



POTAMUS
TRADING

TWO SEAPORT LANE, 5TH FLOOR
BOSTON, MA 02210

October 26, 2016

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Proposed Rule Change to Adopt the CHX Liquidity Taking Access Delay.

Dear Ms. Murphy:

Potamus Trading LLC (together with its affiliates, “Potamus” or “we”) is submitting this letter to share our views about the Proposed Rule Change to Adopt the CHX Liquidity Taking Access Delay (the “CHX Proposal”). We believe that our comments in support of the CHX Proposal should be considered with the broader U.S. market situation in mind. Specifically, we ask that the Commission to consider the benefits to all market participants that accrues from increased competition amongst exchanges.

By way of background, Potamus is a technology-enabled market maker and liquidity provider and is a member of ten (10) U.S. registered stock exchanges including exchanges operated by NYSE, Nasdaq, and BATS Global Markets. Potamus is not currently a member of CHX, but the innovations embodied by the CHX Proposal are representative of the types of differentiation across the exchange platforms that would give us cause to consider membership and liquidity provision on the exchange. In general, Potamus does not favor any particular exchange or market structure. Rather, we broadly support innovation and competition, which benefit all marketplace participants.

In our view, the current market structure suffers from two (2) core impediments, including: exchange concentration and electronic market maker concentration. The high degree of concentration amongst both of these important market participant groups reduces the quality of the realized market structure experienced by all other market participants. In our view, the best way to discipline the practices of both of these highly concentrated groups is to foster increased competition in both segments.

Despite the challenges associated with high market concentration and the associated lack of competition, we believe that U.S. equity markets continue to be among the most liquid, robust, transparent and fair markets in the world. However, they can be further improved for all stakeholders with measures that increase competition amongst exchanges and amongst electronic market makers. It is for these reasons we ask the Commission to consider the CHX Proposal favorably. We believe that the CHX Proposal will protect resting limit orders submitted by all market participants from those using speed advantages for the sole purpose of removing “stale” quotes on the CHX order book. As a result, market participants will be more inclined to post a portion of their top of book displayed orders on CHX with confidence that their orders will not be “picked off” by speed traders.



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By introducing these features CHX should be better positioned to offer market participants a differentiated value proposition, which may lead to market share gains through increased competition with the “big three” exchange groups that dominate the market.

In conclusion, we urge the SEC to approve the CHX Proposal and believe that it is a positive marketplace innovation that enhances competition amongst exchanges. We appreciate this opportunity to share our views on these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric Pritchett'.

Eric Pritchett
Chief Executive Officer
Potamus Trading LLC