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July 20, 2017

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
Washington, D.C.

The Honorable Kara M. Stein
Commissioner
Securities and Exchange Commission
Washington, D.C.

The Honorable Michael S. Piwowar
Commissioner
Securities and Exchange Commission
Washington, D.C.

Dear Chairman Clayton and Commissioners Stein and Piwowar:

I commend you for your decision to extend the review period for the Security and Exchange Commission's review of the proposed acquisition of the Chicago Stock Exchange by a group of investors led by the Chinese firm Congqing Casin Enterprise Group (CCEG). I write to urge the Commission to reject this proposed acquisition, which is a threat to the United States' financial security and Americans' faith in our national financial market infrastructure.

Under section 19(b)(2)(B) of the Securities and Exchange Act of 1934 (Exchange Act) and Rule 19b-4 thereunder, the sale cannot take place unless this Commission approves a rule change for CHX Holdings, the parent company of the Chicago Stock Exchange, Inc., to become a wholly-owned subsidiary of N.A. Casin Holdings. It is my sincere belief that this proposed acquisition presents both serious national security concerns and greatly increases the overall nature and level of risk presented by the Exchange, and for this reason I urge the Commission to disapprove of the requested rule change and reject the proposed acquisition.

Our government considers our stock exchanges—a key part of our national financial market infrastructure—to be "self-regulatory organizations," and presumes that each exchange is fully capable of managing the risk inherent in its operations. The Chinese government's continued rejection of fundamental free-market norms and property rights of private citizens makes me strongly doubt whether an Exchange operating under the direct control of a Chinese entity can be trusted to "self-regulate" now and in the future.

On June 27 of this year, I led a group of Senators in writing a letter to Commerce Secretary Wilbur Ross urging the Department of Commerce to continue treating China as a nonmarket economy for purposes of trade duty enforcement. The Chinese government's heavy-handed intervention in the Chinese economy, which prompted that letter, is equally relevant in this context. Simply put, the Chinese government categorically rejects the bedrock free-market principles upon which the American economy—and especially the American financial sector—are based. While the harms caused by CCEG's acquisition of the Chicago Stock Exchange may not become apparent immediately, allowing this acquisition to proceed could have a devastating effect on the health of our financial markets, which are the envy of the world.

I fear that that the challenges plaguing the Chinese market—lack of transparency, currency manipulation, etc.—will bleed into the Chicago Stock Exchange and adversely impact financial markets across the country. As we continue to employ the greatest lengths of diplomacy to shore up our relationship with China, we must not forget their desire to emerge on top of the international market as the sole global power. Their sustained efforts to steal intellectual property and state-sponsored cyber-attacks present clear and present threats to our national security, and I believe it is highly likely that they will employ similar, deceitful practices to gain an unfair advantage in our financial markets through this acquisition.

While I have reviewing SEC Release No. 34-79781, the public comment letters and the Exchange's comments in response, I remain unconvinced that:

a. No prospective investor is influenced or controlled by the Chinese government;
b. Exchange rules could stand against the levels of deceit employed by the Chinese government; and
c. The Chinese government would not employ influence to affect exchange decisions or votes.

While the Committee on Foreign Investment in the United States (CFIUS) has chosen not to recommend that the President block or terminate the proposed acquisition—a recommendation with which I strongly disagree—CFIUS' review does not end the approval process. Rather, your Commission has the final word. Please make the responsible choice to protect our nation's financial security and Americans' faith in the infrastructure underpinning our financial markets.

Thank you for your attention to this matter.

Joe Manchin, III
United States Senator