

## COMMENT LETTER

April 4, 2000

# Comment Letter on Options Markets Linkage Plans, April 2000

April 3, 2000

Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-0609

Re: Proposed Options Markets Linkage Plans (File No. 4-429)

Dear Mr. Katz:

The Investment Company Institute<sup>1</sup> appreciates the opportunity to comment on the proposed plans filed by the options exchanges to create and operate an inter-market option linkage.<sup>2</sup> The Institute supports establishing linkages in the options markets.<sup>3</sup>

The Institute believes that inter-market linkages are essential to the effective functioning of the options markets, as they are in the equity markets. The establishment of inter-market linkages will further the goals of Section 11A(a)(2) of the Exchange Act, which directs the SEC, having due regard for the public interest, the protection of investors, and the maintenance of fair and orderly markets, to use its authority under that Act to facilitate the establishment of a national market system for securities.

As Chairman Levitt noted in his recent speech on market structure issues,<sup>4</sup> inter-market linkages also would benefit investors by helping to assure that an order gets the best price at the point of sale, even if the market where a broker routes an order may no longer be offering the best price by the time the order arrives. Inter-market linkages therefore assist brokers in fulfilling their responsibility to provide best execution for customer orders.

The Institute appreciates the opportunity to comment on the proposal. Any questions regarding our comments may be directed to the undersigned at 202-326-5815 or to Ari Burstein, Assistant Counsel, at 202-371-5408.

Sincerely,

Craig S. Tyle  
General Counsel

cc: Chairman Arthur Levitt  
Annette L. Nazareth, Director  
Robert L.D. Colby, Deputy Director  
Division of Market Regulation  
Paul F. Roye, Director  
Division of Investment Management

#### **ENDNOTES**

1 The Investment Company Institute is the national association of the American investment company industry. Its membership includes 8,034 open-end investment companies ("mutual funds"), 496 closed-end investment companies and 8 sponsors of unit investment trusts. Its mutual fund members have assets of about \$7.024 trillion, accounting for approximately 95% of total industry assets, and over 78.7 million individual shareholders.

2 Securities Exchange Act Release No. 42456 (February 24, 2000), 65 FR 11402 (March 2, 2000) ("Release").

3 As discussed in the Release, while the options exchanges achieved consensus on the majority of issues pertaining to a linkage, the exchanges failed to agree about whether the linkage should require routing of orders based on price/time priority, who should have access to the linkage, and the appropriate remedy owed when one market trades at a price inferior to that displayed on another market ("trade-through"). The Institute will examine these concepts in greater detail in its comment letter on the SEC's market fragmentation concept release. See Securities Exchange Act Release No. 42450 (February 23, 2000), 65 FR 10577 (February 28, 2000).

4 "Visible Prices, Accessible Markets, Order Interaction," Speech by Securities and Exchange Commission Chairman Arthur Levitt (March 16, 2000).