

Proposed Rule Change by Chicago Stock Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input type="checkbox"/>	Amendment <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name	<input type="text" value="Ellen"/>	Last Name	<input type="text" value="Neely"/>
Title	<input type="text" value="President & General Counsel"/>		
E-mail	<input type="text" value="eneely@chx.com"/>		
Telephone	<input type="text" value="(312) 663-2496"/>	Fax	<input type="text" value="(312) 663-2231"/>

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date

By

(Name)

(Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Partial Amendment

The Chicago Stock Exchange (the “CHX” or the “Exchange”) submits this partial amendment as Amendment No. 4 to its rule filing CHX-2004-38. In general terms, this rule filing requires the Exchange’s on-floor participants to electronically record specific details about orders originating on or off the floor of the Exchange for execution on the Exchange, as well as orders issued from the floor of the Exchange to any other market or trading venue. This partial amendment has three objectives: (1) to confirm that the Exchange’s systems will allow a participant, when identifying the side of the market on which an order is received, to attach a special designation to a cross order that will not be immediately executed; (2) to specify a date (the “compliance date”) by which the Exchange’s on-floor participants must comply with the rule as amended by this proposed rule change; and (3) to describe how the Exchange and the Exchange’s on-floor members will use the period before the compliance date to prepare for the rule’s full implementation.¹

1. The Exchange has made changes to its existing Brokerplex® system to allow CHX floor brokers and market makers to use that system to record all order details required by this proposed rule. This technology is already available for use on the Exchange’s floor. In recent days, the Brokerplex system has been further modified to include an enhanced functionality that allows a participant to attach a special designation (recorded pursuant to Rule 24(b)(6)(“side of market”)) to an order to buy and sell the same security (a “cross” transaction) when, on account of the customer’s instructions and to the extent permitted by the Exchange’s rules, that transaction cannot be immediately executed. This new designation, applicable only to the Exchange’s floor brokers, more efficiently allows a floor broker to enter a cross transaction into the system, without requiring a floor broker to enter both a buy and a sell order. (All other fields required by Rule 24 – including whether or not the order was received with special instructions or whether it is a held or not held order – must be completed). These Brokerplex system changes do not alter a participant’s obligations with respect to the execution of orders – if a cross transaction can be immediately executed in accordance with a customer’s instructions and applicable rules, it should be immediately executed.

2. The Exchange proposes to include, in its rule text, a specific date by which the Exchange’s on-floor participants must comply with the new rule. The time period between the date of the SEC’s approval of the rule and the compliance date, if any, will be used to allow the Exchange’s participants to become familiar with the new functionality within the Brokerplex system so that, when the compliance date is reached, participants can reasonably be expected to meet the rule’s requirements for all orders to which the rule applies. The Exchange notes that it has been holding biweekly meetings with its floor participants to solicit participant feedback with respect to the Brokerplex

¹ The Exchange’s participants must continue to comply with the existing provisions of Rule 24 prior to the compliance date for the amended rule.

functionality and to discuss the requirements of the revised rule. The Exchange also will review participant transactions to determine the extent to which required information is being electronically recorded to help identify firms that might need to be reminded of the requirement to be fully compliant on the compliance date. As noted above, the order recordation functionality within the Brokerplex system is already available for use and the Exchange has encouraged (and will continue to encourage) its participants to begin using the technology as soon as possible. The compliance date for the proposed rule change will be May 8, 2006. This compliance date is added to the rule text, as shown below.

3. Under proposed Interpretation and Policy .05 to this Rule, a Floor Participant is not required to record all of the details required by Rule 24(b) if the Exchange finds that that information cannot be entered in an Exchange system that is relied on by a Floor Participant to comply with this Rule. The Exchange will notify its Floor Participants, in a notice relating to the implementation of this Rule, that they should notify the Exchange if, at any point, they believe that an Exchange system does not permit the Floor Participant to enter all information required by Rule 24(b).

4. The Exchange's staff will consider whether further changes should be made to Rule 24 as changes are made to other CHX rules or as the SEC announces changes to its rules.

5. Interpretation and Policy .07 would require a floor participant who receives orders to buy and sell the same security and who executes those orders in full immediately upon receipt, to record only certain information about the transaction. This requirement recognizes that the Exchange believes that it will receive all of the information necessary to conduct surveillance through the information required by Interpretation and Policy .07 and through other information captured within the Exchange's systems.

6. Interpretation and Policy .02 provides that, for purposes of this Rule, a decision by a co-specialist, market maker or floor broker to buy or sell securities for his or her own account on the Floor of the Exchange shall not constitute an order for which a record must be made under this Rule. The Exchange proposes to amend this text to confirm that there is an exception to this policy for orders delivered orally or telephonically to a specialist at the post. Records must be kept for orders delivered orally or telephonically at the post because information about these orders would not necessarily be available within the Exchange's systems.

Text added by Amendment No. 4 is **underlined, and in bold italic text.**

ARTICLE XX

Regular Trading Sessions

* * *

Records of Orders and Executions

RULE 24. (a) Every Floor Participant shall preserve for at least three years (or any longer period of time required by Exchange Act Rule 17a-4) a record, meeting the criteria set out in paragraph (b) below, of:

(1) every order originat[ed]ing [by him or it] on the Floor [and] that is given to (or received from) another Participant for execution and any execution of that order, and

(2) [of] every order [commitment or obligation to trade] issued from the Floor to any other market or trading venue and any execution of that order[through ITS or any other application of the System or pursuant to Rule 39 or Rule 40,]; and

(3) [of] every order originating off the Floor, transmitted by any person, whether or not that person is [other than]a Participant, to such Participant on the Floor and any execution of that order[, which record shall include the name and the amount of the security, the terms of the order and the time when such order was so given or transmitted];

provided, however, that the Exchange may, upon application, grant exemption from the provisions of this Rule.

(b) Subject to the exceptions set out in Interpretations .02, .04, .05 and .07 below, each Floor Participant must record, in such electronic system(s) as the Exchange shall designate, the following details about each order and execution identified in (a)(1) through (3) above:

- (1) Symbol;
- (2) Clearing Participant;
- (3) Order identifier that uniquely identifies the order;
- (4) Identification of Participant recording the order details;
- (5) Number of shares or quantity of security;
- (6) Side of market;
- (7) Designation of order type (e.g., market, limit, stop, stop limit);

- (8) Whether the order is agency or professional;
- (9) Whether the order is being handled pursuant to Exchange Act Section 11(a)(1)(G) and any applicable rules thereunder;
- (10) Whether the order is short or short exempt;
- (11) Whether the order is a bona fide arbitrage order;
- (12) Any limit price and/or stop price;
- (13) Date and time of order receipt or transmission (as applicable);
- (14) The market, off-floor firm or on-floor Participant to which the order was transmitted or from which the order was received (if applicable);
- (15) Time in force;
- (16) Designation as held or not held;
- (17) Any special conditions or instructions (including any customer do-not-display or display instructions and any all-or-none conditions);
- (18) Any modifications to the details set out in (1)-(17) above or (20) below, for all or part of the order, or any cancellation of all or part of the order;
- (19) Date and time of receipt or transmission of any modifications to the order or any cancellation of the order;
- (20) Date and time of any order expiration;
- (21) Identification of the party cancelling or modifying the order;
- (22) Transaction price (if applicable);
- (23) Number of shares executed (if applicable);
- (24) Date and time of execution (if applicable);
- (25) Contra party to the execution (if applicable);
- (26) Settlement instructions (if applicable);
- (27) System-generated time(s) of recording required information; and
- (28) Such other information as the Exchange may from time to time require.

[Whenever a cancellation is entered with respect to such an order or commitment or obligation to trade, or a report of the execution of such an order or commitment or obligation to trade is received, there shall be preserved for at least three years, in addition to the record required by the foregoing paragraph, a record of the cancellation of the order or commitment or obligation to trade or of the receipt of such report, which shall include the time of entry of such cancellation or of the receipt of such report.]

(c) Floor Participants must record the information required by (b) above immediately after such information is received or becomes available.

[c](d) Before any such order is executed, including the case where an order is to be executed by the issuance from the Floor of a commitment or obligation to trade through ITS or any other application of the System or pursuant to Rule 39 or Rule 40, there shall be placed upon the order slip or other record the name or designation of the account for which such order is to be executed. No change to the name or designation of the [in such] account for which an order is to be executed [name or designation] shall be made unless the change has been authorized by the Participant or by a partner or officer of the Participant Firm, who shall, prior to giving his approval of such change, be personally informed of the essential facts relative thereto and shall indicate his approval of such change in writing on the order.

[Exceptions

Under exceptional circumstances the Exchange may upon written request waive the requirements contained in (1)(a) above.]

• • • ***Interpretations and Policies:***

.01 Every order covered by [(1)] paragraph (a) above, which is to be executed pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder, shall bear an identifying notation that will enable the executing Participant to disclose to other Participants that the order is subject to those provisions.

.02 For purposes of this Rule, an order shall be any written, oral or electronic instruction to effect a transaction. *Except for orders delivered orally or telephonically to a specialist at the post, a[A]* decision by a co-specialist, market maker or floor broker to buy or sell securities for his or her own account on the Floor of the Exchange shall not constitute an order for which a record must be made under this Rule.

.03 Each required record of the time of an event shall be expressed in terms of hours, minutes and seconds.

.04 This Rule shall not apply to orders sent or received through the Exchange's MAX system or through any other electronic systems that the Exchange expressly recognizes as providing the required information in a format acceptable to the Exchange. The Exchange will not recognize a non-Exchange system as providing information in an acceptable format unless that system has synchronized its business clocks for recording data with reference to a time source designated by the Exchange and maintains that synchronization in conformity with procedures prescribed by the Exchange.

.05 Any orders which the Exchange has expressly recognized as incompatible for entry in an Exchange system relied on by a Floor Participant to record the details of the order in compliance with this Rule shall be exempt from the order entry requirements of paragraph (b) above; provided, however, that Floor Participants shall retain a written record of those orders which includes as much of the information set out in paragraph (b) as is possible, but no less than the name and the amount of the security, the terms of the order, the time when such order was so given or transmitted, the date and time of any modifications or cancellations of the order, the date and time of execution and the execution price.

.06 With respect to a bona fide arbitrage order, a Floor Participant may execute such order before entering the order into an electronic system as required by paragraph (b) above, but such Floor Participant must enter such order into such electronic system no later than 60 seconds after the execution of such order. With respect to an order to offset a transaction made in error, a Floor Participant may, upon discovering such error within the same trading session, effect an offsetting transaction without first entering such order into an electronic system, but such Floor Participant must enter such order into such electronic system no later than 60 seconds after the execution of such order.

.07. A Floor Participant who receives orders to buy and sell the same security and executes those orders in full immediately upon receipt shall record only the information set out in (b)(1), (2), (4), (9), (10) and (22) through (28) above.

.08. Failure to comply with the provisions of this Rule may be considered conduct inconsistent with just and equitable principles of trade, in violation of Article VIII, Rule 7.

.09 The provisions of this Rule do not replace any record retention obligations to which the Exchange's Participants may be subject under the Exchange Act and the rules thereunder.

.10 The compliance date for the changes to this Rule that were made pursuant to CHX-2004-38 is May 8, 2006. Until that date, the Exchange's participants must continue to comply with the provisions of the pre-May 8 rule.