Congress of the United States
Washington, DC 20515

December 22, 2016

The Honorable Mary Jo White
Chairman
Securities and Exchange Commission
Washington, D.C.

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

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

Dear Chairman White and Commissioners Stein and Piwowar:

In February 2016, over 40 bipartisan Members of Congress wrote to the Committee on Foreign Investment in the United States (CFIUS) urging the government to block the sale of the Chicago Stock Exchange to a group of investors led by the Chinese firm, Chongqing Casin Enterprise Group (CCEG). As the Securities and Exchange Commission (SEC) conducts its process to review this transaction, we similarly urge you to consider the negative impacts Chinese state-affiliated ownership of the Chicago Exchange will have on national security and the financial security of the American marketplace. This transaction should be thoroughly reviewed and the period for public comment should be extended to ensure that the serious potential consequences of this transaction are adequately assessed. We are troubled that the Commission has provided for an abbreviated review period that essentially precludes appropriate evaluation.

As you well know, the private sector in America is built on openness, freedom of opportunity, transparency in operations, and separation of government and industry. Our market exchanges represent these qualities, and the SEC is tasked to protect the integrity of this system. Conversely, Chinese markets maintain zero transparency and are heavily dominated by the Chinese State Council. Companies in China are often the recipients of significant illegal subsidies from the government and are used as conduits for the Chinese Communist Party to disrupt and distort foreign markets, businesses, and governments.

Furthermore, the Chinese government remains the number one state-sponsor of cyber-espionage and corporate theft. Government-sponsored cyber-attacks are conducted to devalue foreign businesses and steal intellectual property and proprietary data – costing American companies billions of dollars annually. Allowing a Chinese owned and possibly government-affiliated firm direct access to manipulate our $22 trillion U.S. equity marketplace is unprecedented and poses an unnecessary and unacceptable risk to American companies and to the financial security of this country.

CCEG is involved in a number of Chinese market sectors that would require close ties to the state, particularly in the environmental protection areas that are state-sensitive. The company's financial assets were originally state-controlled, and CCEG's chairman sits on an industry council overseen directly by the mayor of the Chongqing Municipality, demonstrating a direct political connection.

Given the lack of transparency in China, there is no way to refute concerns related to government influence over CCEG. Despite the fact that Chinese investment in the United States continues to grow at an exponential pace, our government has unfortunately been unable to adequately address transparency concerns with regard to the operations of Chinese businesses.

For example, the Public Company Accounting Oversight Board (PCAOB) – an agency tasked to assess business audits and impose transparency requirements – has publicly struggled to reach agreements with the Chinese government to allow for better access to critical information about Chinese businesses that will inform and protect American markets and investors. At minimum, the PCAOB's ability to penetrate Chinese opacity should be a prerequisite to allowing a Chinese firm purchase an American stock exchange.

The integrity of and confidence in America's financial markets is a bedrock component of our nation's security. This transaction raises serious questions that go well beyond the limited scope of review that has already taken place. Allowing an entity such as CCEG to acquire one of our nation's exchanges – with the access, information, and opportunities that exist to undermine U.S. interests – is a very serious matter.

Given these concerns, we urge you to consider rejecting this transaction. Further, we request that you extend the public comment period on this transaction beyond the current end-date of January 3, 2017. We strongly object to the timing of this comment period given the weight of this transaction. Holding the public comment period for a brief duration during the holiday season clearly indicates an effort to avoid negative response.

As you consider our request to extend the comment period to a reasonable time of the year, please give our offices a response no later than 7 days after this letter. You can coordinate this response with Clark Fonda in Representative Pittenger's office (clark.fonda@mail.house.gov).

Thank you for your attention to this matter.

Robert Pittenger
Member of Congress

Earl L. "Buddy" Carter
Member of Congress

Peter DeFazio
Member of Congress

Collin Peterson
Member of Congress

David Joyce
Member of Congress