

December 15, 2017

Eduardo A. Aleman
Assistant Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Release No. 34-82077;¹ Notice of Filing of Amendment No. 2 to Proposed Rule Change in Connection with the Proposed Transaction involving CHX Holdings, Inc. (“CHX Holdings”) and North America Casin Holdings, Inc. (“NACH”)

Dear Mr. Aleman:

Thank you for the opportunity to once again comment on the Proposed Transaction involving CHX Holdings, the parent company of the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”), and NACH. CHX encourages this public dialogue and has made every effort to address any concerns that have been expressed throughout this process. In fact, CHX has previously submitted several comment letters,² which I would encourage interested parties to review. In this letter, I would like to briefly summarize the benefits of the Proposed Transaction, describe why the transaction is safe, and, finally, urge the Securities and Exchange Commission (“SEC” or “Commission”) to vote to uphold the August 9, 2017 Approval Order³ issued by its staff.

1. Benefits of the Proposed Transaction

The primary reason that CHX has proposed this transaction is that it represents a great opportunity for both the Exchange and for the U.S. The U.S. is growing again and China is the fastest growing market in the world. Very soon, it will be the largest economy in the world by some measures. Economic cooperation and growth in both the U.S. and in China represents a real opportunity within the global economy for businesses that can find ways to encourage and

1 Exchange Act Release No. 82077 (November 14, 2017), 82 FR 55141 (November 20, 2017).

2 See Letter to Brent J. Fields, Secretary, Commission, from John K. Kerin, President and CEO, CHX (January 5, 2017) (“First CHX Letter”); see also Letter to Brent J. Fields, Secretary, Commission, from Albert J. Kim, Vice President and Associate General Counsel, CHX (January 6, 2017) (“Second CHX Letter”); see also Letter to Brent J. Fields, Secretary, Commission, from John K. Kerin, President and CEO, CHX (March 6, 2017) (“Third CHX Letter”); see also Letter to Brent J. Fields, Secretary, Commission, from Albert J. Kim, Vice President and Associate General Counsel, CHX (August 8, 2017) (“Fourth CHX Letter”); see also Letter to Brent J. Fields, Secretary, Commission, from John K. Kerin, President and CEO, CHX (August 25, 2017) (“Fifth CHX Letter”); see also Letter to Brent Fields, Secretary, Commission, from James G. Ongena, Executive Vice President and General Counsel, CHX (October 1, 2017) (“Sixth CHX Letter”); see also Letter to Brent J. Fields, Secretary, Commission, from Albert J. Kim, Vice President and Associate General Counsel, CHX (November 6, 2017) (“Seventh CHX Letter”). All comment letters on the proposal may be found at <https://www.sec.gov/comments/sr-chx-2016-20/chx201620.shtml>.

3 Exchange Act Release No. 81366 (August 9, 2017), 82 FR 38734 (August 15, 2017).

participate in this growth. I believe that CHX is well-positioned to do just that with the Proposed Transaction.

Both domestic and foreign emerging growth companies desire an exchange listing and access to U.S. equity capital. The U.S. is still a global leader in capital creation due to our unique combination of a vibrant and innovative secondary market, a stable economy, a fair and consistent legal system, sophisticated research coverage, and mature accounting, legal and advisory services. Additionally, for quality foreign companies, a U.S. listing is prestigious and fits well within a global strategy.

That said, the business of capital creation is also global and increasingly competitive. The U.S. must strive to remain competitive or this business can easily go to places like Hong Kong, London, Singapore, and Frankfurt. This is one of the reasons that the Casin Group, our Chinese lead investor, is strategically important to the Proposed Transaction. Having Chinese partners will provide us with access to quality Chinese emerging growth companies, especially those companies located in the fast growing southwestern region of China, that desire a U.S. listing. In addition to benefitting these companies, U.S. investors will win as they gain exposure to the significant growth in the Chinese market. Having such companies list in the U.S., according to our listing rules, our accounting standards, and under the regulatory oversight of the SEC, is the safest way for U.S. investors to participate in the growth of the Chinese market.

Finally, attracting this business to the U.S. will create a significant number of jobs, and not only at the Exchange. Listing companies typically establish a presence here, participate in the secondary market, and need a myriad of ancillary services such as legal, accounting, advisory, real estate and others. There is no question that, if approved, the Proposed Transaction will create jobs and grow our economy.

2. The Proposed Transaction is Safe

Much has been written about the proposed investor group, national security, and investor protection. I am sorry to say that many of the comments criticizing the Proposed Transaction contain blatantly false and misleading information. Therefore, I would like to again point out why this transaction is safe.

The proposed investor group is a majority (71%) U.S. citizen owned and a minority (29%) Chinese citizen owned. All of the members of the proposed investor group have been subject to constant regulatory scrutiny for almost two years. Both sides have produced thousands of pages of documents, agreed to every request made by regulators, and have addressed every legitimate national security and investor protection concern. The U.S. investors are well known and experienced in the financial industry. The Chinese investor, North America Casin Group, is a large private company that is not owned or controlled by the Chinese government.

This fact has been vetted by the Exchange, outside counsel, and the Committee on Foreign Investment in the United States ("CFIUS"). CFIUS conducts a full and detailed assessment of the foreign investing entities, including all of their individual senior executives and

major shareholders, and investigates the extent of any foreign government control over the investor. U.S. national intelligence agencies also examine the foreign investor, and their conclusions are captured in a classified report that the Director of National Intelligence prepares for CFIUS. CFIUS conducted a thorough, deep, and wide-ranging investigation of the Proposed Transaction and the NACH shareholders and, on December 12, 2016, concluded that there were no unresolved national security concerns.

In addition to being clearly majority owned by U.S. citizens, there are also structural and governance requirements that ensure that no shareholder, whether foreign or domestic, will exercise undue influence over the Exchange. This includes that no person, along with related parties, may beneficially own more than 40% or vote more than 20% of the outstanding voting shares of NACH. Additionally, the board of directors of CHX must also meet certain independence requirements, including that at least half of the board be comprised of Non-industry Directors that do not own or trade on the Exchange. Also, pursuant to the Securities Exchange Act of 1934 (“Exchange Act”), CHX is subject to direct and rigorous oversight by the SEC. Through this oversight, the SEC is able to verify compliance by NACH shareholders with the relevant CHX Rules at its discretion. Moreover, CHX Rules will also require NACH shareholders to make annual attestations to the SEC and the Exchange related to its ownership level and the existence of any voting agreements, and the Exchange’s oversight of the ownership and voting limitations will be subject to regular independent audits by a PCAOB registered auditor. In the event that the SEC were to discover that CHX or the NACH shareholders have failed to meet the requirements of the Exchange Act, the SEC has broad authority to compel compliance or mitigate non-compliance, including suspending, censuring or deregistering the Exchange pursuant to Section 19(h)(1) of the Exchange Act.

Finally, and contrary to what has been asserted by certain commenters, the Chinese investor has agreed to permanently and irrevocably submit to the jurisdiction of the SEC and the U.S. courts, has appointed a registered agent here in the U.S. for the service of process, has agreed to open books and records, and is required to keep such records here in the U.S. These facts have all been disclosed in CHX’s comment letters and public filings for months.

3. The Commission Should Vote to Approve the Proposed Transaction

As I previously mentioned, CHX has been working on this transaction for almost two years. In fact, three of the investors in the proposed group recently elected not to proceed due to the delay. CHX and the remaining members of the proposed investor group are not alone in our frustration with the length of time it has taken to obtain a decision. One member of Congress, who is also a member of the House Financial Services Committee, has publicly stated that the current review period, which includes a “stay” on the SEC staff’s approval, arguably violates the Commission’s time restrictions under the Exchange Act, as amended by Sec. 916 of the Dodd-Frank Act.⁴

⁴ See Letter to the Honorable Jay Clayton, Chair, SEC, from the Honorable Randy Hultgren, Member of Congress (September 14, 2017). All comment letters on the proposal may be found at <https://www.sec.gov/comments/sr-chx-2016-20/chx201620.shtml>.

Notwithstanding this fact, CHX and the proposed investor group remain committed to the Proposed Transaction because of the great opportunity it represents for the Exchange and for the U.S. The Proposed Transaction has been approved by CFIUS and by the SEC's own staff. Additionally, the Proposed Transaction has been subject to no less than four public comment periods, during which CHX has responded to concerns from legitimate commenters as well as comment letters containing blatantly false and misleading information. CHX and the proposed investor group have agreed to every request made by regulators and have addressed every legitimate national security and investor protection concern. It is now time for the Commission to vote to uphold its staff's decision and approve this transaction.

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In closing, I would like to point out that the U.S. has long advocated an open investment policy and a commitment to treat all investors in a fair and equitable manner under the law. China itself recently announced that it will allow majority foreign ownership of companies in the financial industry. In this case, the proposed investor group is comprised of 71% U.S. and 29% Chinese investors that have followed the law and agreed to everything that our government has asked of them. The world is now waiting to see whether the U.S. remains an open country that respects the rule of law and encourages foreign direct investment.

Sincerely,



John K. Kerin

cc:

The Honorable Walter J. Clayton
Chairman
Commission
Washington, D.C.

The Honorable Michael S. Piwovar
Commissioner
Commission
Washington, D.C.

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