

July 7, 2017

Brent J. Fields, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington DC

Re: Release No. 34-80041, File No. SR-CHX-2017-04, Chicago Stock Exchange, Inc., Notice of Filing of Proposed Rule Change to Adopt the CHX Liquidity Enhancing Access Delay ("Filing"); Release No. 34-80740, File No. SR-CHX-2017-04, Chicago Stock Exchange, Inc., Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change to Adopt the CHX Liquidity Enhancing Access Delay ("Order")

Dear Mr. Fields:

Just a brief note about the Chicago Stock Exchange's ("CHX") June 30th response to comments.<sup>1</sup> In its extended rebuttal to my criticism of its speed bump implementation, CHX seems to assume the processing overheads *solely* attributable to its LEAD queue are zero and that they will always be zero.<sup>2</sup> With those obviously incorrect assumptions, CHX draws an incorrect equivalence to other exchanges.

As my own example makes very clear, overheads solely attributable to LEAD queue processing are *not* zero, could well be nonlinear with exponential decay under load, and will inevitably be subject to unpredictable variances, either because of bugs or inefficiencies in CHX's proprietary software or because of varying and unpredictable volumes.<sup>3</sup> On the other hand, Arca will *never* be subject to these delays because Arca doesn't have a LEAD queue. IEX will *never* be subject to these delays because it is simply a fact that a message sent down IEX's fiber coil will exit that coil 350 microseconds later. Unless CHX can unconditionally guarantee that a message inserted on its LEAD queue will *always* exit that queue 350 microseconds later, CHX's software implementation introduces the possibility of unpredictable delays IEX's hardware solution does not. Those delays might further benefit CHX's preferred middlemen at the expense of other participants, separate from any delays in other parts of its matching engine complex.

Finally, if Mr. Ongena is discouraged he has to respond to critical comment letters from the public,<sup>4</sup> whether anonymous, pseudonymous, or with a passport and x-rays, he has plenty of options: He can write better rule filings; he can dissuade his employer from ill-conceived business proposals; he can find another line of work.

Sincerely,

R. T. Leuchtkafer

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<sup>1</sup>Letter to Eduardo A. Aleman, Assistant Secretary, SEC, from James G. Ongena, Executive Vice President and General Counsel, Chicago Stock Exchange, June 30, 2017 ("CHX Response").

<sup>2</sup>CHX Response, page 18. Under the heading "Assumptions" CHX does not show any LEAD overhead time, presumably because for the purposes of its following examples it assumes that overhead time is and will always be zero.

<sup>3</sup>Letter to Brent J. Fields, Secretary, SEC, from R. T. Leuchtkafer, June 15, 2017, pages 2-5. In particular, the table on page three makes it very clear my concern was an "unintentional slowdown associated solely with the software component which maintains the LEAD queue of delayable messages."

<sup>4</sup>CHX Response, page 17.