



September 25, 2026

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

Re: Request for Comment on Modernizing Best Execution Guidance (Regulatory Notice 26-15)

Dear Ms. Mitchell:

CTC, LLC ("CTC" or "we") appreciates the opportunity to submit comments with respect to the request for comment by FINRA on modernizing best execution guidance ("Request").

By way of background, CTC is a broker-dealer registered with the U.S. Securities and Exchange Commission ("SEC") that has been a leading market maker and liquidity provider in U.S.-listed options for over three decades, participating across all U.S. options exchanges.¹ As an options market maker, CTC has deep expertise in the various ways liquidity in U.S.-listed options is provided to public customers, including through electronic exchange quotes, floor-based trading, and manual and automated requests for quote ("RFQs"). This letter draws on that experience.

CTC writes in response to Question 8.a of the Request, which asks:

Do commenters believe that further best execution guidance specific to listed options would be useful? If yes, what specific scenarios do firms believe exist with respect to order handling, routing and execution in the listed options market that the guidance should address (e.g., unbundling)?

- I. CTC recommends that FINRA amend its rules to clearly state that splitting a customer order into smaller orders ("unbundling") for any purpose other than seeking best execution of the entire order is inconsistent with just and equitable principles of trade.**

This change would expand the scope of FINRA rules (e.g., FINRA Rule 5290) with comparable rules of other self-regulatory organizations (e.g., Nasdaq ISE Options 9, Section 25) and eliminate regulatory arbitrage by FINRA members seeking to circumvent those prohibitions by ensuring that every member routing broker handling undirected customer orders in listed options is subject to the same prohibition, including routing brokers that are not members of any exchange. Other self-regulatory organizations continue to harmonize their rules in this area, and we encourage FINRA to do the same.

¹ CTC is a member of FINRA and various options exchanges, including Cboe, Cboe C2, Cboe BZX Options, BOX Options, MIAX Sapphire, NYSE Arca Options, NYSE American Options, Nasdaq GEMX, Nasdaq ISE, Nasdaq MRX, Nasdaq PHLX, and Nasdaq Texas.

- II. CTC further recommends that FINRA (1) require members to affirmatively demonstrate, as part of their best execution compliance obligations, that they would have made the same routing decision for each child order resulting from unbundling that executed against an affiliated market maker's quote or order resting on an exchange, regardless of whether the affiliate was quoting or resting an order on that exchange; and (2) provide a safe harbor for members that evidence adequate information barriers between themselves and their affiliated market makers.**

Ahead of the SEC's April 2026 Options Market Structure Roundtable, CTC identified aspects of listed options market structure that are outdated and inconsistent with the best interest of the investing public.² We also proposed reforms to level the playing field for liquidity providers and thereby promote quote competition and price discovery.³ Among other things, we explained how the "5-lot rule" for Designated Primary Market Makers ("DPMs") encourages routing brokers to unbundle, or "shred," customer orders (e.g., a routing broker may execute a 20-lot as four 5-lots across four exchanges to secure an outsized 100% allocation for an affiliated DPM appointed on each).⁴ In addition to proposing reforms to the unfair DPM assignment process, we urged the SEC to clearly define and rigorously enforce unbundling prohibitions rather than allow routing brokers to rely on an amorphous best execution exception.⁵ We believe the changes proposed here, combined with rigorous enforcement through FINRA's member examination process, would achieve that outcome.

CTC recognizes that unbundling can serve legitimate purposes consistent with best execution, such as when price improvement opportunities are fragmented across exchanges. We also recognize that, all things being equal, a decision to route a child order to an exchange on which an affiliated market maker is appointed may be the best routing decision for the customer. The affirmative demonstration we propose would not prohibit these practices. A member could evidence best execution through an analysis of the current principles-based factors under FINRA Rule 5310.

The safe harbor would be available to members that demonstrate, through documentation and periodic testing, that they maintain an effective system of controls that prevent the member from knowing the precise quotes or orders an affiliated market maker has provided on a given market when the routing decision was made, similar to the "No-Knowledge" exception under FINRA Rule 5320.02.

CTC believes these best execution rule enhancements strike an appropriate balance. They provide much-needed guidance to address unbundling practices that could harm public customers while preserving the flexibility of the principles-based approach of current FINRA Rule 5310.

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² See Letter from Lauren Rauch, Co-CEO, CTC, and Josh Schubkegel, Co-CEO, CTC, to Vanessa Countryman, Secretary, SEC (April 8, 2026), <https://www.sec.gov/comments/4-887/4887-744507-2308275.pdf> ("CTC April 2026 Letter")

³ See generally CTC April 2026 Letter.

⁴ See CTC April 2026 Letter at 3.

⁵ See *id.*

CTC appreciates FINRA's effort to modernize best execution guidance.

Should you have any questions with respect to this letter, please contact our Chief Compliance Officer, A.J. Kim, at albert.kim@chicagotrading.com or (312) 863-4147. We would welcome the opportunity to discuss it further.

Sincerely,

Lauren Rauch
Co-CEO
CTC, LLC

Josh Schubkegel
Co-CEO
CTC, LLC