

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.

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 waive, for 2006, the 60-day notice requirement relating to the cancellation of trading permits that were issued as a result of the Exchange’s demutualization. The text of the proposed rule change is set out below:

ARTICLE II

Participants

* * *

Application Procedure

RULE 3. Applications for Trading Permits shall be made according to the following procedures:

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

Term of Trading Permit

(d) Unless otherwise suspended, revoked or terminated in accordance with these Rules, a Trading Permit shall remain valid for a term of one year following its issuance date. A valid Trading Permit shall automatically renew for an additional one-year term on each anniversary of the issuance date, unless the Participant has provided sixty days' prior written notice to the Exchange of the Participant's waiver of renewal, in which case the Trading Permit will automatically expire on the anniversary of the issuance date.

• • • *Interpretations and Policies*

.01 Participants that received Trading Permits on February 9, 2005 as a result of the Exchange’s demutualization and provided notice of their waiver of renewal with respect to one or more of these Trading Permits during the 60 days preceding February 9, 2006, shall have the Trading Permits that were subject to the waiver of renewal expire, even though the Participant did not provide the 60 days’ prior notice required by Rule 3(d) above.

* * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of Self-Regulatory Organization

The Exchange's Board of Directors approved these proposed rule changes at a meeting on April 20, 2006.

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

(a) At the time of the Exchange's demutualization on February 9, 2005, the Exchange issued trading permits to each member that held a membership on the previous day. Each of these trading permits had a one-year term (through February 8, 2006) and was automatically renewed at the end of that year for another year (through February 8, 2007), unless the firm gave the Exchange at least 60 days' notice that a permit should be allowed to expire.

Although some Exchange participants that wanted certain permits to expire provided the 60 days' notice contemplated by the Exchange's rules, a few participants did not. Because this is the first year of this new requirement, and it appeared to create some confusion among some of the Exchange's participants, the Exchange believes that it would be appropriate to waive the 60-day notice period in 2006. As described in the text of proposed Interpretation and Policy .01, this waiver would allow a participant that provided notice of its waiver of renewal with respect to one or more of trading permits during the 60 days preceding February 9, 2006 to have the trading permits that were subject to the waiver of renewal expire, even though the participant did not provide the full 60 days' prior notice required by the Exchange's rules.

(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, including 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 the Exchange to waive, on a one-time basis, a new rule

provision relating to the renewal of trading permits that caused confusion among some of the Exchange's participants.

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)

Not applicable.

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

Not applicable.

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-2006-18)
SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change By The Chicago Stock Exchange, Inc. Waiving a Notice Provision Relating to the Renewal of Trading Permits

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 May 10, 2006, the Chicago Stock Exchange, Inc. (the “CHX” or the “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 Chicago Stock Exchange, Inc., pursuant to Rule 19b-4 of the Act, proposes to amend its rules to waive, for 2006, the 60-day notice requirement relating to the cancellation of trading permits that were issued as a result of the Exchange’s demutualization. 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

At the time of the Exchange's demutualization on February 9, 2005, the Exchange issued trading permits to each member that held a membership on the previous day. Each of these trading permits had a one-year term (through February 8, 2006) and was automatically renewed at the end of that year for another year (through February 8, 2007), unless the firm gave the Exchange at least 60 days' notice that a permit should be allowed to expire.

Although some Exchange participants that wanted certain permits to expire provided the 60 days' notice contemplated by the Exchange's rules, a few participants did not. Because this is the first year of this new requirement, and it appeared to create some confusion among some of the Exchange's participants, the Exchange believes that it would be appropriate to waive the 60-day notice period in 2006. As described in the text of proposed Interpretation and Policy .01, this waiver would allow a participant that provided notice of its waiver of renewal with respect to one or more of trading permits during the 60 days preceding February 9, 2006 to have the trading permits that were subject to the waiver of renewal expire, even though the participant did not provide the full 60 days' prior notice required by the Exchange's rules.

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).¹ The CHX believes the proposal is consistent with Section 6(b)(5) of the Act² 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 and the public interest by permitting the Exchange to waive, on a one-time basis, a new rule provision relating to the renewal of trading permits that caused confusion among some of the Exchange's participants.

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.

¹ 15 U.S.C. 78(f)(b).

² 15 U.S.C. 78f(b)(5).

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-2006-18 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 20549-9303.

All submissions should refer to File No. SR-CHX-2006-18. 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-2006-18 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.³

Nancy M. Morris
Secretary

³ 17 CFR 200.30-3(a)(12).