



July 7, 2014

Kevin M. O'Neill
Deputy Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: (Release No. 34-72359; File No. SR-ISE-2014-10)

Dear Mr. O'Neill:

Group One Trading, L.P. ("Group One") appreciates the opportunity to comment on the above referenced proposed rule filing ("ISE's proposal") by the International Securities Exchange, LLC ("ISE" or the "Exchange") in which ISE proposes to limit directional complex orders from legging into the regular market. Group One fully supports ISE's proposal to limit these orders for all of the reasons set forth in the proposal.

Group One, a registered broker-dealer founded in 1989, is one of the largest, privately held equity options trading firms in the United States, employing people in New York, Chicago, Philadelphia and San Francisco. Group One makes markets as a Competitive Market Maker and Alternative Primary Market Maker at the International Securities Exchange and also makes markets on, or is a member of, five other major U.S. equity options exchanges.

As a market maker, Group One posts firm bids and offers across all series and expirations in hundreds of option classes on the Exchange and builds the risk of trading the full size of those firm quotes into its pricing models. These pricing models rely on numerous mechanisms to prevent exceeding a set amount of risk without having the opportunity to update the price or size of those quotes to better reflect the state of the current market. Those mechanisms include the Exchange's market maker risk parameters, and Group One relies on those market maker risk parameters to ensure that its quotes will be removed from the market if that risk limit is exceeded. It is thanks to robust risk controls that market makers are able to quote with tighter spreads and deeper liquidity.

The current market structure allows directional complex orders to leg into the regular market in a manner that allows for the circumvention of the market maker's risk parameters. Those orders can result in market makers trading beyond their intended risk tolerance. The price of related instruments, and the underlying equity are then impacted as market makers are forced to hedge their risk imbalances

when liquidity is at its lowest. The dislocations resulting from predatory liquidity taking not only disrupts the market at the time of the order, but also introduces an additional and unnecessary risk premium into pricing. In order to account for these directional complex orders that leg into the regular market, Group One must adjust its pricing models by posting either wider or smaller quotes to account for the additional risk.

Group One's support of ISE's proposal stems from the belief that the potential benefits to investors resulting from ISE's proposal would exceed any benefits of continuing to allow directional complex orders to interact with the regular market. ISE's proposal will deter potential nefarious activity without reducing liquidity for regular orders or traditional complex orders. The benefits of trading and hedging intricate scenarios should not be compromised by systemically allowing liquidity providers to unwillingly exceed their risk tolerance.

By allowing market makers to better rely on the Exchange's mechanisms to remove quotes from the market place when a risk tolerance is exceeded, market makers can continue to provide large size quotes with tight spreads. If investors continue to want access to liquidity with the intent of capturing volatility or directional movement, then they can do so by interacting with the regular market across the twelve options exchanges; however, the Exchange should not provide investors a mechanism that allows them to do so in a way that circumvents market maker risk parameters.

Group One Trading L.P., is committed to constructive engagement in the regulatory process and, therefore, welcomes the opportunity to work with the Commission on this and other important regulatory efforts. Should you have any questions, please contact the undersigned directly.

Respectfully submitted,

/s/ John Kinahan

John Kinahan
Interim-CEO
Group One Trading, L.P.