



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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.

**Form 19b-4 Information****1. Text of Proposed Rule Change**

- (a) The Chicago Stock Exchange, Incorporated (the “CHX” or the “Exchange”), pursuant to Rule 19b-4 of the Securities Exchange Act of 1934 (the “Act”), proposes to amend its rules, effective October 1, 2005, to eliminate the current exemptions from the Exchange’s continuing education requirements that apply to persons who have been continuously registered for more than 10 years. The text of the proposed rule change is set out below.

**ARTICLE VI**  
**Restrictions and Requirements**

\* \* \*

**Continuing Education for Registered Persons**

RULE 9. (a) *Regulatory Element* --No member or member organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of Section (a) of this Rule.

Each registered person shall complete the Regulatory Element of the continuing education program on the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each of the occasions, the Regulatory Element must be completed within one hundred twenty days after the person's registration anniversary date. A person's initial registration date, also known as the “base date,” shall establish the cycle of anniversary dates for purposes of this rule. The content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the rule.

[(1) Registered persons who have been continuously registered for more than ten years as of March 1, 2000 shall be exempt from participation in the Regulatory Element of the continuing education program, provided such persons have not been subject to any disciplinary action within the last ten years as enumerated in subsection (a)(3)(i)-(ii) of this Rule. However, persons delegated supervisory responsibility or authority and are registered in such capacity are exempt from participation in the Regulatory Element under this provision only if they have been continuously registered in a supervisory capacity for more than ten years as of March 1, 2000 and provided that such supervisory person has not

been subject to any disciplinary action under subsection (a)(3)(i)-(ii) of this Rule.]

[Persons who have been currently registered for ten years or less as of March 1, 2000 shall participate in the Regulatory Element of the continuing education program within one hundred twenty days after the occurrence of their next registration anniversary date and every three years thereafter.]

([2]1) *Failure to complete* --Unless otherwise determined by the Exchange, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration.

The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

([3]2) [*Re-entry into program*]Disciplinary Actions – Unless otherwise determined by the Exchange, a registered person will be required to [re-enter]re-take the Regulatory Element and satisfy all of its requirements if such person:

(i) becomes subject to any statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934;

(ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(iii) is ordered as a sanction in a disciplinary proceeding to [re-enter]re-take the continuing education program by any securities governmental agency or any securities self-regulatory organization.

The re-taking of the Regulatory Element [Re-entry ]shall commence with [initial] participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) or (iii) above.

\* \* \*

· · · ***Interpretations and Policies:***

\* \* \*

**.03** A registered person<sub>2</sub> [who has been continuously registered for more than ten years as of March 1, 2000 ]who becomes subject to a disciplinary action as enumerated in subsections (a)(3)(i)-(ii) of the Rule, will be required to satisfy the requirements of the Regulatory Element of the continuing education program with [as if ]the date the disciplinary action becomes final as[is] the person's [initial registration anniversary] new base date.

\* \* \*

**.06** A registered person who is a member of the Exchange and of another self-regulatory organization (“SRO”) shall be subject to the other SRO’s implementation date for the elimination of exceptions to the Regulatory Element section of the continuing education program, if that date is earlier than October 1, 2005.

**2. Procedures of Self-Regulatory Organization**

The Exchange’s Board of Directors unanimously approved these proposed rule changes at a meeting on April 14, 2005.

**3. Self-Regulatory Organization’s Statement on the Purpose of, and Statutory Basis for, the Proposed Rule Change**

(a) The Exchange’s continuing education rules generally require registered persons to complete the regulatory element of the continuing education program on their second registration anniversary dates and every three years thereafter, or as otherwise prescribed by the Exchange.<sup>1</sup> The rules provide an exception for two groups of persons: (1) registered persons who have been continuously registered for more than ten years as of March 1, 2000 and (2) persons who have been continuously registered in a supervisory capacity for more than ten years as of March 1, 2000.<sup>2</sup> These exceptions are available so long as the registered persons

---

<sup>1</sup> See Article VI, Rule 9(a).

<sup>2</sup> See Article VI, Rule 9(a)(1).

have not been subject to specific types of disciplinary actions within the last ten years.<sup>3</sup>

At its December 2003 meeting, the Securities Industry/Regulatory Council on Continuing Education (the “Council”) agreed to recommend that self-regulatory organizations (“SROs”) eliminate, from their continuing education rules, the two exceptions described above. The Council made that recommendation to ensure that all registered market participants receive the full benefits of continuing education programs, including a new module that focuses on ethical issues.

After considering the issue, the Exchange believes that it is appropriate to eliminate the two exceptions, so that all of its registered participants – regardless of the length of time of their registrations – will participate in the regulatory element of the required continuing education programs. The Exchange proposes that this rule change take effect on October 1, 2005.<sup>4</sup> The Exchange amended the proposed rule change on July 17, 2005 to incorporate the new “base date” term used by other SROs and to make other minor changes to the rule text. The Exchange amended the proposal again on August 5, 2005 to reflect the proposed October 1, 2005 effective date of the change.

(b) Approval of the rule changes proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b). In particular, the proposed changes are consistent with Section 6(b)(5) of the Act, because they would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest.

---

<sup>3</sup> See Article VI, Rule 9(a)(1). A registered person does not qualify for the exception if he or she (i) becomes subject to any statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934; (ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or (iii) is ordered as a sanction in a disciplinary proceeding to re-enter the continuing education program by any securities governmental agency or any securities self-regulatory organization. See Article VI, Rule 9(a)(3).

<sup>4</sup> To eliminate any confusion, the Exchange has confirmed in the proposed rule that an Exchange participant who is also a member of another SRO will be bound by any efforts by that SRO to eliminate these exceptions as of an earlier date. See New York Stock Exchange (Release No. 34-50404 (September 16, 2004), 69 FR 57126 (September 23, 2004)), National Association of Securities Dealers (Release No. 34-50656 (September 27, 2004), 69 FR 59285 (October 4, 2004)), Chicago Board Options Exchange (Release No. 34-50630 (November 3, 2004), 69 FR 65232 (November 10, 2004) and American Stock Exchange (Release No. 50651 (November 10, 2004), 69 FR 67374 (November 17, 2004)).

4. **Self-Regulatory Organization's Statement of Burden on Competition**

The Exchange believes that no burden will be placed on competition as a result of the proposed rule changes.

5. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others**

No written comments were solicited or received.

6. **Extension of the Time Period for Commission Action**

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Act.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

Because the proposed rule change is designed to ensure that all of its registered participants participate in certain continuing education programs, the Exchange believes that the proposed rule change (A) does not significantly affect the protection of investors or the public interest; and (B) does not impose any significant burden on competition. The Exchange provided the Commission with a draft of the filing on May 10, 2005 and, by its terms, the proposal does not take effect for at least 30 days after it was filed. As a result, the Exchange believes that this submission is non-controversial and should be designated to take effect pursuant to Section 19(b)(3)(A)(vi).

8. **Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission**

The proposed rule change is not specifically based on the rules of other self-regulatory organizations or of the Commission, although it is similar to recently-approved proposals of the New York Stock Exchange (Release No. 34-50404 (September 16, 2004), 69 FR 57126 (September 23, 2004)), National Association of Securities Dealers (Release No. 34-50656 (September 27, 2004), 69 FR 59285 (October 4, 2004)), Chicago Board Options Exchange (Release No. 34-50630 (November 3, 2004), 69 FR 65232 (November 10, 2004) and American Stock Exchange (Release No. 50651 (November 10, 2004), 69 FR 67374 (November 17, 2004)).

**9. Exhibits**

Exhibit 1: The Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibits 2-5: Not applicable.

**Exhibit 1**

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-\_\_\_\_; File No. SR-CHX-2005-16)  
SELF-REGULATORY ORGANIZATIONS**

**Proposed Rule Change By The Chicago Stock Exchange, Inc. To Eliminate  
Exceptions to the Exchange's Continuing Education Requirements**

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on June 20, 2005, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the CHX. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The CHX proposes to eliminate, effective October 1, 2005, the current exemptions from the Exchange's continuing education requirements that apply to persons who have been continuously registered for more than 10 years.

**II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the CHX included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The CHX has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

A. *Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes*

1. Purpose

The Exchange's continuing education rules generally require registered persons to complete the regulatory element of the continuing education program on their second registration anniversary dates and every three years thereafter, or as otherwise prescribed by the Exchange.<sup>1</sup> The rules provide an exception for two groups of persons: (1) registered persons who have been continuously registered for more than ten years as of March 1, 2000 and (2) persons who have been continuously registered in a supervisory capacity for more than ten years as of March 1, 2000.<sup>2</sup> These exceptions are available so long as the registered persons have not been subject to specific types of disciplinary actions within the last ten years.<sup>3</sup>

At its December 2003 meeting, the Securities Industry/Regulatory Council on Continuing Education (the "Council") agreed to recommend that self-regulatory organizations ("SROs") eliminate, from their continuing education rules, the two exceptions described above. The Council made that recommendation to ensure that all

---

<sup>1</sup> See Article VI, Rule 9(a).

<sup>2</sup> See Article VI, Rule 9(a)(1).

<sup>3</sup> See Article VI, Rule 9(a)(1). A registered person does not qualify for the exception if he or she (i) becomes subject to any statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934; (ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or (iii) is ordered as a sanction in a disciplinary proceeding to re-enter the continuing education program by any securities governmental agency or any securities self-regulatory organization. See Article VI, Rule 9(a)(3).

registered market participants receive the full benefits of continuing education programs, including a new module that focuses on ethical issues.

After considering the issue, the Exchange believes that it is appropriate to eliminate the two exceptions, so that all of its registered participants – regardless of the length of time of their registrations – will participate in the regulatory element of the required continuing education programs. The Exchange proposes that this rule change take effect on October 1, 2005.<sup>4</sup> The Exchange amended the proposed rule change on July 17, 2005 to incorporate the new “base date” term used by other SROs and to make other minor changes to the rule text. The Exchange amended the proposal again on August 5, 2005 to reflect the proposed October 1, 2005 effective date of the change.

## 2. Statutory Basis

The CHX believes the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).<sup>5</sup> The CHX believes the proposal is consistent with Section 6(b)(5) of the Act<sup>6</sup> in that it is designed to promote just and equitable principles of trade, to remove impediments, and to perfect the mechanism of, a free and open market and a national market system, and, in general, to protect investors

---

<sup>4</sup> To eliminate any confusion, the Exchange has confirmed in the proposed rule that an Exchange participant who is also a member of another SRO will be bound by any efforts by that SRO to eliminate these exceptions as of an earlier date. *See* New York Stock Exchange (Release No. 34-50404 (September 16, 2004), 69 FR 57126 (September 23, 2004)), National Association of Securities Dealers (Release No. 34-50656 (September 27, 2004), 69 FR 59285 (October 4, 2004)), Chicago Board Options Exchange (Release No. 34-50630 (November 3, 2004), 69 FR 65232 (November 10, 2004) and American Stock Exchange (Release No. 50651 (November 10, 2004), 69 FR 67374 (November 17, 2004)).

<sup>5</sup> 15 U.S.C. 78(f)(b).

and the public interest by requiring all registered Exchange participants to participate in the regulatory element of continuing education programs.

*B. Self-Regulatory Organization's Statement of Burden on Competition*

The Exchange does not believe that the proposed rule changes will impose any burden on competition.

*C. Self-Regulatory Organization's Statement on Comments Regarding the Proposed Rule Changes Received from Members, Participants or Others*

No written comments were either solicited or received.

**III. Date of Effectiveness of the Proposed Rule Changes and Timing for Commission Action**

Because the foregoing proposed rule change does not:

- (i) significantly affect the protection of investors or the public interest;
- (ii) impose any significant burden on competition; and
- (iii) become operative for 30 days from the date on which it was filed, or such

shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

(A) At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

---

<sup>6</sup> 15 U.S.C. 78f(b)(5).

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act.

Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2005-16 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File No. SR-CHX-2005-16. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule changes between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 450 Fifth Street,

NW, Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CHX. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-CHX-2005-16 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Margaret H. McFarland  
Deputy Secretary

---

<sup>7</sup> 17 CFR 200.30-3(a)(12).

Additions to the initial proposed text are double-underlined; deletions are shown with a ~~double-strike-through~~.

## ARTICLE VI Restrictions and Requirements

\* \* \*

### Continuing Education for Registered Persons

RULE 9. (a) *Regulatory Element* --No member or member organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of Section (a) of this Rule.

Each registered person shall complete the Regulatory Element of the continuing education program on the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each of the occasions, the Regulatory Element must be completed within one hundred twenty days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this rule. The content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the rule.

[ (1) Registered persons who have been continuously registered for more than ten years as of March 1, 2000 shall be exempt from participation in the Regulatory Element of the continuing education program, provided such persons have not been subject to any disciplinary action within the last ten years as enumerated in subsection (a)(3)(i)-(ii) of this Rule. However, persons delegated supervisory responsibility or authority and are registered in such capacity are exempt from participation in the Regulatory Element under this provision only if they have been continuously registered in a supervisory capacity for more than ten years as of March 1, 2000 and provided that such supervisory person has not been subject to any disciplinary action under subsection (a)(3)(i)-(ii) of this Rule.]

[Persons who have been currently registered for ten years or less as of March 1, 2000 shall participate in the Regulatory Element of the continuing education program within one hundred twenty days after the

occurrence of their next registration anniversary date and every three years thereafter.]

([2]1) *Failure to complete* --Unless otherwise determined by the Exchange, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration.

The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

([3]2) [*Re-entry into program*]Disciplinary Actions – Unless otherwise determined by the Exchange, a registered person will be required to [re-enter]re-take the Regulatory Element and satisfy all of its requirements if such person:

(i) becomes subject to any statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934;

(ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(iii) is ordered as a sanction in a disciplinary proceeding to [re-enter]re-take the continuing education program by any securities governmental agency or any securities self-regulatory organization.

The re-taking of the Regulatory Element [Re-entry ]shall commence with ~~initial~~ participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) or (iii) above.

\* \* \*

· · · *Interpretations and Policies:*

\* \* \*

**.03** A registered person, [who has been continuously registered for more than ten years as of March 1, 2000 ]who becomes subject to a disciplinary action as enumerated in subsections (a)(3)(i)-(ii) of the Rule, will be required to satisfy the requirements of the Regulatory Element of the continuing education program with as if the date the disciplinary action becomes final as the person's ~~initial registration anniversary~~ new base date.

\* \* \*

**.06** A registered person who is a member of the Exchange and of another self-regulatory organization (“SRO”) shall be subject to the other SRO’s implementation date for the elimination of exceptions to the Regulatory Element section of the continuing education program, if that date is earlier than ~~July 1, 2005~~ October 1, 2005.