July 7, 2014

Sent via Electronic Mail to rule-comments@sec.gov

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

Re: **File Number SR-ISE-2014-10; Release 34-72359**
Wolverine Trading comment on ISE Proposed Rule Change Re: Rule 722
Limiting Certain Types of Complex Orders from Legging into the Regular Market

Dear Ms. Murphy:

Wolverine Trading, LLC ("Wolverine" or the "Firm") appreciates the opportunity to comment on International Securities Exchange, LLC (the "Exchange" or "ISE") Rule Filing SR-ISE-2014-010. Wolverine fully supports this proposed ISE Rule, and believes that the Exchange's filing correctly assesses the enhancements that its approval will have on the quality of published quotes on the ISE.

The Firm believes that appropriate risk controls are paramount to the effectiveness of an efficient and functioning marketplace. At Wolverine, such risk is controlled via numerous pre-trade checks performed on every quote and order submitted to the market, as well as post-trade safeties based on the executions the Firm receives against our published quotes. However, due to the vast number of listed options series, and a market marker's obligation to provide continuous two-sided quotes in each (and generally for a minimum of ten contracts on ISE), our Firm and others are reliant on the exchange-level market maker risk parameter mechanisms which exist to protect market makers from assuming undue risk if multiple resting quotes are executed in rapid succession. The reliance on centralized liquidity providers to maintain an efficient options market cannot be understated, as the sheer number of unique options series enhances the role of market makers relative to equities markets, by ensuring there is a seller to every buy order, and vice versa. Market Makers are able to provide tight, deep, competitive markets based on the understanding that they can, to a reasonable degree, control the amount of risk they assume within a single trade or sequence of trades before being able to recalculate and republish their quotes. That is currently not the case on the ISE, which is why this Rule should be approved.

The concept of legging complex orders against the single-leg markets, as well as the fact that such trades occur in the Exchange's matching engine simultaneously and thus circumvent the risk limitation mechanisms that would be triggered if a Market Maker exceeded its desired number of trades or total volume on sequential executions, is justifiable for non-directional complex orders. For traditional complex orders, such as spreads (consisting of buys and sells of calls/puts) or straddles (buy/sell of one call and put) this risk is tolerable, because such strategies are designed to provide some degree of directional protection, where gains in one leg may be at least partially offset by losses in another, thus minimizing the maximum potential profit and/or loss of the net position. Market makers utilize exchange risk control mechanisms to insure they do not violate their pre-defined risk thresholds and factor in these safeties when providing liquidity to the markets.

The types of "directional complex orders" discussed in this filing, however - which include buying/selling all calls or all puts, or multi-legged trades in which all legs are to buy or to sell options - are in our opinion not valid complex strategies, but instead are submitted specifically to circumvent the market maker risk control mechanism and extract more volume than a market maker can safely provide based on the pre-set, exchange-approved, risk control parameters. Rather than creating a partially-hedged position, as traditional complex orders do, these directional complex orders often increase the net directional exposure, since they consist of all bullish or all bearish positions, where no one leg hedges any other. Wolverine does not consider these directional complex orders to be valid complex strategies, and does not believe they should be afforded the benefits of a system designed to facilitate true complex order liquidity for retail or professional investors.

With regard to the Commission's questions, Wolverine asserts that our Firm would be able to provide larger published quotes and/or tighter spreads if this rule were approved and such directional complex orders were not allowed to be legged against single leg markets. Simply put, the Firm cannot conclusively manage the risk associated with those orders, which circumvent the market maker risk parameter, without factoring in the risk of counterparties who misuse this system for the benefit of extracting more liquidity than our Firm can provide within our risk tolerances, and the Firm adjusts its quotes accordingly to account for such risk.

Exchange rules should promote a competitive, just and equitable marketplace, and one in which exchange-mandated protection mechanisms function as designed and are not susceptible to loopholes, such as the one this rule attempts to close. Such safety nets must include market makers who supply two-sided markets on a continuous basis throughout trading. As ISE market structure currently exists, these directional complex orders legging against single-leg markets are inhibiting the ability of market makers to provide their best possible sized and priced quotations, which adversely impacts the quality of competition on that market.

Wolverine thanks the Commission for its consideration of our comments, and we welcome the opportunity to discuss this matter further.

Very truly yours,

Kurt Eckert
Principal