

December 8, 2017

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

**Re: Release No. 34-82034;<sup>1</sup> In the Matter of the Chicago Stock Exchange, Inc. (“Exchange” or “CHX”) - For an Order Granting the Approval of Proposed Rule Change to Adopt the CHX Liquidity Enhancing Access Delay on a Pilot Basis (File No. SR-CHX-2017-04)**

Dear Mr. Aleman:

We, the public directors of the CHX Board of Directors (“Board”), would like to thank the U.S. Securities and Exchange Commission (“Commission”) for the opportunity to submit this letter in support of the CHX Liquidity Enhancing Access Delay (“LEAD”). For the reasons described below, we strongly urge the Commission to affirm the Commission staff’s order<sup>2</sup> (“Approval Order”) approving LEAD on a pilot basis.

As CHX staff had previously described in its various Rule 19b-4 filings<sup>3</sup> and comment letters,<sup>4</sup> LEAD is an intentional access delay designed to enhance displayed liquidity at CHX by minimizing the effectiveness of certain predatory trading strategies that seek to execute against stale quotes during times of market transition. Specifically, LEAD will apply a 350-microsecond intentional delay to all incoming order-related messages submitted to the Exchange’s matching system, except that non-marketable liquidity providing orders and related cancel messages submitted by LEAD Market Makers will not be delayed. In return for this ability to submit and adjust non-marketable liquidity providing orders without delay, LEAD Market Makers will be subject to heightened market quality obligations, which will ensure that CHX quotes remain reliable and accessible.

As members of the CHX Board, we are well aware of the CHX market challenges that gave rise to the LEAD proposal, how LEAD is designed to improve overall market quality and the benefits that such improved market quality would inure to the investing public. We agree with CHX staff that LEAD will enhance displayed liquidity at CHX, which will, in turn, provide public investors with additional liquidity options, enhanced price discovery and reduced execution costs.

We note that we are not alone in our support of LEAD. Two of the largest electronic market makers in the national market system, Virtu Financial and Chicago Trading Company, submitted comment

---

<sup>1</sup> Exchange Act Release No. 82034 (November 8, 2017), 82 FR 52762 (November 14, 2017).

<sup>2</sup> Exchange Act Release No. 81913 (October 19, 2017), 82 FR 49433 (October 25, 2017).

<sup>3</sup> See id; see also Securities Exchange Act Release No. 80041 (February 14, 2017), 82 FR 11252 (February 21, 2017).

<sup>4</sup> All comment letters on the LEAD proposal may be found at <https://www.sec.gov/comments/sr-chx-2017-04/chx201704.htm>.

letters<sup>5</sup> in support of LEAD and, of course, the Commission staff approved LEAD finding that the proposal is consistent with the relevant federal securities laws.

We are also aware of the various comment letters that have been submitted in opposition to LEAD. Without a doubt, reasonable minds can differ on matters as complex as market structure. However, it is clear to us that reliance on conjecture and supposition to make any conclusions regarding the impact of LEAD on market quality is imprudent, at best.

This is precisely why the Exchange has proposed, and the Commission staff has approved, the implementation of LEAD on a pilot basis. The comprehensive data collection and analysis requirements of the pilot will provide the Commission, CHX and the public with valuable empirical data regarding the actual impact of LEAD on market quality. When considered with the 240-day review period for LEAD that preceded Commission staff approval, which included two lengthy public comment periods, we believe that lifting the stay and permitting CHX to demonstrate that LEAD is, in fact, an innovation that will promote the public interest is appropriate and in furtherance of fair competition among the trading centers.

\* \* \*

---

<sup>5</sup> See id.

Mr. Eduardo Aleman  
December 8, 2017  
Page 3 of 3

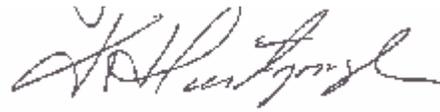
For the foregoing reasons, we respectfully request that the Commission affirm the Approval Order without further delay.

Sincerely,



---

Matthew D. Frymier  
Chairman



---

Kruno Huitzingh  
Member



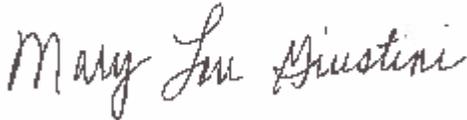
---

Charles A. Rogers  
Vice Chairman



---

Anthony J. Saliba  
Member



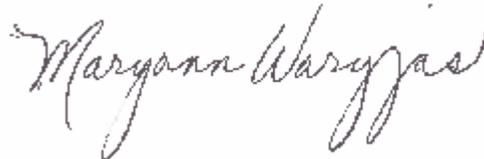
---

Mary Lou Giustini  
Member



---

Lois A. Scott  
Member



---

Maryann A. Waryjas  
Member

cc: Chairman Jay Clayton  
Commissioner Kara M. Stein  
Commissioner Michael S. Piwowar  
Brett Redfearn, Director, Division of Trading and Markets  
John Roeser, Associate Director, Division of Trading and Markets  
Theodore Venuti, Assistant Director, Division of Trading and Markets