

**Congress of the United States**  
**Washington, DC 20515**

July 10, 2017

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

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

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

Ms. Heather Seidel  
Acting Director, Division of Trading  
And Markets  
Securities and Exchange Commission  
Washington, D.C.

Dear Chairman Clayton, Commissioners Piwowar and Stein, and Director Seidel:

On January 12, the Securities and Exchange Commission (SEC) published an order that identified possible concerns related to the proposed takeover of the Chicago Stock Exchange (CHX) by the Chongqing Casin Enterprise Group (CCEG). Specifically, the SEC questioned whether the rules proposed by CHX and CCEG were designed to protect investors and the public interest, and whether the proposed organization of CHX could ensure its capacity to carry out the purposes of the Exchange Act.

After review, we strongly urge the SEC to deny this transaction.

As you know, the Chinese government dominates all sectors of society and consistently fails to abide by international agreements. In addition, given ongoing concerns with the severe lack of transparency in China, we have substantial concerns related to the SEC's ability to monitor and regulate the upstream ownership of CCEG. Approving opaque upstream ownership of CHX would: (1) strip the SEC of its ability to carry out its statutorily mandated oversight of Exchange ownership; (2) promote the improper consolidation of ownership and coordinate voting control over CHX, and; (3) materially harm the public trust in the independent and objective operation of U.S. capital markets.

First, this proposal would concentrate ownership and voting power under CCEG and its coordinate investment entities in China. With little or no insight and transparency into government-dominated Chinese markets, the SEC will be unable to monitor the ownership structure of CCEG after approval, leaving CHX open to undue, improper, and possibly state-driven influence via coordinated voting control by its upstream ownership. Given these actual or potential outcomes, this transaction appears inconsistent with sections 6(b)(1) and 6(b)(5) of the Exchange Act, which requires an Exchange to be able to comply with and enforce rules necessary to prevent undue influence or control over a national securities exchange.

Even where upstream ownership is not engaged in regulatory functions, the SEC has traditionally required their activities to be in concert with – and not have the ability to disrupt or interfere –

the self-regulatory obligations of an exchange.<sup>1</sup> Here, the SEC simply cannot assess upstream ownership activities in China, and there is no way to determine whether those activities are aligned with the obligations of an exchange.

Foreign upstream owners have historically submitted to full U.S. jurisdiction when acquiring a national securities exchange. Yet, neither CCEG, nor any of its coordinate foreign entities, have provided U.S. regulators with any power to monitor or regulate their activities with respect to CHX. In the past, Chinese entities have limited visibility into post-acquisition activities and have attempted to interpose arguments – such as sovereign immunity or limits to the extraterritorial application of U.S. laws – to avoid compliance with U.S. regulatory requirements. These actions erode investor trust and adversely affect U.S. regulatory interests.

Without the ability to confidently monitor CCEG, conflicts of interest between the Chongqing-based ownership and CHX may exist, yet be entirely invisible to the SEC. Without confident oversight of the foreign ownership, we believe that acceptance of the proposed rule change would diminish faith in the independence of CHX and reduce the public trust across the country's other interrelated securities exchanges.

Given our concerns, we urge the SEC to deny the proposed rule change. Thank you for your consideration and continued attention to this matter.


Sincerely,

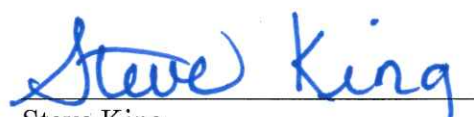
  
Robert Pittenger  
Member of Congress

  
Chris Smith  
Member of Congress

  
Peter A. DeFazio  
Member of Congress

  
Ted Yoho  
Member of Congress

  
Rosa L. DeLauro  
Member of Congress

  
Steve King  
Member of Congress

<sup>1</sup> *In the Matter of the Application of ISE Mercury, LLC, Securities and Exchange Commission Release No. 34-76998, 22 (Jan 29, 2016).*

*Walter B. Jones*

---

Walter B. Jones  
Member of Congress

*Brian Babin*

---

Brian Babin  
Member of Congress

*Tom Marino*

---

Tom Marino  
Member of Congress

*David P. Joyce*

---

David P. Joyce  
Member of Congress

*Bill Posey*

---

Bill Posey  
Member of Congress