MICHAEL BRENNAN
Independent Market Commentator

February 17, 2017

The Honorable Commissioners
C/o Brent Fields, Secretary
Securities and Exchange Commission
100 F Street,
Washington, DC 20549

Re: SEC file No. SR-CHX-2016-20, Release No. 34-79474
Comment Letter: Opposition to the Chicago Stock Exchange/China Casin Acquisition

Dear Honorable SEC Commissioners,

Thank you for the opportunity afforded the public to comment on the proposed acquisition of the Chicago Stock Exchange (CHX) by an unknown China Casin group. I applaud the SEC's review efforts to rigorously investigate and hopefully reject this "bad deal" for America.

There are at least 5 reasons the SEC must reject the CHX Chinese merger:

1. Do the upstream Chinese Casin shell owners exist on earth?

Can the SEC effectively regulate the Chicago Stock Exchange and protect the market from abuses when the SEC staff doesn't know, and cannot independently confirm the backgrounds of the Chinese shell companies behind the CHX acquisition? If the answer is no, then the SEC must move forward with extreme caution and render a decision of rejection. The quality of the U.S. market rests on integrity and transparency required of all market participants.

2. Is the SEC willing to engage in new rulemaking on exchange ownership?

To consider approving the CHX proposal, the SEC must deviate from established policies that limit exchange ownerships to not more than 40% (and not higher than 20% in voting rights) by the same controlling parties. Annual reports released by the NASDAQ, NYSE and all other exchanges have meticulously emphasized their compliance with the SEC's 40% ownership rule.

Should the SEC make an extraordinary exception and engage in new rulemaking just for CHX, at the cost of discriminating against other exchanges in order to accommodate CHX's opaque Chinese entities unwilling to be transparent? If the SEC approves the CHX deal, then should the SEC allow opaque Iranian or Cuban entities to own our stock exchanges also? Should the other exchanges demand equal treatment for their shareholders? I trust the SEC regulators hold dear to their hearts the principle of treating all market participants fairly and equally.

3. Conflict of interest within CHX: the Saliba and Raptor "compelled put" create new 24% voting collusion while Salida sits on CHX's board

In addition to the obvious voting collusion among the mysterious Chinese shell owners, the Saliba and Raptor "put" arrangements are equally troubling. Anthony Salida is a CHX board member[1] suspiciously engaged in double-dealing. On his own social media pages, Saliba talks about his "close" relationships with the Chinese government and their companies. At the same time, Mr. Saliba touts his abilities to "hedge" risks by having "put options." It's not unreasonable suspicion that the "Salia Put" is a perfect hedge for Anthony Saliba to reap personal benefits while acting as a CHX board member, pushing the CHX board and the SEC to approve the deal.

Concerns over Mr. Saliba's possible insider dealings are not overblown. They are confirmed through CHX's SEC disclosure documents. At his sole discretion, Mr. Saliba can compel the Chinese shells to buy out his stake (11.75%) with substantial profits for himself. Even more troubling, Saliba put up his business partner Raptor as his nominee to hold additional 11.75% of CHX. Raptor acted on Saliba's behalf, structured the "Raptor put" on exactly the same terms as the "Saliba put." Are the Saliba and Raptor puts unrelated? No. They put together the questionable deal while acting in concert. That's the textbook definition of "voting collusion." Collectively, the Saliba and Raptor "puts" would control 24% of CHX[2], exceeding the SEC's well accepted 20% voting limit. CHX board member Anthony Saliba and Raptor arguably engaged in voting collusion, which is explicitly disapproved by the SEC's existing policies. The conflict of interest among CHX's board members to game the SEC staff is disturbing. "Double-dealing," "double- talk" might be the precise definitions for their actions. Unfortunately, the Saliba and Raptor puts appear to follow the same behavioral patterns also exhibited in Chinese Casin's opaque ownership structures.

4. CFIUS? Who cares

CHX loves to talk up the abstract CFIUS approval, particularly when the Chinese facts are not on their side. In reality, the CFIUS approval has no relevance to the SEC's decision making. Does a CFIUS approval prevent fraudulent transactions? No; Does CFIUS guarantee that a deal participant would not defraud other parts of the government? No; Did CFIUS inquire about whether the SEC had in place rules against 40% exchange ownership and 20% voting collusion? No. The CFIUS approval under the old administration should have no impact on the SEC's independent evaluation of an opaque Chinese deal.

5. Who will win and who will lose?

Understandably, CHX management and the CHX board pushed by Anthony Saliba have strong vested interest in seeing the Chinese transaction coming to fruition. They will make good money out of it: CHX management gets to keep their jobs and hopefully make more money from "consulting opportunities" for Chinese companies[3]. And the CHX board controlled by Anthony Saliba and his surrogate Raptor already hedged a sweetheart deal for Saliba, which would

[1] Board of Directors of CHX Holdings, Inc.: http://www.chx.com/chx-holdings/governance/board/

[2] See SEC Release No. 34-79781, January 12, 2017. Descriptions of CHX ownership.

[3] Chicago Stock Exchange website Q&A: Acquisition of CHX Holdings. http://www.chx.com/proposed-transaction/

produce a windfall profit at any time convenient to his tax planning by "compelling" the Saliba put on the Chinese group.

But, what about the American public's exposure to the suspected Chinese market manipulators unwilling to come forth telling the world who they are? CHX wouldn't care. The SEC does.

With due respect, the burden is on the SEC to make sure the American investors won't get short- changed by either CHX or the secret Chinese nominees.

As a concerned citizen from Chicago, I understand the struggles the City of Chicago and its stock exchange must be going through. The city is on the edge of bankruptcy. But buying its way out of financial distress at the expense of the American public, without even revealing the real Chinese names is just a misguided shortcut.

I highly appreciate the SEC staff for their diligence in reviewing this matter critically important to America's national interest. The SEC has a distinguished record of protecting public interest. By rejecting the proposed Chicago Stock Exchange merger with China Casin, the SEC will set another shining example of investor protection that would deserve much credit.

Thank you for your review.

Sincerely,

Michael Brennan
Independent Market Commentator