

[Securities Regulation Daily Wrap Up, EXCHANGES AND MARKET REGULATION—SEC will take extra time to mull Chicago Stock Exchange merger with Chinese entity, \(Jun. 7, 2017\)](#)

Securities Regulation Daily Wrap Up

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By [Jacquelyn Lumb](#)

The SEC has extended the period for its decision on whether to approve or disapprove a proposed rule change relating to a transaction between the Chicago Stock Exchange and North American Casin Holdings, Inc. The proposed sale of the exchange to a group of investors led by the Chinese firm Chongqing Casin Enterprise Group raised concerns by five members of Congress who urged the SEC to consider rejecting the transaction based on national security concerns, but at a minimum, to extend the comment period given the gravity of their concerns ([See](#), "Congressmen raise concerns by proposed merger of Chicago Exchange with Chinese Entity," *Securities Regulation Daily*, December 27, 2016). The SEC has now extended the period for making its determination from June 10 to August 9, 2017 ([Release No. 34-80864](#)).

Extension of original comment period. The SEC initially sought comment on the proposed rule change, which had been submitted on December 2, 2016 with the comment period closing 21 days after publication in the *Federal Register* ([Release No. 34-79494](#)). The SEC received five comment letters, including the one from the congressmen. On January 12, 2017, the SEC instituted proceedings to determine whether to approve or disapprove the proposal, which provided 180 additional days for its decision and during which time 21 more comment letters were received. The SEC has now found it appropriate to designate a longer period within which to issue its order so that it can consider the additional comments and the exchange's response to the comments.

Commenters' views. The president and CEO of the Chicago Stock Exchange accused some of commenters of distorting the facts and said the transaction would benefit the national market system by allowing it to compete with other markets. He added that the transaction has been reviewed by the Committee on Foreign Investment in the U.S. (CFIUS), which found no unresolved national security concerns.

The CEO of North American Casin also rebutted some of the commenters' views about the consortium of investors that own the company. All of the members of the consortium are reputable business people, he wrote, and their identities have been fully disclosed to the SEC and CFIUS. He said that as a result of the transaction, Chinese companies listed on the Chicago Stock Exchange will be encouraged to further expand their investments in the U.S. by establishing U.S. subsidiaries, opening factories, and hiring local employees.

The American Chamber of Commerce in South China wrote that the transaction would make the exchange an important bridge between capital markets in the U.S. and China. However, The Public Interest Review characterized North American Casin as an "empty shell that orchestrated a scheme in a dark closet." Public Interest said the comment letter by North America Casin's purported CEO raised more concerns than it provided given that it was printed on a blank sheet of paper with a generated letterhead, had no phone numbers or email addresses, and no physical address. Public Interest outlined a number of unanswered questions and concluded that the proposed transaction was not proper for the U.S. capital markets.

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