GROUP ONE
TRADING LP

October 27, 2014

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: (Release No. 34-73261; File No. SR-ISE-2014-43)

Dear Mr. Fields:

Group One Trading, L.P. ("Group One") appreciates the opportunity to comment on the above referenced proposed rule filing ("ISE's proposal" or "rule filing") by the International Securities Exchange, LLC ("ISE" or the "Exchange") in which ISE proposes to amend Rule 810 to allow EAMs to know where and at what price its affiliated market makers are either quoting or have orders on the order book and to use that information to influence their routing decisions. Group One is opposed to this rule filing because Group One believes that a "one-way information barrier" opens up the broad possibility of EAMs routing orders in their own self-interest rather than the interests of their customers.

In the rule filing, ISE advocates that an EAM "should be able to consider the outstanding quotes of their affiliated market maker unit for the purposes of calculating net positions and making routing decisions to increase the member's interaction rate" and that such activity "would not compromise the integrity of our market, nor would it introduce customer harm." Group One strongly disagrees with the premise that customers will not be harmed. Group One believes that allowing a one-way information barrier introduces a potential conflict of interest in the relationship between the EAM and the customer. While there may be current interpretations of information barrier rules which permit the leakage of information between various units, it is Group One's firm belief that this only weakens a customer's chance at best execution.

There are two very specific situations where a customer may be harmed. First, EAMs can route orders to the exchange where their affiliated market maker is quoting on the BBO rather than routing to an exchange with a better fill rate or price improvement mechanism. Alternatively, if the EAM's affiliated market maker is quoting on the BBO and the EAM knows that it is holding a large order that can influence the price in the underlying, the EAM can route the order away from their affiliated market maker so that the affiliated market maker can avoid the risk associated with the trade, thereby depriving the customer of a fill to which they are entitled.

This is not mere conjecture. Brokerages openly admit that numerous factors, many of which benefit the brokerage but not the customer, are built into their routing decisions, and Group One believes that the continual erosion of information barriers will lead to more routing decisions being made based on self-interest rather than the interest of customers. The pending lawsuits in the industry serve to demonstrate that the notion that routing decisions are always made in the customer's best interest is clearly in dispute, and there are numerous academic studies showing that those factors that go into routing decisions and benefit the brokerage but not the customer are the same factors that are a detriment to execution quality.[1] Allowing EAMs to know where and at what price an affiliated market maker is quoting is just an additional factor for brokerages to contemplate before routing orders and this additional factor will almost never benefit the customer.

Group One continues to support the efforts by the exchanges to increase the clarity of their rules; but, for all of the reasons set forth above, Group One is opposed to ISE's rule filing because a two-way information barrier is the only way to truly guard customer interests and protect against the misuse of material nonpublic information. Group One believes that the shift to a one-way information barrier does not provide any benefits to the customers of an EAM. Instead, it introduces a potential conflict of interest and only further expands the possibilities for brokerages to route customer orders based on self-interest rather than best execution. Group One believes that rules should be written and interpreted in a way that prevents that conflict of interest from ever arising, and a two- way information barrier takes the potential conflict of interest out of the equation.

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,

<u>/s/ John Kinahan</u>
John Kinahan
Chief Executive Officer
Group One Trading, L.P.

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[1] Battalio, Robert H. and Corwin, Shane A. and Jennings, Robert H., Can Brokers Have It All? On the Relation between Make Take Fees & Limit Order Execution Quality (March 5, 2014)