

MEMO# 11764

March 24, 2000

DRAFT INSTITUTE COMMENT LETTER ON PROPOSED OPTIONS MARKETS LINKAGE PLANS

1 See Memorandum to Equity Markets Advisory Committee No. 14-00 and SEC Rules Committee No. 36-00, dated March 9, 2000. 2 See Memorandum to Equity Markets Advisory Committee No. 9-00 and SEC Rules Committee No. 26-00, dated February 25, 2000. [11764] March 24, 2000 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 21-00 SEC RULES COMMITTEE No. 50-00 RE: DRAFT INSTITUTE COMMENT LETTER ON PROPOSED OPTIONS MARKETS LINKAGE PLANS

As we previously informed you,¹ the Securities and Exchange Commission ("SEC") has published for comment proposed plans filed by the options exchanges to create and operate an inter-market option linkage. The Institute has prepared a draft comment letter (attached) on the proposed plans. The draft letter states that the Institute supports establishing linkages in the options markets. The Institute believes that inter-market linkages are essential to the effective functioning of the options markets, as they are in the equity markets, and that the establishment of inter-market linkages will further the goals of the Exchange Act, which directs the SEC to use its authority under that Act to facilitate the establishment of a national market system for securities. The draft letter also states that inter-market linkages would assist brokers in fulfilling their responsibility to provide best execution for customer orders. The Institute's letter also notes that while the options exchanges achieved consensus on the majority of issues pertaining to a linkage, the exchanges failed to agree, among other things, about whether the linkage should require routing of orders based on price/time priority and who should have access to the linkage. The Institute's letter states that the Institute will examine these concepts in greater detail in its comment letter on the SEC's market fragmentation concept release.² Comments on this proposal are due to the SEC no later than April 3, 2000. If you have any comments on the draft Institute letter, please provide them to the undersigned by phone at (202) 371-5408, by fax at (202) 326-5841, or by e-mail at aburstein@ici.org no later than March 31. Ari Burstein Assistant Counsel Attachment