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Securities and Exchange Commission
100 F St. NW
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Rule-comments@sec.gov

Re: Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change to Adopt the CHX Liquidity Taking Access Delay

File: SR-CHX-2016-16

October 16, 2016

Dear Securities and Exchange Commission:

The Chicago Stock Exchange has proposed to put in its own speed bump. The proposed "Liquidity Taking Access Delay" ("LTAD") would impose a 350 microsecond delay on incoming orders that take liquidity – market orders and marketable limit orders. My understanding is that all incoming liquidity-taking orders will be treated the same, so there is no unfair discrimination. There would be no delays for posting other liquidity making limit orders, or for cancelling resting orders. The purpose of the intentional delay is to permit market makers who are posting liquidity to be able to cancel quickly when market conditions change.

[1] All opinions are strictly my own and do not necessarily represent those of Georgetown University or anyone else for that matter.

This is a reasonable proposal and should be approved without delay for several reasons:

1. ***Stare decisis***.

The Commission has already decided that delays less than one millisecond are *de minimis* in its decision on IEX. In the spirit of fair treatment of exchanges, other exchanges should also be permitted to experiment with *de minimis* speed bumps as well.

2. ***The speed bump is fair.***

As this speed bump applies equally to all liquidity taking orders, there is no issue of unfair discrimination.

3. ***Exchanges should be innocent until proven guilty.***

Today's exchanges operate in a hyper-competitive environment. No exchange or exchange group has a majority of the trading volume even in its own listings. If an exchange puts in a rule that harms its liquidity, liquidity will go elsewhere and it will have no business.

Exchanges should have the flexibility to experiment with different features to fulfill their statutory mandate under section 6(b)(5) of the '34 Act to "to perfect the mechanism of a free and open market and a national market system." Congress has called for competition among exchanges in 11A of the '34 Act, and part of competition is innovation in exchange functionality in order to provide a better trading environment. In order to promote such innovative competition, the Commission should treat exchange proposals as innocent until proven guilty and resist the temptation to micromanage exchange operations.

4. ***The speed bump is a good idea.***

Market makers provide a valuable service by posting liquidity in the public markets. They are essentially giving out free options to the market by their willingness to trade with all comers at their posted quotes. When market conditions change, they desire to update their quotes to the current market. Faster players may attempt to execute at the old quotes before they can be updated, imposing losses on the liquidity-providing market makers. Giving the market makers a few microseconds to update their quotes is a reasonable accommodation that will help to promote the posting of public liquidity in the limit order book. This will incentivize market makers to post more liquidity, leading to deeper quotes and tighter bid-ask spreads.

Respectfully submitted,

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