GROUP ONE
TRADING LP

August 9, 2010

Ms. Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE Washington, DC 20549-1090

Re: File Number SR-ISE-2010-73

Dear Ms. Murphy:

Group One recognizes that ISE originally submitted File Number SR-ISE-2009-35, which was approved by Staff under its delegated authority granted by the Commission. For some time now, the Commission has been reviewing the wisdom of granting the effectiveness of that rule proposal.

Now in an apparent end run around the Commission's thoughtful consideration, ISE has submitted a slightly modified revision of its original proposal. This new proposal carries with it the same weaknesses and dangers to customer protection considerations, which were apparent in the original proposal.

ISE continues to ignore concerns of Price Improvement and the potential detriment to the investor associated with approval of either of its rule proposals. ISE initially commented that the majority of orders executed in the options marketplace are automatically executed without an opportunity for price improvement and that there is nothing special about orders presented as crosses. ISE also states that other option Exchanges already allow customer-to-customer crosses without any market exposure.

These arguments are disingenuous for two reasons. The first reason is that while it is true that most orders are executed automatically without the opportunity for price improvement; there is a major difference in these orders, as they are NOT orders that simply happen to cross; rather they are automatic executions on the NBBO where the order happens to cross and the contra parties are not aware of the other incoming order. The second important distinction is that there is an inherent conflict of interest that exists in a broker facilitated customer cross that does not exist in a customer to customer cross. Price discovery and transparency are crucial components of our capital markets and processes that encourage market integrity. Where a broker facilitated order is crossed without market exposure, there is simply no incentive for the broker to give the customer the best price. It is imperative that customers be afforded an opportunity for price improvement. Another way to ask this is "Why wouldn't the customer want the opportunity for price improvement?"

A customer - customer cross occurs when a broker has both a buy and a sell order for two customers that offset each other. A broker - customer cross occurs when a broker takes the other side of a customer transaction, ie: the broker is "betting against the customer". We ask the Commission to look at which of these transactions requires more exposure, rather than less.

We are also unclear as to why the SEC would approve a crossing mechanism that does not allow for price discovery, in a market environment focused on best execution, and at a time when the industry is trying to move more towards greater transparency. How can a broker provide their best effort at best execution if that broker doesn't attempt to get price improvement, or worse, if the broker submits the order for execution via a mechanism where price improvement is not possible?

Approval of such a rule and process would also significantly diminish the incentive for a market maker to stream quotes. Streaming quotes has benefits and risks. When you stream quotes, you get to advertise your price, and hopefully transact with customers. At the same time, you also expose yourself to other market makers, and professional customers. If this rule is passed, it will be a major turning point for the options marketplace. As more orders move to "frictionless crossing" where there is no opportunity for a market maker to participate, brokers will attempt to fragment the market by finding customer orders to cross, less "true customer orders" will trade with market maker quotes, and the balance of the risks and benefits to quoting will shift dramatically. As this happens, quote quality will diminish, and we will be left with a "model" where real liquidity isn't displayed, but rather found upstairs or via dark pools or other facilities that obscure liquidity. Without incentive to quote, the options market may soon look more and more like the equity market. This development will result in a significant detriment to the investor.

In light of the flash crash and the ongoing investigation into its causes, the commission is encouraged to take a cautious approach to a mechanism that will undoubtedly diminish the displayed liquidity and erode the incentives to make markets and stream quotes providing customers with increased opportunities for more market liquidity and better prices.

For the reasons set forth above, we believe the Commission should seriously reconsider its approval of the current rule proposal and carefully evaluate these comments and those previously made in the petitions filed by CBOE and NASDAQ OMX PHLX.

Group One appreciates the opportunity to present our views and we would be happy to discuss them in person with the Commission and its staff.

Ben Londergan Co-CEO

John Gilmartin, Co-CEO