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General Comment

It has been brought to my notice that the proposed regulation would have the effect of disallowing options trading henceforth in retirement accounts. Ostensibly, this is to "protect" the "small" investor who has worked hard to build his/her retirement balance.

For the small investor, the stock markets happen to be one of the only vehicles for both long term capital growth and to generate an income stream, both of which are important to the worker as he/she ages.

It is well known that the stock markets experience up trends over the years (usually slow and steady), followed by downtrends over months (usually swift and brutal). If one were restricted to investing in stocks only during the last 20 years, it is easy to see that significant capital growth occurred during the up trends in a span of 4-5 years or so and much of it might have evaporated in the downtrends every 7 years or so, unless the investor bought and sold at the right times.

Arguably, the "small" investor who has worked so hard to build his retirement balance may not have the professional tools to know when to get in (before the uptrend starts) and when to bail (before the downtrend starts). So he/she is always going to see a little red in his portfolio when the market turns (and a lot red if the investor has a buy and hold attitude, which may still make sense to a lot of workers over the long term if invested in say, dividend stocks).

But the biggest weapon in the arsenal of the small investor is options: put options help guard portfolios in retirement accounts from massive losses during sudden market movements downward. Similarly, call options allow for the investor to accelerate capital growth in his/her retirement account during up trends. Additionally, several investors are sophisticated enough to write options in their retirement accounts, thereby generating an additional stream of income that will compound over time increasing their retirement balance several fold over decades. Taking away the ability to trade options in retirement accounts is to divest the small investor of the tools needed to both protect and grow their retirement balance.

If this regulation as written ends up restricting options trading in retirement accounts, it will also have achieved far reaching effects of changing for the worse, the future financial trajectory and the quality of retirement of the current and following generations of workers. The intended effect of removing conflicts of interest pales into insignificance in comparison to the unintended effects of removing security, opportunity and growth for small investors and their retirement balances by pushing through a regulation they neither asked for nor needed.