SIA Securities Industry Association
20 Broad Street, New York, NY 10005

July 8, 1976

The Honorable Roderick M. Hills
Chairman
Securities and Exchange Commission
500 North Capitol Street, N.W.
Washington, DC 20549

Dear Rod:

We understand that recently the Philadelphia Stock Exchange officially informed the SEC, in a letter to Lee Pickard, that it is philosophically opposed to the multiple cycle trading of options.

The SEC previously received extensive submissions on two different occasions reflecting SIA's strong conviction that multiple cycle trading is inimical to the public interest. The American Stock Exchange has filed what we regard as a very persuasive series of reasons why multiple cycle trading should not be permitted. The Chicago Board Options Exchange has similarly made known its opposition. Only the Pacific Stock Exchange continues to favor multiple cycles.

I'm writing, Rod, to make sure that those at the SEC who are working on this question do not misinterpret the intentions of the Philadelphia, Amex and CBOE. They should not conclude that since only the Pacific wants multiple cycles, permission to the Pacific to engage in such trading would result in multiple cycle trading only on those relatively few issues in which that particular exchange has a desire to trade on a multiple cycle basis. To the contrary, should any exchange be granted permission to trade on this basis, we have every reason to believe the others-even those philosophically opposed-will very quickly seek similar such powers in order to protect their competitive positions. And we could hardly fault them for wanting to do so. Very unfortunately, though, all of us would then be placed in the extremely difficult posture of trying to "unscramble the eggs." This could prove to be a bad situation that will not easily be corrected.

With this in mind, and backed by the preponderance of the securities industry that joins us in our position, we wish to reiterate our conclusion that it would be contrary to the public interest to permit any exchange to engage in multiple cycle trading, even on a limited basis.

At a minimum, before any permission to engage in multiple cycle trading is granted, I would certainly hope the SEC will give SIA, CBOE, the Amex and the Philadelphia the full opportunity to present in detail our strong views in opposition to the multiple cycle g of options.

Following, for your reference, are the seven reasons why SIA is opposed to multiple cycles:

1. Multiple cycles would cause great customer and industry confusion by virtue of a proliferation of similar but actually different options. Coupled with variations in striking prices, the proliferation could be endless; e.g., IBM 260 ½'s of Feb. 22!

2. It would create great operations and communications problems- and add significant new costs.

3. It would detract from standardization and be a giant step backward to the unstandardized, unlisted environment we previously had.

4. It could well cause serious strain on OCC and the other processing entities.

5. It would bring problems relative to recommendations to customers. (Do you recommend the IBM 260 May's or June's?)

6. It could well result in less public information, rather than more. For example, it is unlikely the newspapers would carry significantly expanded options tables. And they could discontinue some all together.

7. It would seriously detract from standardization and liquidity – the most precious ingredients of this market.

Sincerely,

I. W. Burnham, II

IWB/jc
cc: Lee A. Prickard
Martin Moskowitz
Joseph W. Sullivan
Robert J. Birnbaum
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G. Robert Ackerman