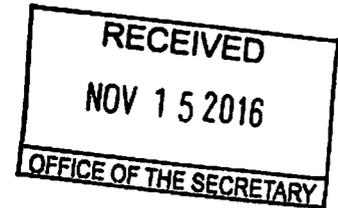


ALEX JACOBSON

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November 9, 2016



Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, D.C., 20549-1090

Re: File 34-78860

Mr. Fields:

I am writing as an individual investor writing to comment on the Chicago Stock Exchange (CHX) proposal for a Liquidity Provider Access Delay also known as LTAD (File 34-78860).

Over the length of my career, I have been a registered representative. I also spent nearly 30 years educating retail customers, institutional customers, and registered broker dealers about various trading strategies in the US equity and options market.

In its Reg NMS approval release, the Commission concluded that enhanced displayed liquidity reduces short-term volatility. The Commission further concluded that reduced short-term volatility serves the interests of long-term investors and issuers. I agree with those conclusions. I recommend that those conclusions be the focal point of the Commission as it considers this proposal.

In the same release, the Commission made it clear that when the interests of long-term investors and short-term traders are in conflict, the Commission must decide in favor of long-term investors. There is no conflict between long-term investors and short-term traders when short-term traders act as liquidity providers. CHX has demonstrated with data, not opinion or speculation, that there exists a conflict between short-term traders providing liquidity and short-term traders implementing a latency arbitrage who are taking liquidity.

The comment letters do not dispute CHX's claim that LTAD will promote displayed liquidity. By enhancing displayed liquidity, the Commission must conclude that LTAD will reduce short-term volatility and, therefore, serve the interests long-term investors and issuers. I believe that, in itself, should be sufficient for the Commission to approve the LTAD proposal.

When a short-term trader acts as a liquidity provider, long-term investors benefit. When a short-term trader acts as a latency arbitrageur, liquidity provision is impaired and long-term investors suffer. Therefore, there is a conflict between the interests of long-term investors and short-term traders when they act as latency arbitrageurs.

Given these facts and what the Commission has previously concluded regarding resolution of conflicts between short-term traders (latency arbitrageurs) and long-term investors, it seems clear to me that the Commission must act to favor the interests of long-term investors over the interests of short-term traders when they act as latency arbitrageurs.

Approval of the CHX LTAD proposal is consistent with this and, therefore, consistent with the Commission's past statements, is in the public interest.

Many of the comment letters submitted in opposition to the LTAD proposal come from sources which have a clear financial conflict of interest:

- Citadel is a liquidity provider. As such, Citadel competes with CHX in providing liquidity. If LTAD narrows NBBO spreads, then Citadel's profit margins as a liquidity provider, both upstairs and on exchange, will narrow. The Commission should recognize that Citadel's profitability will be reduced if LTAD is approved and LTAD achieves its stated goals. Citadel's comments must be seen as self-serving.
- Hudson River Trading is another liquidity provider which competes with CHX. It stands to reason that Hudson River Trading would also oppose LTAD, because LTAD will enhance competition among orders and narrow Hudson River Trading's profit margins. Hudson River Trading's comments must also be seen as self-serving.
- The New York Stock Exchange competes with CHX. Of course NYSE would oppose something that would give liquidity providers at a competing exchange a competitive advantage over competitors at NYSE or ARCA. Once again, these comments must be seen as self-serving.

These conflicts of interest understandably give rise to many of the negative comments. The Commission should recognize them as efforts to convince the Commission to disapprove of an innovation which would hurt them competitively. The Commission should recognize these as veiled efforts to have the Commission oppose competition among trading venues in the name of investor protection which, in fact, rejection of LTAD would work contrary to the stated policies and conclusions the Commission has carefully reached over the past 15 years.

Comments favoring LTAD come from various sources:

- Two academics have commented on LTAD. Both support the LTAD proposal as being innovative, good for investors, and good for the marketplace. Unlike many of those opposing LTAD, these academics have no conflict of interest.
- Some industry participants such as Potamus also favor LTAD. They recognize, as has the Commission, that competition among orders and among trading venues, should be promoted. LTAD does that.

Several other commenters have not explicitly favored or opposed LTAD. They have asked the Commission to provide consistency in deciding whether a given “speed bump” should be approved. While this sounds good in theory, it would be unreasonable for the Commission to set *ex ante* guidelines today for approving such proposals because it is impossible for the Commission to anticipate what sort of innovation may come forth *ex post*. For this reason, it seems reasonable to me that the Commission has chosen to review such proposals as they arise rather than attempt to set boundaries to be applied to future creativity when, in fact, the Commission could never thoroughly anticipate the creativity of the marketplace.

It appears to me that the Commission envisioned the need for flexibility in evaluating creative proposals when Rules 602, 610, and 611 were adopted as part of Reg NMS. These are, of course, the rules which those opposing LTAD have cited as reasons for the Commission to disapprove the LTAD proposal. The last section of each of these Rules grants the Commission flexibility to approve proposals such as LTAD which were not envisioned when Reg NMS was adopted because, it turns out, proposal such as LTAD are in the best interest of long-term investors and issuers.

I am not an attorney. I do not hold myself forth as an expert as to whether LTAD is consistent with Rule 602, Rule 610, or Rule 611 without utilizing the exemptions permitted in last section of each of those Rules. However, it seems clear to me that if the Commission finds that LTAD benefits investors and issuers, that the Commission could invoke the last section of each of these Rules and approval LTAD as consistent with those Rules.

LTAD is the sort of innovation that Chair White challenged trading venues to create. LTAD is innovative. LTAD deemphasizes speed. CHX has identified a problem, has documented it with data rather than opinion, and has shown that the consequences of the problem are contrary to the public interest because those consequences include impairing rather than promoting provision of displayed liquidity. Even several commenters opposing Commission approval of LTAD have acknowledged that LTAD will enhance displayed liquidity. No one has argued that

there will be less displayed liquidity under LTAD. Some commenters have speculated that LTAD would impair the “accessibility” of enhanced displayed liquidity. This speculation is based on hypothetical situations, and those situations can be addressed by intelligent order routing techniques which already available in the marketplace today.

For all these reasons, I strongly encourage the Commission to approve CHX’s LTAD proposal.

Respectfully submitted,

A handwritten signature in black ink that reads "Alex Jacobson". The signature is written in a cursive style with a large, stylized initial "A".

Alex Jacobson