



September 25, 2026

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006

Re: Regulatory Notice 26-15 – FINRA Requests Comment on Modernizing FINRA’s Best Execution Guidance (Listed Options, Question 8.A)

Dear Ms. Mitchell:

AOUS¹ appreciates the opportunity to comment on Regulatory Notice 26-15 (the “**Notice**”). AOUS supports FINRA’s continuous efforts to modernize the regulatory framework and encourage more competitive capital markets with robust investor protection guardrails.

In response to the Notice, we would like to raise two scenarios below where the current rules may serve an interest other than the customer's, and recommend that FINRA investigate both and, based on the available data, determine whether any conduct exists that is not aligned with the principles of best execution. Given the nature of our business, our comments should be considered in the context of options trading, and we are unable to comment on the extent to which the same best execution concerns exist in equity trading, if at all.

General Principles

Trading and exchange rules are highly complex and can inadvertently create incentives that do not align with the principles of best execution. We believe two such incentives are worth a closer look: one arising from unbundling orders coupled with preferred specialist allocations, and one from routing customer orders to the floor. We encourage FINRA to examine both scenarios and, if appropriate, issue guidance that directly addresses the potential conflict between customer and broker-dealer interests.

¹ All Options USA LLC (“**AOUS**”) is a FINRA-registered proprietary options market maker with no customer business.



Scenario One: Unbundling Order Flow to Maximize Specialist Allocation

Every exchange has different categories of market makers, one of which is the Specialist category². Generally, each exchange appoints one market maker as the Specialist in each symbol, and the appointment is typically ongoing. The same market maker can be appointed as the Specialist in the same symbol on multiple exchanges. Specialist appointments are hard to obtain, particularly for a new entrant, and while that scarcity raises its own competition concerns for the capital markets more broadly, the Specialist framework has more immediate detrimental impact on best execution, described below.

The main advantage of being the Specialist on an exchange is a guaranteed volume allocation. Provided the Specialist is quoting at the national best bid or offer and no customer order is ranked ahead of it at that price, the Specialist will be fully allocated an order with a volume of five contracts or less.

Additionally, many market makers participate in payment for order flow ("PFOF") arrangements with other broker-dealers, under which a market maker pays the routing broker-dealer for its customer flow, and the market maker is then able to determine where to send that flow. Some exchanges let that market maker claim a guaranteed allocation of the PFOF flow, for example 40%, if it is quoting at the best price when the flow arrives. As an illustrative example, if a market maker sends an order for fifteen contracts to a single exchange where it is the Specialist, it is only guaranteed the standard allocation, in most cases, 40% of the order. But if the market maker splits the order into three five-contract pieces and routes one to each exchange where it is the Specialist, each piece will fall within the five-or-fewer rule, and the market maker fully internalizes the fifteen-contract order.

While we do recognize that unbundling a large order can assist with execution across different exchanges, we do not see the need for unbundling smaller orders, especially when the order could be fully executed against a single quote level on one exchange. And as you can see, the preferred Specialist allocation rules in the context of PFOF create an additional incentive to break a larger order into pieces of five contracts or fewer and route each piece to an exchange where the firm is the Specialist to guarantee internalization. We believe that this is problematic as it affects customers in two detrimental ways.

Firstly, because the Specialist collects its allocation once it matches the best price, no matter who set it, other market makers have little incentive to improve price or quote higher volume: doing so means taking on additional risk of a bigger volume without getting any extra reward for doing so.

Second, splitting the orders adds an unnecessary timing risk to the customer order. By splitting the order on different exchanges, the order would arrive at different times, meaning that each piece of

² Specialist may also be called Designated Primary Market Makers, Lead Market Makers, or Primary Market Makers, depending on the exchange.

the order can be executed at different prices. A sophisticated market maker could potentially take advantage of the difference in order arrival time and adjust its position if the order becomes unfavorable.

We recognize that unbundling, or “shredding,” orders in this way to maximize the flow directed to a Specialist without improving the outcome for the customer may already be a best execution problem under Rule 5310, and we encourage FINRA to further investigate the nature and frequency of this practice to determine whether any additional guidance is necessary. Furthermore, we believe that, outside of the Specialist allocation rules, there exist other mechanisms, such as auctions, that are more likely to result in price improvement for customer orders, and creating incentives to use those mechanisms would further support the principles of best execution.

Scenario Two: Small Customer Orders Routed to the Floor Without Price Improvement

Recently the SEC published the data³ about price improvement on the floor. According to this study, none of the 9,894 individual customer orders routed to the floor in the sample period received price improvement. In contrast, individual customer orders executed through electronic auctions received price improvement ranging from 22% to 89%.

We recognize that the floor plays an important role for large, complex, or illiquid institutional orders, and that some of the orders from the SEC’s data could have been large, institutional-sized orders, for which the absence of price improvement would not be unusual. Since AOUS does not operate on the floor, we are unable to definitively state that there is a best execution problem. However, we still find this data very surprising as we would expect at least some price improvement on the floor.

We believe that the lack of any price improvement on the floor is a strong signal for FINRA to investigate further and determine whether there are potential incentives to route small customer orders to exchange floors⁴ rather than through electronic price-improvement auctions.

³ Staff of the Office of Analytics and Research, Division of Trading and Markets, U.S. Securities and Exchange Commission, Roundtable on Options Market Structure: Supporting Data (Apr. 9, 2026), p.19, table 9.1, available at [Roundtable on Options Market Structure](#).

⁴ We note that this is not a new concern, as in 2014 the International Securities Exchange raised substantially the same issue in the context of extending floor priority to smaller orders. For more details, see the letter from International Securities Exchange, LLC, to Elizabeth M. Murphy, Secretary, U.S. Securities and Exchange Commission, Re: File No. SR-PHLX-2014-23 (June 3, 2014), available at <https://www.sec.gov/comments/sr-phlx-2014-23/phlx201423-1.pdf>



Conclusion

Overall, we support FINRA's review of the best execution rules and appreciate the opportunity to comment. We would be glad to respond to any follow-up questions FINRA staff may have in connection with the Notice.

Sincerely,

/s/

Mathieu Boivin-Carrier

Director

All Options USA LLC

