



June 10, 2015

Via Electronic Mail (rule-comments@sec.gov)

Mr. Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: *Release No. 34-74970; File No. SR-ISE-2015-14; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Schedule of Fees to Introduce a New "Retail" Designation for Priority Customer Orders*

Dear Mr. Fields:

KOR Group LLC¹ "KOR" submits this letter in connection with the above release request for comments on the International Securities Exchange, LLC "ISE" introduction of a new "Retail" designation for Priority Customer Orders. KOR requests that the SEC designate more time to carefully consider the implications of the ISE proposal.

Background

On May 14th, 2015 the International Securities Exchange, LLC "ISE" filed to amend the Schedule of Fees to introduce a new "Retail" designation for Priority Customer orders. This new "Retail" designation for "Priority Customers" would apply to orders that originate from a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on a calendar month basis for its own beneficial account(s). ISE further defines a Retail order from a Priority Customer as originating from a natural person, provided that no change is made to the terms of the

¹ KOR Group LLC is a research, analysis and consulting firm that works with industry participants on market-structure related issues. Our client base includes US exchanges, algorithmic trading firms, buy-side institutions, investment banks and broker/dealers. KOR Group's founders operate Healthy Markets (healthymarkets.org) which is a non-profit 501(c)(6) advocacy organization that promotes a platform of data freedom, increased transparency, competition and encouraging displayed price discovery. Healthy Markets brings together a diverse set of industry constituents to help foster positive market-structure change.



order with respect to price or side of the market and the order does not originate from a trading algorithm or any other computerized methodology².

ISE states that the retail order is designed to “mirror” a similar concept introduced by the New York Stock Exchange and other equities exchanges to promote price improvement for orders submitted by retail investors³.

Discussion

KOR does not take issue with ISE’s proposal to introduce yet another pricing tier in order to compete for business and believes tiered pricing is one method an exchange has to attract business. KOR believes that ISE is incorrect in their comparison of the program to the NYSE Retail Liquidity Pilot Program “RLP”. While the RLP program does focus on retail orders, it is in stark contrast to the ISE filing as the RLP program is designed to provide Price Improvement directly to the order. ISE’s program is instead designed to maximize the rebates paid to the order handler.

We also find the ISE proposal to be unusually narrow in its application to participants. It appears to be a direct carve-out to exclude robo-advisors, and it is unclear why. Those are generally the only orders that would be classified as Priority Customer, but would not originate from a “natural person”, despite the fact that those orders represent the investment interest of natural persons. We suppose low-volume active retail traders using automated algorithms would also qualify, but we are unclear as to why ISE feels the need to create this entirely distinct fee tier. If there is other reasoning behind this filing, we encourage ISE to make that clear and why ISE seeks to provide benefits to a select group while other similarly situated groups will be excluded. As proposed, the filing obfuscates how it will advance the protection of investors or the public interest and appears to increase conflicts of interest.

We also question how the ISE will administer and verify compliance with this rule. Unlike the RLP program which requires written affirmation in order to participate in the program, it is unclear how ISE will ensure that the order is originating from a natural person and does not originate from a trading algorithm or **any** other computerized methodology. Today even manually placed orders are sent through order routers that will apply methodologies such as Best Execution, market data comparison/safeguards and various checks prior to then making a determination on where to send the order. Finally, most firms have multiple order placement methodologies or offerings, yet the orders that are transmitted via those methodologies are generally contained within a single mnemonic.

² See Exhibit 5: <http://www.sec.gov/rules/sro/ise/2015/34-74970-ex5.pdf>

³ I.D. 3



KOR notes the Commission took considerable time and effort prior to approve the NYSE RLP program and feels the ISE filing deserves the same attention. KOR thanks the SEC for the consideration of our comments. Should you have any questions please feel free to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Nagy", written in a cursive style.

Christopher Nagy
CEO KOR Group LLC