

January 19, 2006

Nancy Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549



Re: Proposed Rule Change Relating to the Directed Order Process on the Boston Options Exchange (SR-BSE-2005-52)

Dear Ms. Morris:

I am writing on behalf of optionsXpress Holdings, Inc. to comment on the recent Boston Options Exchange ("BOX") proposal to eliminate anonymity in its Directed Order Process.¹ We believe that this proposal, if approved, will harm the options markets and its users in a variety of ways. Therefore, we urge the Commission to disapprove the BOX's rule filing.

The proposed lack of anonymity discourages aggressive quoting to the detriment of anyone who trades options. If the BOX proposal is approved, market makers would be encouraged to quote wide spreads and in small size. This would cause liquidity to suffer and make the options markets more expensive for all investors, undoing many of the recent improvement in options market structure. In an anonymous market, market makers must quote aggressively and in large size to maximize their chances of interacting with the most desirable order flow. In contrast, the BOX proposal allows market makers to quote passively in the general market and wait for Directed Orders so that the market makers can identify and interact only with the most desirable orders. In particular, it benefits firms who have both customer business and are market makers at the disadvantage of those who are only on one side of the trade.

This damage will not be limited to the BOX. The other options exchanges will be forced to follow suit and eliminate anonymity in their systems. Indeed, in response to the BOX filing, the International Securities Exchange immediately filed a rule change to eliminate anonymity in its directed order process, and stated its intent to eliminate anonymity in other aspects of its trading systems (e.g, its Facilitation Mechanism).²

The Commission should not permit national securities exchanges to operate systems designed to facilitate discrimination among market participants. For this reason and the reasons above, the Commission should reject the BOX's rule filing.

¹ Securities Exchange Act Release No. 53015 (Dec. 22, 2005).

² Securities Exchange Act Release No. 53103 (Jan. 11, 2006); Securities Exchange Act Release No. 53104 (Jan. 11, 2006).

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If we can be of further assistance on this matter, please feel free to contact me at 312-630-3338.

Sincerely,



James Gray
Chairman

cc: Chairman Christopher Cox
Commissioner Paul S. Atkins
Commissioner Annette L. Nazareth
Commissioner Roel C. Campos
Commissioner Cynthia A. Glassman