January 20, 2005

Jonathan G. Katz
Secretary
Securities & Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Sent Via e-Mail Address: rule-comments@sec.gov

Re: SR-CBOE-2002-03 and SR-NYSE-2002-19
Portfolio Margin and Cross-Margin Rule Proposals of the CBOE and NYSE

Dear Mr. Katz:

Please accept this comment letter on the above cited proposed rules that were published in the Federal Register on December 27, 2004.

CTC, LLC ("CTC") is a broker-dealer that engages in a proprietary market making business in options and futures on several exchanges regulated by the SEC and the CFTC. It is one of the largest liquidity providers in US equity based derivatives. Most of the SEC regulated index based options have a companion product on a CFTC regulated futures exchange. In many cases the futures product is the "underlying" instrument for pricing purposes, just as stock is for equity options. In spite of the different regulatory arenas these markets trade in conjunction with each other.

The entire futures industry uses a risk based margin methodology. US equity index options and futures that trade on the Chicago Mercantile Exchange ("CME") have been margined on the CME's SPAN risk based margin system since on or about 1989. SPAN is now the standard margin system for all US futures and options products that trade on a commodities exchange.

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CTC endorses the expeditious approval of the CBOE and NYSE proposed rules that would permit a risk based margin methodology for index options. However, we do recommend modifications.

Eliminate the $5 million requirement to be held in a brokerage account. There are no such minimum criteria on the futures side. The roughly 15 year experience with a risk based margin system deployed on comparable products demonstrates that prudential levels of coverage are provided without needing to be bolstered by such a huge minimum initial requirement. This provision would moot most of the intended relief in permitting the SEC exchanges to compete more evenly with their commodities peers. The smaller accounts could not afford to meet the minimum. Many of the larger institutions cannot deposit significant sums in excess of the margin requirements in a brokerage account because they are statutorily required to maintain their assets with a custodian bank.

Determine Acceptable Criteria to Expand Risk Based Margin. While this is not in the scope of the rule filings, it does make sense to start addressing now how and when risk based margin will apply to other products. Option margining systems world wide, including in the OTC markets are mostly, if not all, risk based. Again, there are no grounds to object based on the lack of protection or integrity of a risk based system. One could even make the argument that for some strategies, the strategy based methodology penalizes certain risk reducing spreads because they get assessed an additional margin requirement.

Thank you for attention to our comments. Feel free to contact me at 312.863.8 should you wish for further elaboration.

Sincerely,

Margaret Wiermanski
Chief Operating & Compliance Officer

Cc: William Brodsky – CBOE
Matthew Moran - CBOE