive the maximum allowable percentage.<sup>13</sup> Whether these rules function to reduce the risk of the execution of customer orders at prices other than the best available price is dependent upon the extent of surveillance and enforcement efforts by the exchanges and by the management of the upstairs firm itself in its order routing decisions.

Specialists and market makers<sup>14</sup> are often required to make decisions within seconds as to whether to price improve internalized orders, compared to upstairs firms who have had perhaps hours to analyze market conditions and the price at which they wish to participate. The Exchange believes that the only way the rules requiring that an auction occur prior to a trade can operate to ensure that internalized orders are executed at the best available price is to ensure that market makers are given a meaningful opportunity to participate and price improve. A "meaningful opportunity" would involve not only a reasonable amount of time for market makers to consider the order presented to them, but a reduction in the disincentive to price improve created by exchange-sponsored payment for order flow.

## **Extension of 11Ac1-5 Requirements to the Options Markets**

With respect to the possibility of extending Rule 11Ac1-5 to options exchanges, the Exchange believes that Rule 11Ac1-5 data would not be useful to firms routing customer orders to exchanges and to those customers; the Exchange doubts that the benefits of this incremental information over what is already voluntarily made available by the options exchanges would justify the very significant incremental burdens on the markets and market participants. In fact, the members of the Securities Industry Association ("SIA") have developed uniform execution quality data reports which are already publicly disseminated by the exchanges. There thus has already been a large

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<sup>13</sup> See, e.g., Phlx Rule 1064; Chicago Board Options Exchange, Inc. ("CBOE") Rule 6.74(d); American Stock Exchange LLC ("Amex") Rule 950(d), Commentary .02; International Securities Exchange ("ISE") Rule 716d); and Pacific Exchange, Inc. ("PCX") Rule 6.47(b).

<sup>14</sup> See *supra* note 6.



amount of work done in this area, and the Exchange questions whether the extension of **Rule 11Ac1-5** requirements would be of any more than nominal value to firms that use the data.

In any event, Rule 11Ac1-5 data would require substantial modifications to accommodate certain unique aspects of option trading. For example, the Exchange believes that orders that are included as “legs” in a complex trade (*i.e.*, a spread transaction where the transaction is completed at a “net debit” or “net credit” dollar amount) should be excluded from the data contained in any report required for options under Rule 11Ac1-5. Such orders are the subject of separate priority rules than option orders with a single component<sup>15</sup> and their inclusion could skew the data contained in the report. Finally, as a practical matter, if the Commission is to extend the requirements of Rule 11Ac1-5 to options, the Commission should modify the Rule to account for the fact that, in the equity markets, a “security” is a single entity; in the options markets, each of possibly hundreds of series overlying a single equity security would be subject to the Rule on a security-by-security” basis.

### **Decimalization and Pennies**

Quoting and trading options in pennies could theoretically result in tighter spreads in the options markets, but at a substantial cost – a potential dramatic reduction in liquidity in the options markets. When considered together with the effects of payment for order flow and internalization, quoting and trading option contracts in pennies would significantly reduce liquidity in the options markets. With fewer contracts available to trade due to participation guarantees for both liquidity providers and upstairs firms (who do not have any affirmative obligation to make fair and orderly markets, nor any of the negative obligations imposed on specialists and market makers), market makers must generate as much profit as possible from a smaller available pool of contracts.

Trading option contracts in penny increments would likely reduce or perhaps eliminate payment for order flow arrangements, because reduced spreads would deplete funds available to specialists and market makers to make such payments. However, there are other serious negative implications in the options markets that would result from pennies. For example, there could be a severe decline in the number of profitable trading opportunities available to specialists and market makers resulting from the reduction in options trading increments to pennies. Trading in penny increments would make it even more difficult for specialists and market makers to add liquidity to the marketplace consistently, as specialists and market makers must already, even with current trading increments, be more selective in their decisions to price improve. One result of such selectivity is that spreads remain wider; another is that specialists and market makers may quote in smaller size at the best price in order to manage their risk, thus compromising transparency in the options markets. The decline in market liquidity and transparency, and selective price improvement, would have a negative effect on execution quality. Further, if options were to trade in penny increments, market professionals could “step

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<sup>15</sup> See *e.g.*, Exchange Rule 1033(d).

ahead” of customer orders at a very low cost (by increasing the bid price or reducing the offer price by \$.01), without causing a meaningful “improvement” in the price.

Trading options contracts in pennies would also create a number of systems issues. Another obvious result of trading options contracts in penny increments is the effect it would have on quote traffic and capacity. Penny trading increments would require enormous expenditures by the options industry to cope with bandwidth issues, and the result could be that firms, facing the increased costs of increasing capacity and communication bandwidth, may elect to filter quote data and disseminate only primary market information. It would be particularly problematic for penny trading to occur before the options exchanges have fully migrated and absorbed the effects of the many new electronic trading models and systems for options.

Further, penny trading increments would substantially increase the phenomenon of “quote flicker,” where quotes change so rapidly that it is difficult for market participants to determine the best available price at any particular time (thus compromising exchanges’ ability to measure the quality of execution). “Quote flicker” would result in an increased number of situations in which markets become locked or crossed, and would likely result in a large increase in the number of trade-throughs in the options markets.

For the foregoing reasons, the Exchange believes that a move to penny increments in the options markets would reduce transparency and liquidity in the options markets, and would cost the securities industry a large amount of money which, in some form, would inevitably be passed on to customers.

### **Limit Order Display Rule**

The Release seeks comment on whether the Commission should apply a limit order display obligation to the options markets and if so, what would be the benefits of such a requirement and what modifications to Rule 11Ac1-4, if any, would be required before it could be applied to options market participants.

The Exchange supports the notion of a uniform limit order display rule to the options markets because it should provide clarity to the options exchanges and their members concerning customer limit order display obligations, and should enhance transparency in the options markets by mandating the display and dissemination of limit orders at the best price. Most importantly, an SEC rule, as opposed to separate exchange rules, should ensure uniformity in this important area. In particular, exceptions to such a display rule should be carefully considered, such as excluding complex orders from the display requirement.

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We appreciate the Commission's consideration of our comments. If the Commission or its Staff should have any questions regarding the matters discussed above, please contact Richard S. Rudolph, Director and Counsel, Phlx, at (215) 496-5074.

Respectfully submitted,

Meyer S. Frucher  
Chairman and Chief Executive Officer

cc: The Honorable William H. Donaldson, Chairman  
The Honorable Paul S. Atkins, Commissioner  
The Honorable Roel C. Campos, Commissioner  
The Honorable Cynthia A. Glassman, Commissioner  
The Honorable Harvey J. Goldschmid, Commissioner  
Annette Nazareth, Director, Division of Market Regulation  
Robert Colby, Deputy Director, Division of Market Regulation  
Elizabeth King, Associate Director, Division of Market Regulation