GROUP ONE
TRADING LP

September 4, 2013

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: (Release No. 34-69606; File No. S7-01-13) Regulation Systems Compliance and Integrity ("Reg. SCI")

Dear Ms. Murphy:

Group One Trading, L.P., ("Group One") appreciates the opportunity to comment on the above referenced proposed rule filing ("proposed Regulation SCI", or "Reg. SCI") by the Securities and Exchange Commission ("SEC") in which the Commission proposes to require SCI entities to comply with requirements with respect to their automated trading systems that support the performance of their regulated activities. Group One supports the Commission's efforts to improve existing standards for exchange and trading platform stability and infrastructure integrity.

Group One is a CBOE registered broker-dealer which was founded in 1989. Since then, Group One has grown into one of the largest, privately held equity options trading firms in the United States, employing over ninety (90) people in New York, Chicago, Philadelphia and San Francisco. Group One makes markets as a Trading Permit Holder at the Chicago Board Options Exchange and also makes markets on, or is a member of, five other major U.S. equity options exchanges.

Group One feels that some of the specifics of proposed Regulation SCI will not efficiently achieve the intended goals. Group One believes that, in our current environment, a contingency plan is far more effective and far more practical than what is required under proposed Regulation SCI, and that the NASDAQ Market outage on August 22, 2013 is an example of why there are better alternatives to what is being proposed in Regulations SCI. The easiest and most efficient way to prevent future market disruptions similar to the NASDAQ Market outage is to simply standardize the process for continuing to operate when a system malfunctions. This is very similar to how the options markets currently operate. With the vast majority of all securities being traded on multiple venues, there is already built in redundancy when there is a temporary system failure at a single exchange. Those redundant venues continue to operate when a single system temporarily malfunctions.

During the NASDAQ Market outage, the other exchanges and ATSs could have easily absorbed the increased volume, and NASDAQ listed securities could have continued to trade while

NASDAQ took the time to fully repair and test its systems before reopening. In the event that NASDAQ was unable to reopen during the trading day, a contingency plan allowing another exchange to fill in and perform the duties of the primary exchange would have allowed trading to continue and market participants would have been mostly unaffected by the outage.

Furthermore, by allowing other fully operational exchanges to fill in and perform the duties of the primary exchange, the market has the added benefit of continuing to operate on tested systems. By failing over to a system that is already operating and is fully functional, there are less variables being introduced and the likelihood of errors is decreased. There are numerous examples that demonstrate how operating on untested or under-tested systems and code can be hazardous not only to that individual market participant but to the entire marketplace. The most recent of those examples occurred on August 20, 2013 when Goldman Sachs, allegedly after introducing new code into their system, sent thousands of erroneously priced options orders into the market causing a significant market disruption and creating substantial risk for market participants. A conservative estimate of the scope of the potential losses from that error would have been in the hundreds of millions of dollars if all of the trades had been ruled to stand. Relying on the built in redundancy in the system reduces the risk that is introduced by operating on new or under-tested systems and code.

It is impossible to predict exactly how or why a system might breakdown and there is no guarantee that a backup system will operate flawlessly, but it is possible to put a contingency plan in place to mitigate the effects of a system breakdown. Even if NASDAQ had a fully redundant system and failed over to that system on August 22, there is no guarantee that the backup system would have operated exactly as designed; however, by simply removing the NASDAQ Exchange from the market place and allowing NASDAQ listed equities to continue trading on other venues, the market place could have continued to function uninterrupted.

For those same reasons Group One would also oppose any proposal requiring either that market participants operate from backup facilities during regular trading hours or that market participants be able to meet the next business day resumption of trading standards for SCI entities in proposed Rule 1000(b)(1)(i)(E). By forcing Exchanges and market participants to either operate from backup facilities during market hours or to resume trading the following business day, regardless of scenario or conditions, proposed Regulation SCI would increase the probability of erroneous quotes and orders entering the market place. These requirements would force market participants to take unnecessary risk, and these requirements increase the likelihood of a market participant causing a significant market disruption because those firms would be forced to operate on rarely used systems. This requirement is also contradictory to SEC Rule 15c3-5 that requires market participants to have adequate risk management controls and supervisory procedures. Group One believes that this introduces a far greater threat to the integrity of the market place than the threats that proposed Regulation SCI is intended to prevent.

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Finally, the added benefit of requiring fully redundant backup systems is almost impossible to measure while the cost of implementation is significant. The cost of compliance with the proposed requirements would impose a significant financial burden on SCI participants, and the added benefit may never be realized as fully redundant systems and increased testing do not guarantee a flawless backup plan. Additionally, if contingency plans are put into place, then the potential benefit of such a requirement would be negligible due to the fact that market participants would continue to be able to conduct their business on multiple other venues.

To be clear, Group One does not oppose the well-intended goals of proposed Regulation SCI, but rather, we believe that a realistic cost/benefit analysis performed by the Commission will lead to the inevitable conclusion that the meager benefits which may or may not ever be realized are not worth the substantial costs which would be imposed on SCI entities.

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 at (312) 294-2320.

Respectfully submitted,

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