

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 to permit the transfer of securities to different co-specialists within a specialist firm. The text of the proposed rule change is set out below.

Additions are underlined; deletions are [bracketed]

ARTICLE XXX

Specialists

Registration and Appointment

RULE 1. No Participant shall act as a specialist or co-specialist on the Exchange in any security unless registered as such in the particular security. Registration shall be subject to the approval of the Exchange.

* * *

• • • Interpretations and Policies:

.01 COMMITTEE ON SPECIALIST ASSIGNMENT AND EVALUATION

ASSIGNMENT FUNCTION

I. EVENTS LEADING TO ASSIGNMENT PROCEEDINGS

* * *

1. No change to text.

2. Specialist Request. Any specialist unit and co-specialist may ask to be deregistered in one or more of its assigned securities, and the Committee on Specialist Assignment and Evaluation (the Committee) will hear all such requests. The Committee will initiate a reassignment proceeding if it believes that such action is called for. The Committee may initiate a reassignment proceeding on the basis that if the merits of the request are not established the security must be retained by the registered specialist if no other unit appears to be able to make a better market or if no other unit applies.

* * *

Because a specialist unit is responsible both financially and as a regulatory matter for the activities of its co-specialists, a specialist unit might, from time to time, determine that the responsibility for trading one or more securities should be transferred from one co-specialist to another within the same specialist unit. Without seeking prior Committee approval, a specialist unit may transfer the responsibility for trading securities among the co-specialists associated with its firm, so long as (1) the specialist unit immediately notifies the Exchange, in the manner required by the Exchange, of each such transfer; and (2) when such a transfer is made within six months of an initial assignment of the security to the specialist unit, the specialist unit must inform the Exchange, in writing, of its reasons for making the change. Each such transfer by the specialist unit effectively deregisters a co-specialist in the securities that he or she no longer trades and registers him or her in any newly-assigned securities.

[Without limiting the foregoing, the Committee will generally approve a co-specialist's request for deregistration in any security for the purpose of having the security assigned to another co-specialist in the same specialist unit only under the following conditions:]

[(a) For any security awarded to such co-specialist in competition, a period of at least two years must have elapsed from the date of the original assignment. Alternatively, if the specialist unit agrees to have the security posted, a period of at least one year (but less than two years) must have elapsed from the date of the original assignment.]

[(b) For any security awarded to such co-specialist without competition, no minimum time period is required.]

3. No change to text.

4. Split-Up and/or Merger of Specialist Units.

(a)-(b) No change to text.

(c) Because the specialist is financially responsible for the activities of its co-specialists, a co-specialist may act as such only with the concurrence of the specialist. If, at any time, a specialist no longer wants a co-specialist to trade for it, the specialist/~~—subject to the Committee's approval—~~ may terminate the relationship. Similarly, a co-specialist/~~—again subject to the Committee's approval—~~ may terminate his relationship with a specialist. Among the factors the Committee may consider are:

1. co-specialist performance.
2. specialist capital generally.

3. specialist capital made available to the particular co-specialist.
4. length of association between specialist and co-specialist.
5. length of time that the co-specialist has traded the security.
- 6[5]. whether the co-specialist has a proprietary interest in the trading profits or losses derived from the stock.
- 7[6]. whether the specialist or co-specialist wishes to continue trading the security.
- 8[7]. performance of the proposed new co-specialist.
- 9[8]. financial capacity of the co-specialist's new specialist unit.

Based on its consideration of these and any other relevant factors, the Committee will decide whether to (i) leave a security with the specialist, (ii) permit the co-specialist to take the security with him, or (iii) require a new posting. In the event of a posting, the existing specialist or co-specialist will be permitted to reapply for the stock. A decision to permit the specialist or co-specialist to retain the security may be made conditionally based on the performance of the new co-specialist or specialist.

5.-8. No change to text.

II. ASSIGNMENT PROCEDURES

* * *

1. Applications. In applying, a specialist unit should state the reasons why it believes the stock should be assigned to it. A standard application form is available from the Exchange and should be used for this purpose. Except as otherwise provided in paragraph 6, below, the application must, at a minimum, include the name and background of the co-specialist who will normally be trading the security and his ability and experience relative to the issue being applied for. It is important that the application accurately represent the specialist unit's plans as to the individual who will trade the security. Also, if any special or unique characteristics of the security have been identified by the Committee, such as unusually high capital requirements or institutional participation making trading difficult, the applicant should specifically note and comment on its ability to deal with the special characteristics.

* * *

III. GUIDELINES FOR ASSIGNMENT OF ISSUES [TO CO-SPECIALISTS]

* * *

3. Because the Committee considers the demonstrated ability and experience of the co-specialist designated by the specialist unit when

applying for the assignment of a security, it is important that the specialist unit accurately represent its plans for having that particular co-specialist trade the security. A specialist unit must not designate a co-specialist with relatively strong demonstrated ability and experience when applying for a security and then immediately transfer the security to a co-specialist with less demonstrated ability and experience without good cause for making the change.

* * *

(b) Not applicable

(c) Not applicable

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

This proposal was approved, by a unanimous vote, at the January 19, 2006 meeting of the Exchange's Board of Directors.

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

(a) Under the Exchange's current rules relating to the assignment of securities to specialist firms, the Committee on Specialist Assignment and Evaluation ("CSAE") assigns each security to a specialist firm and this firm is responsible both financially and as a regulatory matter for the trading of the security.¹ At the same time, however, when a specialist firm applies to trade a security, it must identify the co-specialist that will trade the security and the CSAE will review the co-specialist's trading performance in making its assignment decision.² As an overall matter, then, the specialist firm and the individual co-specialist currently are jointly responsible for each assigned security and the decision by either the firm or the individual trader to de-register in a security could result in the posting of the security for re-assignment.³

Several specialist firms have expressed interest in being able to transfer assigned securities among the co-specialists within each firm. These types of transfers might be used, for example, when a particular security becomes more active than originally envisioned and could better be handled by a more experienced trader. Under the existing rules relating to the assignment of securities, however,

¹ See Article XXX, Rule 1, Interpretation and Policy .01, Section II, Introductory paragraphs; and Section I(4).

² See Article XXX, Rule 1, Interpretation and Policy .01, Sections II and III.

³ See Article XXX, Rule 1, Section I(4).

intrafirm transfers are not particularly favored; in fact, the rules typically require the co-specialist to whom a security was assigned in competition to keep the assigned stock for a period of two years.⁴

Through this submission, the Exchange seeks to amend its rules to permit the transfer of securities among co-specialists within a firm, so long as (1) the specialist unit immediately notifies the Exchange of each transfer; and (2) when such a transfer is made within six months of an initial assignment of the security to the specialist unit, the specialist unit informs the Exchange of the transfer decision and of its reasons for making the change. Each intrafirm transfer by the specialist unit effectively deregisters a co-specialist in the securities that he or she no longer trades and registers him or her in any newly-assigned securities. The Exchange believes that these changes will permit a specialist firm to have an appropriate amount of flexibility to respond to a variety of issues, including changes in the volatility of a particular security and the co-specialist's ability to trade assigned securities.⁵

(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 by permitting specialist firms to respond to various issues that may arise by transferring securities among co-specialists within the firm.

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.

⁴ See Article XXX, Rule 1, Interpretation and Policy .01, Section I(2). Securities assigned without competition may be transferred without a waiting period, but these transfers must be approved by the CSAE.

⁵ These proposed rules are similar to provisions that are in place at the New York Stock Exchange. See NYSE Rule 103B, Section IV.

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)

Not applicable.

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.

9. Exhibits

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

Exhibits 2-5: Not applicable.

SECURITIES AND EXCHANGE COMMISSION

**(Release No. 34-____; File No. SR-CHX-2006-04)
SELF-REGULATORY ORGANIZATIONS**

Notice of Filing of Proposed Rule Change by The Chicago Stock Exchange, Inc. Relating to the Transfer of Securities Among Co-Specialists Within a Specialist Firm.

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 March 8, 2006, the Chicago Stock Exchange, Inc. (“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 amend its rules to permit the transfer of securities to different co-specialists within a specialist firm. The text of this proposed rule change is available on the Exchange’s website at http://www.chx.com/rules/proposed_rules.htm and in the Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549.

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

Under the Exchange's current rules relating to the assignment of securities to specialist firms, the Committee on Specialist Assignment and Evaluation ("CSAE") assigns each security to a specialist firm and this firm is responsible both financially and as a regulatory matter for the trading of the security.¹ At the same time, however, when a specialist firm applies to trade a security, it must identify the co-specialist that will trade the security and the CSAE will review the co-specialist's trading performance in making its assignment decision.² As an overall matter, then, the specialist firm and the individual co-specialist currently are jointly responsible for each assigned security and the decision by either the firm or the individual trader to de-register in a security could result in the posting of the security for re-assignment.³

Several specialist firms have expressed interest in being able to transfer assigned securities among the co-specialists within each firm. These types of transfers might be used, for example, when a particular security becomes more active than originally envisioned and could better be handled by a more experienced trader. Under the existing rules relating to the assignment of securities, however, intrafirm transfers are not

¹ See Article XXX, Rule 1, Interpretation and Policy .01, Section II, Introductory paragraphs; and Section I(4).

² See Article XXX, Rule 1, Interpretation and Policy .01, Sections II and III.

³ See Article XXX, Rule 1, Section I(4).

particularly favored; in fact, the rules typically require the co-specialist to whom a security was assigned in competition to keep the assigned stock for a period of two years.⁴

Through this submission, the Exchange seeks to amend its rules to permit the transfer of securities among co-specialists within a firm, so long as (1) the specialist unit immediately notifies the Exchange of each transfer; and (2) when such a transfer is made within six months of an initial assignment of the security to the specialist unit, the specialist unit informs the Exchange of the transfer decision and of its reasons for making the change. Each intrafirm transfer by the specialist unit effectively deregisters a co-specialist in the securities that he or she no longer trades and registers him or her in any newly-assigned securities. The Exchange believes that these changes will permit a specialist firm to have an appropriate amount of flexibility to respond to a variety of issues, including changes in the volatility of a particular security and the co-specialist's ability to trade assigned securities.⁵

2. Statutory Basis

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 by permitting specialist firms to respond to

⁴ See Article XXX, Rule 1, Interpretation and Policy .01, Section I(2). Securities assigned without competition may be transferred without a waiting period, but these transfers must be approved by the CSAE.

⁵ These proposed rules are similar to provisions that are in place at the New York Stock Exchange. See NYSE Rule 103B, Section IV.

various issues that may arise by transferring securities among co-specialists within the firm.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such other period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve the proposed rule changes, or

(B) institute proceedings to determine whether the proposed rule changes should be disapproved.

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. Please include File No. SR-CHX-2006-04 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-CHX-2006-04. 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, 100 F Street, NE, 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-2006-04 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.⁶

Nancy M. Morris
Secretary

⁶ 17 CFR 200.30-3(a)(12).