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November 7, 2016

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

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Re: **Proposed Rule Change to Adopt the CHX Liquidity Taking Access Delay, Rel. 34-78860 (SR-CHX-2016-16)**

Dear Mr. Fields:

**ASIA
PACIFIC**
HONG KONG
MUMBAI
SHANGHAI
SYDNEY
TOKYO

Interactive Brokers Group, on behalf of its affiliates, Interactive Brokers LLC, and Timber Hill LLC appreciates the opportunity to submit its comments on the recent Chicago Stock Exchange, Inc. ("CHX") proposal to adopt a Liquidity Taking Delay ("LTAD") that seeks to introduce a delay of 350 microseconds for liquidity-taking orders before they are processed by the CHX order book. Interactive Brokers is one of the largest brokerage firms in the world by traded volume and through Timber Hill LLC operates one of the most active derivatives market makers globally.

Interactive Brokers supports the proposal and believes it will have a positive impact on equities market structure with potential applications in other asset classes. The CHX proposal is similar to the more broad based, recently SEC approved 350 microsecond delay introduced by IEX. The proposed delay falls squarely within the SEC's own interpretation of Rule 611 under Regulation NMS (Order Protection Rule) allowing for a de minimis intentional delay in order processing.¹ The CHX functionality is also similar to the one advocated in a letter dated May 8, 2014 from our Chairman Thomas Peterffy to Stephen Luparello, Director, Division of Trading and Markets, in which we proposed the introduction of a randomized delay specifically applied to orders taking liquidity.²

Furthermore, Interactive Brokers would like to echo the sentiments expressed by the comment letter from CTC Trading Group, LLC, dated November 1, 2016³, which lays out several arguments in favor of the CHX proposal and answers the various concerns expressed in comment letters against it. Specifically, one of the most frequently noted arguments against the proposal is that it would confer unfair

¹ 17 CFR Part 241

² See letter dated May 8, 2014:

https://www.interactivebrokers.com/download/SEC_proposal_high_frequency_trading.pdf

³ See <https://www.sec.gov/comments/sr-chx-2016-16/chx201616-15.pdf>

advantages to market makers providing liquidity, by providing them with additional time in which to update their quotes. In fact, some commenters have erroneously suggested that Market Makers would be able to fade their prices in response to incoming orders, when in fact CHX's proposal makes it clear that incoming orders seeking liquidity would not be exposed to any market participant before processing.

As CTC's letter points out, market makers contribute directly to liquidity and the price discovery process across a wide range of exchange traded products. With the advent of high frequency trading and its associated side-effects, the role of the liquidity provider has become more challenging, resulting in what most market participants would agree is a less favorable market environment in the form of wider markets and general lack of liquidity, particularly in less active and smaller cap products. We believe that changes, such as the one proposed by CHX, while affording certain protections to market makers providing liquidity will in fact help level the playing field and create a better trading environment for all market participants.

Interactive Brokers believes that the CHX proposal is a step in the right direction in helping create a stronger and more resilient US equities market structure by encouraging tighter and more liquid exchange markets by deemphasizing certain aspects of high frequency trading. These benefits would accrue to all market participants, most notably retail and institutional investors that seek more liquid and competitive markets than those available to them today. For these reasons, we urge the commission to approve the CHX proposal.

If you have any questions, we welcome the opportunity to discuss at your convenience.

Sincerely,



Boris Ilyevsky
Director, Brokerage
Interactive Brokers LLC