

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

Initial <input checked="" type="checkbox"/>	Amendment <input 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  Last Name   
Title   
E-mail   
Telephone  Fax

**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**

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**

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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**

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**

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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, Inc. (the “CHX” or the “Exchange”), pursuant to Rule 19b-4 of the Securities Exchange Act of 1934 (the “Act”) proposes to amend its bylaws and rules to make several governance changes. These proposals would (1) require the Exchange’s Board of Directors to identify one position in each class of directors as the “STP Participant Director,” with candidates for that position to be subject to a petition process involving the Exchange’s participants; (2) change the composition of the Exchange’s Nominating & Governance Committee to include two public directors and two STP Participant Directors; and (3) modify the Exchange’s rules to confirm that each participant firm would need only one trading permit to conduct business on the Exchange. The text of the proposed changes is included in Exhibit 5.
- (b) Not applicable.
- (c) Not applicable.

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

The CHX Board of Directors unanimously approved the proposed bylaws and rules changes at a meeting on June 19, 2006, subject to the approvals of CHX Holdings, Inc. (“CHX Holdings”) stockholders described below.

These proposed changes to the CHX’s bylaws and rules are being filed pursuant to the terms of agreements with four potential investors in the Exchange’s parent company, CHX Holdings. If the transactions contemplated by those agreements (and related changes to the CHX Holdings certificate of incorporation) are not approved by CHX Holdings stockholders, these proposed bylaws and rules changes will be withdrawn.

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

- (a) As a result of its demutualization in February 2005, the Exchange became the wholly-owned subsidiary of CHX Holdings, a Delaware corporation.<sup>1</sup> The Exchange’s demutualization was driven, in part, by a desire to generate

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<sup>1</sup> See Release No. 34-51149 (February 8, 2005), 70 FR 7531 (February 14, 2005)(“Demutualization Approval Order”).

opportunities to enter into strategic alliances by offering stock to interested entities. On June 21, CHX Holdings announced that it had agreed to the terms of strategic transactions with four firms that will result in an investment in CHX Holdings, in exchange for minority equity stakes in the company. In connection with these transactions, CHX has agreed to propose amendments to its bylaws and rules to (1) require the Exchange's Board of Directors to identify one position in each Board class as the "STP Participant Director," with candidates for that position to be subject to a petition process involving the Exchange's participants; (2) change the composition of the Exchange's Nominating & Governance Committee to include two public directors and two STP Participant Directors; and (3) modify the Exchange's rules to confirm that each participant firm would need only one trading permit to conduct business on the Exchange.

*Changes in Exchange Governance Contemplated by the Proposed Transaction.* Under the terms of the agreements reached with potential investors, the Exchange's Board of Directors would be reduced by one director – after the closing of the transactions, the Board would consist of the Exchange's chief executive officer, six public directors and five participant directors.<sup>2</sup> The Exchange is required to use its best efforts to place a representative of each of the four investors on the CHX Board.<sup>3</sup> The remaining participant director would not be affiliated with any of the investors.

*Identification of STP Participant Directors.* Under the Exchange's existing bylaws, the Nominating & Governance Committee identifies candidates to fill the Board positions that are up for election each year.<sup>4</sup> In identifying candidates for public director positions, the Committee typically meets to discuss candidates and provides its slate of nominees to the Exchange's sole stockholder, CHX Holdings, for election. The process for identifying candidates for participant director

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<sup>2</sup> The Exchange's Board of Directors currently consists of its chief executive officer, seven public directors and five participant directors. The Board members are divided into three classes, with each class serving a three-year term. See Article II, Section 2(c) of the Exchange's bylaws. A "public director" is a director who (i) is not a participant in the Exchange, or an officer, managing member, partner or employee of an entity that is a participant, (ii) is not an employee of the Exchange or any of its affiliates, (iii) is not broker or dealer or an officer or employee of a broker or dealer, or (iv) does not have any other material business relationship with CHX Holdings or the Exchange (or with any of their affiliates) or with any broker or dealer. See Article II, Section 2(b) of the Exchange's bylaws. A "participant director" is a director who is a participant or an officer, managing member or partner of an entity that is a participant. *Id.* A person or entity is a participant in the Exchange if he or it holds a trading permit issued by the Exchange.

<sup>3</sup> One investor representative has been named, by the Exchange's Nominating & Governance Committee, as a candidate for the open position in Class 1 on the Exchange's Board. The Exchange anticipates that, immediately following the 2006 stockholders' meeting, two participant directors (one director currently serving in Class 1 and one director currently serving in Class 3 of the Board) will resign, resulting in vacancies that will be filled with representatives of two other investors. One of the potential investors already has a representative on the Exchange's Board of Directors; this person would retain his position on the Board.

<sup>4</sup> See Article II, Section 3(b) of the Exchange's bylaws.

positions, however, is more detailed and includes both a requirement that the Committee hold two open meetings with Exchange participants and a petition process that allows participants to add names to the Committee's initial slate.<sup>5</sup> This process is designed to provide Exchange participants with fair representation in the selection of Exchange directors.<sup>6</sup>

The Exchange now proposes to amend its bylaws to require the Board of Directors to identify one position in each Board class as the "STP Participant Director," with the candidates for each of those positions to be subject to the petition process described above. Although this proposal would reduce the number of participant directors whose elections are subject to this petition process, it would still ensure that at least 20% of the Exchange's directors (on a Board of fifteen or fewer people) are selected in this manner, meeting the "fair representation" standard currently required by the Commission.<sup>7</sup> Moreover, by requiring that the Board identify one position in each of the three Board classes to be subject to this process, the proposal would allow participants an opportunity to select at least one participant director each year.<sup>8</sup>

*Composition of the Nominating & Governance Committee.* The Exchange's Nominating & Governance Committee currently is composed of six Board members – three participant directors and three public directors.<sup>9</sup> Through this filing, the Exchange seeks to change this Committee's composition by reducing

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<sup>5</sup> Specifically, under this process, no later than 60 days prior to the date announced for the annual stockholder meeting, the Committee's initial nominees for participant director positions are reported to the Exchange's secretary, who then must promptly announce the nominees to the Exchange's participants. See Article II, Section 3(d) of the Exchange's bylaws. Participants may identify other candidates for one or more of these positions by submitting a written petition, signed by at least ten participants, with respect to each additional candidate. *Id.* If one or more valid petitions are submitted, the Exchange conducts an election to confirm the participants' selections of nominees for the participant director positions. See Article II, Section 3(e) of the Exchange's bylaws. Each participant has one vote with respect to each participant director position that is to be filled. The individuals having the largest number of votes are the final nominees; the Nominating & Governance Committee must nominate these persons to fill the available positions. See Article II, Sections 3(c) and 3(e) of the Exchange's bylaws.

<sup>6</sup> See Section 6(b)(3) of the Act (requiring that the rules of an exchange assure a fair representation of its members in the selection of its directors and administration of its affairs).

<sup>7</sup> See Proposed Rule Relating to Fair Administration and Governance of Self-Regulatory Organizations (Release No. 34-50699, File No. S7-39-04) at Note 148, where the Commission notes, among other things, that it has taken the position that the fair representation requirement could be satisfied if an exchange's rules provide that members constitute at least 20% of the individuals serving on an exchange's nominating committee.

<sup>8</sup> Once the Board identifies these three STP participant director positions, only the candidate(s) for one STP participant director position each year would ordinarily be up for election. If one of the STP participant director positions that is not normally up for election in a particular year becomes vacant during that year, however, the candidates for this now vacant position also would be subject to the petition process.

<sup>9</sup> See Article II, Section 3(a) of the Exchange's bylaws.

its size so that it consists of two public directors and two STP participant directors.<sup>10</sup> This reduced Committee size has a better overall relationship to the size of the Exchange's Board of Directors, while still ensuring that the Committee is appointed by the full Board of Directors and composed of an equal number of public and participant directors.<sup>11</sup>

*One Trading Permit per Participant.* Under the Exchange's existing rules, each participant firm or each person who is registered as a co-specialist, floor broker or market maker for a participant firm must hold a valid trading permit.<sup>12</sup> Through this submission, the Exchange proposes to change that requirement so that each participant firm must hold a valid trading permit, but individuals who serve as co-specialists, floor brokers and market makers for a firm are no longer subject to this requirement.<sup>13</sup> The Exchange believes that this change better positions it for the move to its new trading model by reducing the number of permits that most participants are required to hold in a manner that the Exchange believes is more consistent with other automated markets.<sup>14</sup> The Exchange also believes that reducing the relative number of trading permits would not undermine or circumvent the Act's requirement for fair representation of members.

As mentioned above, each of these proposed changes to the Exchange's bylaws and rules are related to the recently-announced strategic transactions through which four firms have agreed to make investments in CHX Holdings, in exchange

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<sup>10</sup> See Proposed Amendment to Article II, Section 3(a) of the Exchange's bylaws.

<sup>11</sup> The proposal also is designed to ensure that the participant director who is not affiliated with the four investors will serve on the Committee. The proposed text does this by requiring that one of the STP participant directors on the Committee must not be a "CHX Participant Director," as that term is defined in the Securities Purchase Agreement dated June 20, 2006 relating to the purchase of the Series A Preferred Stock of CHX Holdings. A "CHX Participant Director" is defined by the Securities Purchase Agreement as a representative of each of the four potential investors.

<sup>12</sup> See Article II, Rule 2(a).

<sup>13</sup> Persons who serve in these capacities would continue to be required to register with the Exchange in these capacities. See Article VI, Rule 2(b)(7) (replacing the concept of a firm's "nominee" with a specific reference to persons serving as co-specialists, market makers or floor brokers). In making this proposed change to its rules, the Exchange has combined current Articles II and III to create a single article entitled "Participants and Participant Firms." Throughout its remaining rules, the Exchange has proposed changes to eliminate references to "nominees" and to confirm that participant firms hold trading permits while individual persons who serve as co-specialists, market makers and floor brokers are registered in those capacities under Article VI. While these changes appear extensive, they simply repeat the same types of changes wherever appropriate in the Exchange's rules.

<sup>14</sup> In the Exchange's proposed new trading model, the Exchange seeks to move to a more automated system, which would allow participants – from any location – to submit orders for immediate execution. See SR-CHX-2006-05. By reducing the number of trading permits that a firm needs (in this new model and even before it is fully implemented), the Exchange is reducing the fees that must be paid by that firm. Under the Exchange's current fee schedule, a participant must pay \$6,000 each year, divided into monthly installments, for each trading permit that it holds.

for minority equity stakes in the company. The Exchange believes that each of these proposed changes is reasonable and continues to provide Exchange participants with a fair opportunity to participate in the governance of the Exchange.

(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 allowing the Exchange to make reasonable changes to certain aspects of its governance that are both consistent with the terms of proposed transactions and with providing all of its participants with fair representation in the Exchange's governance.

**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 2-4: Not applicable.

Exhibit 5: The text of the proposed changes to bylaws and rules.

**Exhibit 1**

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-\_\_\_\_\_ ; File No. SR-CHX-2006-23)  
SELF-REGULATORY ORGANIZATIONS**

**Proposed Change By the Chicago Stock Exchange, Inc. to Amend the CHX Holdings, Inc. Bylaws**

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 21, 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 CHX, pursuant to Rule 19b-4 of the Act, proposes to amend its bylaws and rules to make several governance changes. These proposals would (1) require the Exchange’s Board of Directors to identify one position in each Board class as the “STP Participant Director,” with candidates for that position to be subject to a petition process involving the Exchange’s participants; (2) change the composition of the Exchange’s Nominating & Governance Committee to include two public directors and two STP Participant Directors; and (3) modify the Exchange’s rules to confirm that each participant firm would need only one trading permit to conduct business on the Exchange. The text of this proposed rule change is available on the Exchange’s website

at [http://www.chx.com/rules/proposed\\_rules.htm](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

As a result of its demutualization in February 2005, the Exchange became the wholly-owned subsidiary of CHX Holdings, a Delaware corporation.<sup>1</sup> The Exchange's demutualization was driven, in part, by a desire to generate opportunities to enter into strategic alliances by offering stock to interested entities. On June 21, CHX Holdings announced that it had agreed to the terms of strategic transactions with four firms that will result in an investment in CHX Holdings, in exchange for minority equity stakes in the company. In connection with these transactions, CHX has agreed to propose amendments to its bylaws and rules to (1) require the Exchange's Board of Directors to identify one position in each Board class as the "STP Participant Director," with candidates for that position to be subject to a petition process involving the Exchange's

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<sup>1</sup> See Release No. 34-51149 (February 8, 2005), 70 FR 7531 (February 14, 2005)("Demutualization Approval Order").

participants; (2) change the composition of the Exchange's Nominating & Governance Committee to include two public directors and two STP Participant Directors; and (3) modify the Exchange's rules to confirm that each participant firm would need only one trading permit to conduct business on the Exchange.

*Changes in Exchange Governance Contemplated by the Proposed Transaction.*

Under the terms of the agreements reached with potential investors, the Exchange's Board of Directors would be reduced by one director – after the closing of the transactions, the Board would consist of the Exchange's chief executive officer, six public directors and five participant directors.<sup>2</sup> The Exchange is required to use its best efforts to place a representative of each of the four investors on the CHX Board.<sup>3</sup> The remaining participant director would not be affiliated with any of the investors.

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<sup>2</sup> The Exchange's Board of Directors currently consists of its chief executive officer, seven public directors and five participant directors. The Board members are divided into three classes, with each class serving a three-year term. *See* Article II, Section 2(c) of the Exchange's bylaws. A "public director" is a director who (i) is not a participant in the Exchange, or an officer, managing member, partner or employee of an entity that is a participant, (ii) is not an employee of the Exchange or any of its affiliates, (iii) is not broker or dealer or an officer or employee of a broker or dealer, or (iv) does not have any other material business relationship with CHX Holdings or the Exchange (or with any of their affiliates) or with any broker or dealer. *See* Article II, Section 2(b) of the Exchange's bylaws. A "participant director" is a director who is a participant or an officer, managing member or partner of an entity that is a participant. *Id.* A person or entity is a participant in the Exchange if he or it holds a trading permit issued by the Exchange.

<sup>3</sup> One investor representative has been named, by the Exchange's Nominating & Governance Committee, as a candidate for the open position in Class 1 on the Exchange's Board. The Exchange anticipates that, immediately following the 2006 stockholders' meeting, two participant directors (one director currently serving in Class 1 and one director currently serving in Class 3 of the Board) will resign, resulting in vacancies that will be filled with representatives of two other investors. One of the potential investors already has a representative on the Exchange's Board of Directors; this person would retain his position on the Board.

*Identification of STP Participant Directors.* Under the Exchange’s existing bylaws, the Nominating & Governance Committee identifies candidates to fill the Board positions that are up for election each year.<sup>4</sup> In identifying candidates for public director positions, the Committee typically meets to discuss candidates and provides its slate of nominees to the Exchange’s sole stockholder, CHX Holdings, for election. The process for identifying candidates for participant director positions, however, is more detailed and includes both a requirement that the Committee hold two open meetings with Exchange participants and a petition process that allows participants to add names to the Committee’s initial slate.<sup>5</sup> This process is designed to provide Exchange participants with fair representation in the selection of Exchange directors.<sup>6</sup>

The Exchange now proposes to amend its bylaws to require the Board of Directors to identify one position in each Board class as the “STP Participant Director,” with the candidates for each of those positions to be subject to the petition process

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<sup>4</sup> See Article II, Section 3(b) of the Exchange’s bylaws.

<sup>5</sup> Specifically, under this process, no later than 60 days prior to the date announced for the annual stockholder meeting, the Committee’s initial nominees for participant director positions are reported to the Exchange’s secretary, who then must promptly announce the nominees to the Exchange’s participants. See Article II, Section 3(d) of the Exchange’s bylaws. Participants may identify other candidates for one or more of these positions by submitting a written petition, signed by at least ten participants, with respect to each additional candidate. *Id.* If one or more valid petitions are submitted, the Exchange conducts an election to confirm the participants’ selections of nominees for the participant director positions. See Article II, Section 3(e) of the Exchange’s bylaws. Each participant has one vote with respect to each participant director position that is to be filled. The individuals having the largest number of votes are the final nominees; the Nominating & Governance Committee must nominate these persons to fill the available positions. See Article II, Sections 3(c) and 3(e) of the Exchange’s bylaws.

<sup>6</sup> See Section 6(b)(3) of the Act (requiring that the rules of an exchange assure a fair representation of its members in the selection of its directors and administration of its affairs).

described above. Although this proposal would reduce the number of participant directors whose elections are subject to this petition process, it would still ensure that at least 20% of the Exchange's directors (on a Board of fifteen or fewer people) are selected in this manner, meeting the "fair representation" standard currently required by the Commission.<sup>7</sup> Moreover, by requiring that the Board identify one position in each of the three Board classes to be subject to this process, the proposal would allow participants an opportunity to select at least one participant director each year.<sup>8</sup>

*Composition of the Nominating & Governance Committee.* The Exchange's Nominating & Governance Committee currently is composed of six Board members – three participant directors and three public directors.<sup>9</sup> Through this filing, the Exchange seeks to change this Committee's composition by reducing its size so that it consists of two public directors and two STP participant directors.<sup>10</sup> This reduced Committee size has a better overall relationship to the size of the Exchange's Board of Directors, while

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<sup>7</sup> See Proposed Rule Relating to Fair Administration and Governance of Self-Regulatory Organizations (Release No. 34-50699, File No. S7-39-04) at Note 148, where the Commission notes, among other things, that it has taken the position that the fair representation requirement could be satisfied if an exchange's rules provide that members constitute at least 20% of the individuals serving on an exchange's nominating committee.

<sup>8</sup> Once the Board identifies these three STP participant director positions, only the candidate(s) for one STP participant director position each year would ordinarily be up for election. If one of the STP participant director positions that is not normally up for election in a particular year becomes vacant during that year, however, the candidates for this now vacant position also would be subject to the petition process.

<sup>9</sup> See Article II, Section 3(a) of the Exchange's bylaws.

<sup>10</sup> See Proposed Amendment to Article II, Section 3(a) of the Exchange's bylaws.

still ensuring that the Committee is appointed by the full Board of Directors and composed of an equal number of public and participant directors.<sup>11</sup>

*One Trading Permit per Participant.* Under the Exchange's existing rules, each participant firm or each person who is registered as a co-specialist, floor broker or market maker for a participant firm must hold a valid trading permit.<sup>12</sup> Through this submission, the Exchange proposes to change that requirement so that each participant firm must hold a valid trading permit, but individuals who serve as co-specialists, floor brokers and market makers for a firm are no longer subject to this requirement.<sup>13</sup> The Exchange believes that this change better positions it for the move to its new trading model by reducing the number of permits that most participants are required to hold in a manner that the Exchange believes is more consistent with other automated markets.<sup>14</sup> The

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<sup>11</sup> The proposal also is designed to ensure that the participant director who is not affiliated with the four investors will serve on the Committee. The proposed text does this by requiring that one of the STP participant directors on the Committee must not be a "CHX Participant Director," as that term is defined in the Securities Purchase Agreement dated June 20, 2006 relating to the purchase of the Series A Preferred Stock of CHX Holdings. A "CHX Participant Director" is defined by the Securities Purchase Agreement as a representative of each of the four potential investors.

<sup>12</sup> See Article II, Rule 2(a).

<sup>13</sup> Persons who serve in these capacities would continue to be required to register with the Exchange in these capacities. See Article VI, Rule 2(b)(7) (replacing the concept of a firm's "nominee" with a specific reference to persons serving as co-specialists, market makers or floor brokers). In making this proposed change to its rules, the Exchange has combined current Articles II and III to create a single article entitled "Participants and Participant Firms." Throughout its remaining rules, the Exchange has proposed changes to eliminate references to "nominees" and to confirm that participant firms hold trading permits while individual persons who serve as co-specialists, market makers and floor brokers are registered in those capacities under Article VI. While these changes appear extensive, they simply repeat the same types of changes wherever appropriate in the Exchange's rules.

<sup>14</sup> In the Exchange's proposed new trading model, the Exchange seeks to move to a more automated system, which would allow participants – from any location – to submit

Exchange also believes that reducing the relative number of trading permits would not undermine or circumvent the Act's requirement for fair representation of members.

As mentioned above, each of these proposed changes to the Exchange's bylaws and rules are related to the recently-announced strategic transactions through which four firms have agreed to make investments in CHX Holdings, in exchange for minority equity stakes in the company. The Exchange believes that each of these proposed changes is reasonable and continues to provide Exchange participants with a fair opportunity to participate in the governance of the Exchange.

## 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>15</sup> The CHX believes the proposal is consistent with Section 6(b)(5) of the Act<sup>16</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 and the public interest by allowing the Exchange to make reasonable changes to certain aspects of its governance that are both consistent with the terms of proposed transactions and with providing all of its participants with fair representation in the Exchange's governance.

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orders for immediate execution. *See* SR-CHX-2006-05. By reducing the number of trading permits that a firm needs (in this new model and even before it is fully implemented), the Exchange is reducing the fees that must be paid by that firm. Under the Exchange's current fee schedule, a participant must pay \$6,000 each year, divided into monthly installments, for each trading permit that it holds.

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

*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

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<sup>16</sup> 15 U.S.C. 78f(b)(5).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2006-23 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-2006-23. 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-2006-23 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>17</sup>

Nancy M. Morris  
Secretary

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

**BYLAWS OF CHICAGO STOCK EXCHANGE, INC.**

\* \* \*

**ARTICLE II****DIRECTORS**

\* \* \*

**Nomination and Election**

Sec. 3. (a) Candidates for election as director shall be nominated by the Nominating and Governance Committee. The Nominating and Governance Committee shall consist of two [three] (2[3]) Public Directors and two (2) STP Participant Directors, as defined below (one of whom must not be a "CHX Participant Director," [and three (3) Participant Directors appointed by the Board of Directors.] as such term is defined in the Securities Purchase Agreement dated June 20, 2006 relating to the purchase of the Series A Preferred Stock of CHX Holdings, Inc. The Board of Directors shall appoint the Nominating and Governance Committee.

(b) The Nominating and Governance Committee each year shall nominate directors for each director position standing for election at the annual meeting of stockholders that year.

(c) The Board of Directors shall identify one Participant Director position in each class which shall be subject to the petition process set forth in paragraphs (d)-(g) below (an "STP Participant Director"). [For positions requiring persons who qualify as Participant Directors, t]The Nominating and Governance Committee shall nominate, to the STP Participant Director positions, only those persons whose names have been presented to, and approved by, the Participants pursuant to the procedures set forth in this bylaw.

(d[c]) The Nominating and Governance Committee shall consult with the Chairman of the Board and the Chief Executive Officer, and shall hold at least two open meetings with Participants for the purpose of receiving recommendations of candidates for election to the [position of ]STP Participant Director positions.

(e[d]) Not later than 60 days prior to the date announced for the annual meeting of stockholders, the Nominating and Governance Committee shall report to the Secretary of the Corporation its initial nominees for the STP Participant Director positions on the Board of Directors. The Secretary shall promptly notify Participants of those initial nominees. Participant Firms may identify other candidates for the STP Participant Director positions by delivering to the Secretary, at least 35 days before the date announced for the annual meeting of stockholders, a written petition, which shall designate the candidate by name and office and shall be signed by at least ten (10) Participant Firms supporting that petition. A Participant Firm may endorse as many candidates as there are STP Participant Director positions to be filled. [For purposes of this Section 3, the term "Participant" shall mean the voting designee of a Participant.]

(f[e]) If one or more valid petitions are received, the Secretary shall notify all Participants of record (as of the close of business on the day before the date of such notice) of the names of the initial nominees identified by the Nominating and Governance Committee and those additional candidates identified by Participants as well as of the time and date of an election, to be held at least 20 days prior to the annual stockholders' meeting, to confirm the Participants' selections of nominees for STP Participant Directors. In such elections, each Participant Firm shall have one vote with respect to each STP Participant Director position that is to be filled at the annual stockholders' meeting. Votes may be cast in person or by proxy. The individuals receiving the largest number of votes shall be the persons approved by the Participants as STP Participant Director nominees. The Secretary shall notify the Nominating and Governance Committee of the results of the election.

(g[f]) If no valid petitions from the Participants are received by the date that is 35 days prior the date that is announced for to the annual meeting of stockholders, the Nominating and Governance Committee's initial nominees shall be deemed to be the persons approved by the Participants as the STP Participant Director nominees, and the Secretary shall so notify the Nominating and Governance Committee.

\* \* \*

## ARTICLE IV

### COMMITTEES

\* \* \*

#### **Appointment of Committees**

Sec. 2. The Nominating and Governance Committee shall be appointed [by the Board of Directors ]as provided in Article II, Section 3(a). The Judiciary Committee shall be appointed by the Chief Executive Officer, as provided in the Exchange's rules. The Executive, Audit, Compensation and Finance Committees shall be appointed by the Chairman and Vice Chairman, with the approval of the Board of Directors. The Regulatory Oversight Committee shall be appointed by the Vice Chairman and approved by the Public Directors. All other committees shall be appointed by the Vice Chairman of the Board, with the approval of the Board of Directors. The Chairman and Vice Chairman (or, where appropriate, the Vice Chairman, alone) shall provide names of all recommendations for committee appointments to the Board, in writing, no later than five business days before the meeting at which the Board will be asked to approve the appointments.

**RULES OF CHICAGO STOCK EXCHANGE, INC.**

\* \* \*

**ARTICLE I****Definitions**

## Definitions

RULE 1. Whenever and wherever used in these Rules, unless the context requires otherwise, the following terms shall have the respective meanings ascribed to them below:

\* \* \*

i. "Good Standing" shall refer to (a) a Participant that continues to satisfy all conditions for issuance of a Trading Permit (including financial condition)[ and]; (b) a Participant that has not deregistered, resigned, been suspended, expelled or declared legally incompetent or been in the process of liquidation for more than one year; or (c[b]) an individual whose associated Participant Firm is in good standing. [A Participant Firm is not in good standing if it has deregistered, been suspended or expelled or has been in the process of liquidation for more than one year, or if the only Participant with which it is associated is not in good standing.]

[j. "Nominee" means an individual who is associated with and authorized by a Participant Firm to conduct business through the Exchange's Trading Facilities and to represent such Participant Firm in all matters relating to the Exchange. A nominee shall be considered a "member" of the Exchange for purposes of the Exchange Act and shall be bound by the constitution, bylaws and Rules of the Exchange, and by all applicable rules and regulations of the Commission.]

j[k]. No change to text.

k[l]. "Participant" means any Participant Firm that holds[er of] a valid Trading Permit and any person associated with a Participant Firm who is registered with the Exchange under Article VI as a floor broker, co-specialist or market maker. A Participant shall be considered a "member" of the Exchange for purposes of the Exchange Act. If a Participant is not a natural person, the Participant may also be referred to as a "Participant Firm," but unless the context requires otherwise, the term Participant shall refer to an individual Participant and/or a Participant Firm.

\* \* \*

For purposes of the Federal Election Campaign Act, 2 U.S.C. Section 431, a Participant which is a corporation shall not be deemed to be the Participant, but the Voting Designee [Nominee] thereof shall be.

l[m]. No change to text.

m[n]. No change to text.

\* \* \*

## ARTICLE II

### **Participants and Participant Firms**

#### Qualifications

RULE 1. Each Participant Firm must hold a valid Trading Permit to [No person shall ]transact business on the Exchange [unless they hold a valid Trading Permit]. An applicant for a Trading Permit shall meet, and a Participant Firm shall continue to meet, the following basic qualifications:

#### Citizenship[, Age] and Form of Organization

(a) [If an individual, an applicant or Participant shall be of an age so as to be responsible for his or her contracts under the laws of the State or Country in which he or she engages in the securities business.] If a partnership, an applicant or Participant Firm shall have at least two general partners. If a corporation, an applicant or Participant Firm shall be organized under the laws of one of the states of the United States, under the Canada Corporations Act or the incorporation statute of a Canadian province, or under a comparable statute of such other Country in which the corporation is domiciled. The Exchange may, in its discretion, and on such terms and conditions as the Exchange may prescribe, approve as a Participant Firm entities that have characteristics essentially similar to corporations, partnerships or both, including limited liability corporations. Such entities, and persons associated therewith, shall, upon approval, be fully, formally and effectively subject to the jurisdiction of, and to the bylaws and Rules of, the Exchange to the same extent and degree as are any other Participants organized as a corporation or partnership and persons associated therewith.

\* \* \*

#### Primary Purpose of Participant

(c) No change to text.

(1)-(2) No change to text.

(3) All of the principal officers and (unless otherwise approved by the Exchange's Executive Committee) a majority of the directors of a member corporation shall be persons who are actively engaged in the conduct of a Participant Firm's business.

#### [Net Worth of Individuals]

[(e) An individual applicant for a Trading Permit [or nominee] shall have a liquid net worth of at least \$10,000 over and above the cost of the Trading Permit; and if he is not a partner

or an officer of a Participant Firm that is subject to Rule 3 of Article XI, he shall at all times maintain a liquid net worth in such amount.]

#### Capital Requirements for Participants

(e[f]) No change to text.

#### Responsibilities of Foreign Participants

(f[g]) No change to text.

#### [Additional Requirements]

[(g) An applicant or Participant Firm which is a partnership or corporation shall also comply with the Rules under Article III.]

### **Rights and Privileges of Participants**

RULE 2. (a) A Trading Permit confers on a Participant Firm the revocable license to execute approved securities transactions on the Exchange's Floor or through the Exchange's Trading Facilities, or to have those transactions executed on its behalf. A person associated with a Participant Firm who is registered with the Exchange under Article VI as a floor broker, co-specialist or market maker has the right to execute approved securities transactions on the Exchange's Floor or through the Exchange's Trading Facilities. [An individual Participant may function either (i) as a co-specialist, floor broker or registered market maker; or (ii) as a partner or officer of a Participant Firm. An individual Participant shall not transact business with the public as a sole proprietor.]

No rights shall be conferred by the issuance of a Trading Permit or by registration with the Exchange under Article VI except those set forth in the Rules of the Exchange.

\* \* \*

(d) No applicant shall become a Participant until its application or registration is approved and the applicant has filed with the Exchange a written pledge to abide by the Rules of the Exchange as now existing and as from time to time amended. In the case of a Participant Firm, such pledge shall be in the form of a certified resolution and shall bind the Participant Firm and present and future partners, officers, directors or principals.

(e) All T[t]rading P[p]ermits must be held by [an active Participant or must be held by an] active Participant Firms[, where the Participant Firm has assigned an active Participant as its Nominee.] No [Participant or ]Participant Firm shall hold more than one T[t]rading P[p]ermit[s than are necessary to the conduct of business on the Exchange].

\* \* \*

### **Filing Requirements/Parties Bound by Rules of Exchange**

RULE 5. All partnership articles, articles of incorporation, bylaws and all amendments thereto of a Participant Firm for which this Exchange is the Designated Examining Authority ("DEA") or of a Participant Firm subject to examination by another self-regulatory organization not having a comparable rule shall be submitted to and be acceptable to the Exchange. A Participant Firm, for which the Exchange is the DEA, that is a corporation shall also file with the Exchange a current list and descriptive identification of all officers and directors, as well as evidence, satisfactory to the Exchange, that the officers of the Participant Firm are duly authorized to act for the Participant Firm in entering into contracts on the floor of the Exchange.

General partners or officers of a Participant Firm shall be bound by the bylaws and Rules of the Exchange.

### **Exchange Not Bound by Partnership Agreement or Corporate Documents**

RULE 6. Nothing contained in the partnership agreement, articles of incorporation, operating agreement resolutions, or bylaws of any Participant Firm, or any amendment thereto, shall be binding upon the Exchange or any of its present or future Participants other than the parties to such partnership agreement, corporate document or amendment. The fact that any such partnership agreement, corporate document or amendment may have been or may be submitted to the Exchange or any of its officers, employees or committees shall not constitute or operate as notice to the Exchange or any of its present or future Participants of any limitations contained in such partnership agreement, corporate document or amendment on the rights and powers of the partnership or corporation or the rights, powers, duties and obligations of any partner of such partnership or officer or director of such corporation in respect of his or its status as a Participant.

### **Subordination of Claims**

RULE 7. (a) A claim of any partner, stockholder, officer or director against a Participant Firm in which he is a general or limited partner, stockholder, officer or director shall be subordinate to all claims of customers and other Participants of the Exchange until such claims have been paid or provision for payment thereof shall have been made.

(b) Withdrawal of Capital—The partnership articles or organizational documents of each Participant Firm for which this Exchange is the Designated Examining Authority shall contain provisions that without prior written approval of the Exchange the capital contribution of any person may not be withdrawn on less than six months' written notice of withdrawal given no sooner than six months after such contribution was first made. Each Participant Firm shall promptly notify the Exchange of the receipt of any notice of withdrawal of any part of a person's

capital contribution or if any withdrawal is not made because prohibited under the provisions of Commission Rule 15c3-1 (see 15c3-1(e)).

### **Conducting Business as Partnership**

RULE 8. Except as may be otherwise permitted by the Exchange, no Participant Firm doing business with the public shall have less than 2 general partners; provided, however, that if by death or otherwise only one general partner remains in the firm, he may continue business under the firm name for such period as may be allowed by the Exchange.

### **Limitation on Interests in Other Organizations**

RULE 9. No person shall at the same time be a partner, officer, director or stockholder in more than one Participant Firm, nor shall he be affiliated in any manner with a non-Participant partnership or corporation which is engaged in the securities business, unless such affiliation has been disclosed to and is approved by his Participant Firm.

A Participant Firm for which this Exchange is the Designated Examining Authority shall not be a subsidiary of a parent firm except in accordance with the following:

(1) A Participant Firm for which this Exchange is the Designated Examining Authority may be a subsidiary of a parent firm if all requirements of the following paragraphs (i) through (iii) are met in addition to other applicable Rules in Article II:

(i) Each parent firm shall agree to file with the Exchange annual financial statements of itself and its other subsidiaries.

(ii) Each parent firm shall agree to file with the Exchange and keep current (A) a list and descriptive identification of its directors, principal officers and principal stockholders (if a corporation) or its principal partners (if a partnership), and (B) an identification of the types of businesses conducted by itself and its other subsidiaries. The principal officers or principal partners of the parent firm shall be bound by the bylaws and Rules of the Exchange.

(iii) Each parent firm shall agree to furnish to the Exchange such information regarding security transactions and related activities of itself and its other subsidiaries as may be required by the Exchange to insure compliance with its Rules.

(2) A Participant Firm for which this Exchange is the Designated Examining Authority may be a subsidiary of a parent firm in such other circumstances and subject to such other limitations or conditions as the Board of Directors or Executive Committee may find appropriate.

No parent firm of a Participant Firm and no other subsidiary of such a parent firm shall engage in any aspect of the securities business or in any act, practice or course of conduct in connection with any aspect of the securities business which the Participant Firm itself would be prohibited from undertaking.

No Participant Firm for which this Exchange is the Designated Examining Authority nor any partner, officer, director or principal stockholder of such Participant Firm, shall be affiliated with, or have any financial interest in, any other corporation or firm engaged in the securities business, unless such affiliation or financial interest has been duly disclosed to and approved by the Participant Firm.

### **Notice of Death or Retirement of Partner**

RULE 10. A Participant Firm for which this Exchange is the Designated Examining Authority shall give the Exchange immediate written notice of the death of any partner, officer or director and not less than 5 days' prior written notice of the retirement of any partner, officer or director or the dissolution of the firm.

### **Affiliation with Suspended Participants**

RULE 11. A Participant shall not form a partnership or corporation with a suspended Participant nor with any person who has been expelled from the Exchange nor with any insolvent person nor with any person who may have previously been a Participant and against whom any Participant holds a claim arising out of a transaction made during the time of such participation and which has not been released or settled in accordance with the Bylaws and Rules of the Exchange.

### **Transfer of Equity Securities of a Participant Firm**

RULE 12. No Participant Firm for which this Exchange is the Designated Examining Authority and no officer, director or principal stockholder of such a Participant Firm shall, without the prior consent of the Exchange, sell, assign, transfer, pledge or hypothecate equity securities of the Participant Firm except to an officer, director or principal stockholder thereof; provided, however that such consent need not be obtained for any such transaction by an officer, director or principal stockholder involving less than 1% of a class of equity securities of the Participant Firm but a report shall be filed if and when two or more such transactions by any one officer, director or principal stockholder have aggregated 1% or more of a class of equity securities. No Participant Firm shall redeem or purchase its own shares, or in any other manner effect a reduction in its capital stock, without the prior consent of the Exchange.

••• Interpretations and Policies:

.01 Public Offerings

The Exchange will not ordinarily consent to a public offering of equity securities unless the Participant Firm will have and agrees to maintain a ratio of not more than 50% of properly subordinated debt to equity (including common and preferred stock) after giving effect to such public offering; provided, however, that the Exchange may grant permission for a Participant Firm to depart temporarily from this requirement where a showing has been made that such departure will be in the interests of the customers and/or security holders of the Participant Firm.

.02 Limitation on Secondary Offerings

Except in cases of death, forced withdrawal, retirement or extreme hardship, the Exchange will not ordinarily consent to a public offering of equity securities of a Participant Firm unless the primary purpose is to raise capital for the Participant Firm. Accordingly, except for such special cases, the Exchange will not ordinarily consent to a public offering on behalf of any of the officers, directors or principal stockholders of a Participant Firm unless such secondary offering is concurrent with a primary offering by the Participant Firm itself and at least 75% of the total offering is on behalf of the latter. Likewise, except for such special cases, the Exchange will not ordinarily consent to a private sale of equity securities of a Participant Firm by any of its officers, directors or principal stockholders to any corporation having publicly-held equity securities unless such sale is concurrent with an investment of capital in the Participant Firm that will significantly increase its net worth.

.03 Use of Proceeds

The Exchange may withhold its consent to a public offering by a Participant Firm where proceeds to be received by it are not adequately devoted to meeting needs of its listed business; e.g., where back-office needs are neglected in favor of expanded sales.

.04 Floor Traders and Floor Brokers

The Exchange will not consent to a sale to persons other than officers, directors or principal stockholders of the equity securities of a Participant Firm whose principal purpose and activity are to operate as a floor broker and/or registered floor trader.

.05 Trading by a Participant Firm in Its Own or Its Parent Firm's Securities

Trading by a Participant Firm in its own securities, the securities of its parent firm, and the securities of other subsidiaries of its parent firm is subject to Rule 20 of Article VIII.

.06 Compliance with Blue Sky Laws

Participant Firms are hereby cautioned that they should be certain that any sale of their securities is made in accordance with the law of each state which may be applicable. It is strongly urged

that each Participant Firm clear any sale of its securities with its counsel in order to insure against possible inadvertent violations of state securities laws.

### **Reporting of Loans**

RULE 13. No Participant Firm for which this Exchange is the Designated Examining Authority shall make any substantial loan to any officer, director or principal stockholder thereof without promptly reporting the same to the Exchange in writing.

### **Designation of E-Mail Addresses**

RULE 14. Every Participant and Participant Firm shall designate one or more e-mail addresses for the purpose of receiving Exchange notices and communications and shall promptly update those e-mail addresses when those addresses change or are no longer valid. An authorized representative of the Exchange may elect to transmit notices or other communications to Participants electronically; provided, however, that nothing in this rule shall be construed to supersede or modify either the method for service of process or other materials in any disciplinary proceeding or any other provisions of Exchange rules setting out a specific method for the receipt of information from the Exchange.

### **"Voting Designee" of Participant Firm**

#### RULE 15.

#### Designation

(a) A Participant Firm shall designate in writing filed with the Exchange a Voting Designee. The Exchange and all other persons shall be entitled to rely upon such designation until a substitute Voting Designee has been designated as provided by paragraph (d) of this Rule or until a new Voting Designee has been approved by the Exchange.

#### Voting Designees

(b) A Voting Designee of a Participant Firm shall represent and act for the Participant Firm with respect to any matter upon which its vote, consent or similar formal expression is required or permitted and in connection with all meetings of Participants and the obtaining of any such consent or similar formal expression. A Voting Designee of a Participant Firm shall be one of its general partners, the chairman of its board, its president or one of its vice presidents.

#### Alternate Voting Designees

(c) If it elects to do so, a Participant Firm may designate an alternate Voting Designee who shall have full authority to act instead of the Voting Designee.

## Substitutes

(d) During the absence or disability of its regular Voting Designee (or both the Voting Designee and his alternate), a Participant Firm may, with the consent of the Exchange, designate a substitute Voting Designee, provided the substitute meets the requirements of this Rule.

### **[Registration of Participant Firms]**

[RULE 5. Every individual holder of a Trading Permit who becomes a general partner in a non-Participant firm or an officer or director of a non-Participant corporation dealing in securities shall apply for registration of the firm or corporation as a Participant Firm, in accordance with the procedures set forth in Rules 3 and 4 of this Article. If the Exchange declines to approve such registration, the individual Participant shall withdraw from the firm or resign from the corporation or dispose of his Trading Permit. Unless the context otherwise indicates, the term "Participant Firm" as used in the Rules shall include and mean a firm or corporation so registered by an individual Participant.]

### **Transfers of Trading Permits**

RULE 16[6]. [Except as provided below, a] A Trading Permit is a license which cannot be transferred, by purchase, sale, assignment, lease or other transfer arrangement. The Exchange shall not be required to recognize any agreement or instrument entered into or executed by a Participant which purports to transfer or assign any interest in a Trading Permit, or which purports to create any lien or other right with respect to the Trading Permit, or which purports, in any manner, to provide for the disposition of the Trading Permit to a Participant's creditor.

[A Participant Firm may transfer its Trading Permit from the name of one Nominee employee to the name of another Nominee employee. The Participant Firm shall submit to the Exchange the name of the proposed transferee Nominee and, if the proposed Nominee is not in the control of a Participant Firm or otherwise a registered employee, shall submit all information required for the Exchange to conduct an investigation of the proposed Nominee. The proposed transfer shall not become effective until the Exchange approves the intrafirm transfer of the Trading Permit to the name of the proposed Nominee.]

### **Termination of Trading Permit**

Rule 17[7]. A Participant Firm that [who] has been issued a Trading Permit may request that the Exchange terminate the Trading Permit by providing written notice to the Exchange in a manner approved by the Exchange. Subject to Article XIV, Rule 10, termination of the Trading Permit at the Participant Firm's request does not discharge the Participant Firm from any financial or other obligations to the Exchange that accrued prior to termination of the Trading Permit.

### **Limitations on Exchange Personnel**

RULE 18. No officer or employee of the Exchange may be a general or limited partner, own or hold capital stock or have any direct or indirect financial interest in a Participant Firm. An officer or employee of any corporation, a majority of whose capital stock is owned by the Exchange, shall be deemed to be an employee of the Exchange within the meaning of this Rule.

### **Suits Against Officers, Directors and Staff**

RULE 19[8]. No change to text.

### **Limitation of Liability**

RULE 20[9]. No change to text.

*Note: This entire article is being deleted;  
many of its provisions were moved to Article II*

**[ARTICLE III ]**

**[Participant Firms]**

**[Acquisition of Trading Permit]**

[RULE 1. Subject to application to and approval by the Exchange, a general or limited partnership or a corporation may become a Participant Firm by obtaining a Trading Permit or by its registration as a Participant Firm on application of a Participant who is or is about to become a general partner in the partnership or a duly elected officer of the corporation. A Participant who intends to form a Participant Firm or to admit any person to partnership in such a firm shall notify the Exchange in writing before such formation or admission becomes effective and shall submit such information in connection therewith as may be required by the Exchange.]

[RULE 2. Reserved for future use.]

**[Registration Requirements]**

[RULE 3. No partnership or corporation shall be registered as a Participant Firm unless it shall be actively engaged in the securities business as a dealer or broker. All of the principal officers and (unless otherwise approved by the Exchange's Executive Committee) a majority of the directors of a member corporation shall be persons who are actively engaged in the conduct of a Participant Firm's business.]

**[Filing Requirements/Parties Bound by Rules of Exchange]**

[RULE 4. All partnership articles, articles of incorporation, bylaws and all amendments thereto of a Participant Firm for which this Exchange is the Designated Examining Authority ("DEA") or of a Participant Firm subject to examination by another self-regulatory organization not having a comparable rule shall be submitted to and be acceptable to the Exchange. A Participant Firm, for which the Exchange is the DEA, that is a corporation shall also file with the Exchange a current list and descriptive identification of all officers and directors, as well as evidence, satisfactory to the Exchange, that the officers of the Participant Firm are duly authorized to act for the Participant Firm in entering into contracts on the floor of the Exchange.]

[General partners or officers of a Participant Firm who are not themselves Participants, shall be bound by the bylaws and Rules of the Exchange.]

**[Exchange Not Bound by Partnership Agreement or Corporate Documents]**

[RULE 5. Nothing contained in the partnership agreement, articles of incorporation, operating agreement resolutions, or bylaws of any Participant Firm, or any amendment thereto, shall be binding upon the Exchange or any of its present or future Participants other than the parties to such partnership agreement, corporate document or amendment. The fact that any such partnership agreement, corporate document or amendment may have been or may be submitted to the Exchange or any of its officers, employees or committees shall not constitute or operate as notice to the Exchange or any of its present or future Participants of any limitations contained in such partnership agreement, corporate document or amendment on the rights and powers of the partnership or corporation or the rights, powers, duties and obligations of any partner of such partnership or officer or director of such corporation in respect of his or its status as a Participant.]

**[Subordination of Claims]**

[RULE 6. (a) A claim of any partner, stockholder, officer or director against a Participant Firm in which he is a general or limited partner, stockholder, officer or director shall be subordinate to all claims of customers and other Participants of the Exchange until such claims have been paid or provision for payment thereof shall have been made.]

[(b) Withdrawal of Capital—The partnership articles or organizational documents of each Participant Firm for which this Exchange is the Designated Examining Authority shall contain provisions that without prior written approval of the Exchange the capital contribution of any person may not be withdrawn on less than six months' written notice of withdrawal given no sooner than six months after such contribution was first made. Each Participant Firm shall promptly notify the Exchange of the receipt of any notice of withdrawal of any part of a person's capital contribution or if any withdrawal is not made because prohibited under the provisions of Commission Rule 15c3-1 (see 15c3-1(e)).]

**[Conducting Business as Partnership]**

[RULE 7. Except as may be otherwise permitted by the Exchange, no Participant shall conduct business under a partnership style unless he has at least one partner, nor shall any Participant Firm doing business with the public have less than 2 general partners; provided, however, that if by death or otherwise only one general partner remains in the firm, he may continue business under the firm name for such period as may be allowed by the Exchange.]

**[Limitation on Interests in Other Organizations]**

[RULE 8. No person shall at the same time be a partner, officer, director or stockholder in more than one Participant Firm, nor shall he be affiliated in any manner with a non-Participant partnership or corporation which is engaged in the securities business, unless such affiliation has been disclosed to and is approved by his Participant Firm.]

[A Participant Firm for which this Exchange is the Designated Examining Authority shall not be a subsidiary of a parent firm except in accordance with the following:]

[(1) A Participant Firm for which this Exchange is the Designated Examining Authority may be a subsidiary of a parent firm if all requirements of the following paragraphs (i) through (iii) are met in addition to other applicable Rules in Article II:]

[(i) Each parent firm shall agree to file with the Exchange annual financial statements of itself and its other subsidiaries.]

[(ii) Each parent firm shall agree to file with the Exchange and keep current (A) a list and descriptive identification of its directors, principal officers and principal stockholders (if a corporation) or its principal partners (if a partnership), and (B) an identification of the types of businesses conducted by itself and its other subsidiaries. The principal officers or principal partners of the parent firm shall be bound by the bylaws and Rules of the Exchange.]

[(iii) Each parent firm shall agree to furnish to the Exchange such information regarding security transactions and related activities of itself and its other subsidiaries as may be required by the Exchange to insure compliance with its Rules.]

[(2) A Participant Firm for which this Exchange is the Designated Examining Authority may be a subsidiary of a parent firm in such other circumstances and subject to such other limitations or conditions as the Board of Directors or Executive Committee may find appropriate.]

[No parent firm of a Participant Firm and no other subsidiary of such a parent firm shall engage in any aspect of the securities business or in any act, practice or course of conduct in connection with any aspect of the securities business which the Participant Firm itself would be prohibited from undertaking.]

[No Participant for which this Exchange is the Designated Examining Authority nor any partner, officer, director or principal stockholder of such Participant Firm, shall be affiliated with, or have any financial interest in, any other corporation or firm engaged in the securities business, unless such affiliation or financial interest has been duly disclosed to and approved by the Participant Firm.]

#### **[Notice of Death or Retirement of Partner]**

[RULE 9. (a) A Participant Firm for which this Exchange is the Designated Examining Authority shall give the Exchange immediate written notice of the death of any partner, officer or director and not less than 5 days' prior written notice of the retirement of any partner, officer or director or the dissolution of the firm.]

[(b) Upon the death or withdrawal as a general partner or officer of an individual Participant who, at the time of his death or withdrawal, was a general partner or officer in a firm registered on the Exchange in which no other general partner or officer is a Participant and which firm is not a Participant Firm by direct ownership of a Trading Permit, the status and privileges of a Participant Firm may be extended to the continuing or successor firm. Such extension may be made by the Board of Directors or by the Chief Executive Officer. The extension of such privileges shall be only for such period of time as may be reasonably necessary to enable the partnership or corporation to acquire a Trading Permit in its own name or to enable it to become registered as a Participant Firm by another individual Participant. During the period of the extension of such privileges the continuing or successor firm shall have the obligations of a Participant Firm and by the acceptance of the status and privileges accorded, the firm assumes all such obligations.]

#### **[Affiliation with Suspended Participants]**

[RULE 10. A Participant shall not form a partnership or corporation with a suspended Participant nor with any person who has been expelled from the Exchange nor with any insolvent person nor with any person who may have previously been a Participant and against whom any Participant holds a claim arising out of a transaction made during the time of such participation and which has not been released or settled in accordance with the Constitution and Rules of the Exchange.]

#### **[Special or Limited Partner]**

[RULE 11. A Participant who is a special or limited partner in a partnership cannot confer any of the privileges of the Exchange on such firm.]

#### **[Termination of Registration]**

[RULE 12. The registration of a Participant Firm by a Participant may be terminated by the Exchange for cause it deems sufficient upon written notice to the Participant.]

#### **["Nominee" and ]"Voting Designee" of Participant Firm**

[RULE 13. ]

[Designation]

[(a) A Participant Firm which is such because of the direct ownership of a Trading Permit shall designate in writing filed with the Exchange a Nominee and a Voting Designee (who may be the same or different persons). A Participant Firm owning more than one Trading Permit may make the same or different designations for its several Trading Permits. Designations of Nominees shall be subject to approval by the Exchange in accordance with the procedures set

forth in Rules 2 and 3 of Article II. The Exchange and all other persons shall be entitled to rely upon such designations until a substitute Nominee or Voting Designee has been designated as provided by paragraph (e) of this Rule or until a new Nominee or Voting Designee has been approved by the Exchange.]

[Nominees]

[(b) A Nominee of a Participant Firm shall have, subject to the provisions of the Constitution and Rules, all the privileges of an individual Participant and full authority to represent and act for the Participant Firm in all Exchange matters (except those matters upon which the vote, consent or similar formal expression of the Participant Firm is required or permitted or in connection with meetings of Participants or the obtaining of any such consent or similar formal expression). Only such Nominee may act as a broker for the Participant Firm if it desires to effect transactions on the Floor without the services of another broker. The Nominee of a Participant Firm shall be one of its general partners or, with the approval of the Board of Directors, another person affiliated with such Participant Firm. Except as otherwise specifically provided, the word "Participant" whenever used in the Rules shall include and also mean the Nominee of a Participant Firm organization but shall not include the voting designee if a different person.]

[Voting Designees ]

[(c) A Voting Designee of a Participant Firm shall represent and act for the Participant Firm with respect to any matter upon which its vote, consent or similar formal expression is required or permitted and in connection with all meetings of Participants and the obtaining of any such consent or similar formal expression. A Voting Designee of a Participant Firm shall be one of its general partners, the chairman of its board, its president or one of its vice presidents.]

[Alternate Voting Designees]

[(d) If it elects to do so, a Participant Firm may designate an alternate Voting Designee who shall have full authority to act instead of the Voting Designee.]

[Substitutes]

[(e) During the absence or disability of its regular Nominee or Voting Designee (or both the Voting Designee and his alternate), a Participant Firm may, with the consent of the Exchange, designate a substitute Nominee or Voting Designee, provided the substitute meets the requirements of this Rule.]

#### **[Limitations on Exchange Personnel]**

[RULE 14. No officer or employee of the Exchange may be a general or limited partner, own or hold capital stock or have any direct or indirect financial interest in a Participant

Firm. An officer or employee of any corporation, a majority of whose capital stock is owned by the Exchange, shall be deemed to be an employee of the Exchange within the meaning of this Rule.]

**[Transfer of Equity Securities of a Participant Firm]**

[RULE 15. No Participant Firm for which this Exchange is the Designated Examining Authority and no officer, director or principal stockholder of such a Participant Firm shall, without the prior consent of the Exchange, sell, assign, transfer, pledge or hypothecate equity securities of the Participant Firm except to an officer, director or principal stockholder thereof; provided, however that such consent need not be obtained for any such transaction by an officer, director or principal stockholder involving less than 1% of a class of equity securities of the Participant Firm but a report shall be filed if and when two or more such transactions by any one officer, director or principal stockholder have aggregated 1% or more of a class of equity securities. No Participant Firm shall redeem or purchase its own shares, or in any other manner effect a reduction in its capital stock, without the prior consent of the Exchange.]

[••• Interpretations and Policies:]

[.01 Public Offerings]

[The Exchange will not ordinarily consent to a public offering of equity securities unless the Participant Firm will have and agrees to maintain a ratio of not more than 50% of properly subordinated debt to equity (including common and preferred stock) after giving effect to such public offering; provided, however, that the Exchange may grant permission for a Participant Firm to depart temporarily from this requirement where a showing has been made that such departure will be in the interests of the customers and/or security holders of the Participant Firm.]

[.02 Limitation on Secondary Offerings]

[Except in cases of death, forced withdrawal, retirement or extreme hardship, the Exchange will not ordinarily consent to a public offering of equity securities of a Participant Firm unless the primary purpose is to raise capital for the Participant Firm. Accordingly, except for such special cases, the Exchange will not ordinarily consent to a public offering on behalf of any of the officers, directors or principal stockholders of a Participant Firm unless such secondary offering is concurrent with a primary offering by the Participant Firm itself and at least 75% of the total offering is on behalf of the latter. Likewise, except for such special cases, the Exchange will not ordinarily consent to a private sale of equity securities of a Participant Firm by any of its officers, directors or principal stockholders to any corporation having publicly-held equity securities unless such sale is concurrent with an investment of capital in the Participant Firm that will significantly increase its net worth.]

**[.03 Use of Proceeds]**

[The Exchange may withhold its consent to a public offering by a Participant Firm where proceeds to be received by it are not adequately devoted to meeting needs of its listed business; e.g., where back-office needs are neglected in favor of expanded sales.]

**[.04 Floor Traders and Floor Brokers]**

[The Exchange will not consent to a sale to persons other than officers, directors or principal stockholders of the equity securities of a Participant Firm whose principal purpose and activity are to operate as a floor broker and/or registered floor trader.]

**[.05 Trading by a Participant Firm in Its Own or Its Parent Firm's Securities]**

[Trading by a Participant Firm in its own securities, the securities of its parent firm, and the securities of other subsidiaries of its parent firm is subject to Rule 20 of Article VIII.]

**[.06 Compliance with Blue Sky Laws]**

[Participant Firms are hereby cautioned that they should be certain that any sale of their securities is made in accordance with the law of each state which may be applicable. It is strongly urged that each Participant Firm clear any sale of its securities with its counsel in order to insure against possible inadvertent violations of state securities laws.]

**[Reporting of Loans]**

[RULE 16. No Participant Firm for which this Exchange is the Designated Examining Authority shall make any substantial loan to any officer, director or principal stockholder thereof without promptly reporting the same to the Exchange in writing.]

**[Designation of E-Mail Addresses]**

[RULE 17. Every Participant and Participant Firm shall designate one or more e-mail addresses for the purpose of receiving Exchange notices and communications and shall promptly update those e-mail addresses when those addresses change or are no longer valid. An authorized representative of the Exchange may elect to transmit notices or other communications to participants electronically; provided, however, that nothing in this rule shall be construed to supersede or modify either the method for service of process or other materials in any disciplinary proceeding or any other provisions of Exchange rules setting out a specific method for the receipt of information from the Exchange.]

**ARTICLE IV**

**Committees**

\* \* \*

**Nominating and Governance Committee**

RULE 11. There shall be a Nominating and Governance Committee which shall have the composition set out in the Exchange's Bylaws [consist of three (3) Public Directors and three (3) Participant Directors appointed by the Board of Directors]. The Committee shall have the responsibility to (a) annually nominate directors for the class of directors standing for election at the annual meeting of stockholders that year; and (b) periodically review the organization and governance structure of the Exchange and its subsidiaries, and make such recommendations to the Board with respect thereto as it may deem appropriate.

\* \* \*

## ARTICLE VI

### Restrictions and Requirements

\* \* \*

#### Registration and Approval of Participant Personnel

##### RULE 2.

Registration.

(a) No change to text.

(b) Registered persons are Participants and persons associated with a Participant who are engaged or will be engaged in the securities business of a Participant, or the management of such securities business, including the functions of supervision, solicitation, conduct of business or the training of persons associated with a Participant for any of these functions. Such registered persons shall include without limitation:

(1)-(6) No change to text.

(7) Any person acting as a floor broker, co-specialist or market maker on the Exchange's Floor[Nominees];

(8)-(10) No change to text.

\* \* \*

#### Training and Examination of Registrants

RULE 3. The Exchange may require the successful completion of a training course or an examination, or both, in connection with the registration of Participants and persons associated with a Participant, and may charge fees for such registration and examination. This provision shall apply to all Participants, including Participants which are to be solely on the Floor of the Exchange.

••• Interpretations and Policies:

.01 Floor Participants

(a) Floor Exam. All persons acting as a floor broker, co-specialist or market maker on the Exchange's Trading Floor[applicants for a Trading Permit and requesting a floor presence] must successfully complete the Floor Exam.

\* \* \*

### **Employment of Registered Persons**

RULE 4. (a)-(b) No change to text.

(c) Any partner, officer, director or employee may become a partner, officer, director or employee in one or more organizations provided that such person may have supervisory responsibilities as described in paragraph (b) of this Rule in only one Participant Firm. [No Participant shall qualify more than one Participant Firm for a Trading Permit. ]

\* \* \*

#### Clerk on the Floor

RULE 6. No Participant shall employ a person who is registered with the Exchange as a floor broker, co-specialist or market maker [Participant] as a clerk on the Floor of the Exchange, except for a period of not more than six months from his registration in that role[receipt of a Trading Permit].

\* \* \*

### **Review Procedure**

RULE 8.

#### Exchange Review

(a) Any person or organization adversely affected by a determination made under this Article[ or under Rule 6 or Rule 7 of Article III] may obtain a review request thereof before the Executive Committee by filing a written request for review with the Secretary of the Exchange within fifteen days after such determination is made known.

\* \* \*

## ARTICLE VII

### Suspension—Reinstatement

#### Automatic Suspension

RULE 1. A Participant failing to perform his or its contracts, or being insolvent, shall immediately inform the Secretary of the Exchange in writing that he or it is unable to perform his or its contracts or is insolvent. Such Participant Firm's Trading Permit or such Participant's registration under Article VI shall thereupon be suspended by the Chief Executive Officer and prompt notice of such suspension shall be given to all Participants. Such suspension shall continue until the Participant Firm's Trading Permit or the Participant's registration under Article VI is reinstated by the Board of Directors.

#### Emergency Suspension

RULE 2. (a) Whenever it shall appear to the Chief Executive Officer (after such verification and with such opportunity for comment by the Participant as the circumstances reasonably permit) that a Participant (i) has failed to perform his or its contracts or is insolvent or is in such financial or operational condition or otherwise conducting his or its business in such a manner that he or it cannot be permitted to continue in business with safety to his or its customers or creditors or to the Exchange, including but not limited to, the reasonable belief that the Participant is violating and will continue to violate any material provision of the Rules of the Exchange or the federal securities laws (or rules promulgated thereunder) or (ii) has been and is expelled or suspended from any self-regulatory organization or barred or suspended from being associated with a member of any self-regulatory organization, the Chief Executive Officer may suspend such Participant Firm's Trading Permit or such Participant's registration under Article VI or limit or prohibit such Participant's or Participant Firm's access to services offered by the Exchange, and if so suspended or limited or prohibited, prompt notice of such suspension, limitation or prohibition shall be given to all Participants. Unless the Chief Executive Officer shall determine after further inquiry that lifting the suspension, limitation or prohibition without further proceedings is appropriate, such suspension, limitation or prohibition shall continue until the Participant Firm's Trading Permit or such Participant's registration is reinstated or terminated pursuant to the provisions of Rule 3 of this Article or unless otherwise determined pursuant to Rule 2 (b) of this Article.

\* \* \*

#### Failure to Obtain Reinstatement

RULE 3. If a Participant or Participant Firm suspended under the provisions of Rule 1 or Rule 2 (a) of this Article fails to obtain reinstatement within one year from the time of his or its suspension, or within such further time as the Board of Directors may grant, or fails to obtain reinstatement as hereinafter provided, his or its Trading Permit or registration shall be

terminated. Any person suspended under this Article, may, at any time, be reinstated by the Board of Directors upon their own motion.

### **Termination of Rights by Suspension**

RULE 5. A Participant suspended under the provisions of this Article shall be deemed not in [g]Good [s]Standing and shall be deprived during the term of his or its suspension of all rights and privileges of a Participant[holder of a Trading Permit], as provided in Rule 2(b) of Article II. A Participant's suspension shall create a vacancy in any office or position held by him.

\* \* \*

## ARTICLE VIII

### Business Conduct

\* \* \*

#### Attempt to Hide Prior Misdealings

RULE 2. No applicant for a Trading Permit or registration under Article VI[as a Participant Firm] nor any person about to become a partner, officer, director or registered employee of a Participant Firm shall fail to disclose to the Exchange the facts and circumstances of every fraudulent and dishonest act of which he or it has been guilty prior to such application.

\* \* \*

#### Prohibition of Misstatements

RULE 5. No Participant, or partner, officer, director, principal shareholder or registered employee of a Participant Firm shall make a misstatement upon a material point to the Board of Directors, or to a committee, officer or employee of the Exchange. This prohibition shall also apply to applications made prior to acquisition of a Trading Permit and[,] registration as a Participant under Article VI[Firm, admission to partnership and election as an officer or director of a Participant Firm].

\* \* \*

#### Use of Participant Status[Trading Permit]

RULE 13. No change to text.

\* \* \*

#### Arbitration of Participant Controversies

RULE 23. (a) Any controversy between parties who are Participants [or their nominees] or associated persons which arises out of the Exchange business of such parties shall be submitted to arbitration, through the Director of Arbitration, to an Arbitration Panel composed of members of the Committee on Exchange Procedures in accordance with Rule 23(b), unless non-Participants are also parties to the controversy.

\* \* \*

**ARTICLE XI**

**Financial Responsibility and Reporting Requirements**

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**[Liquid Net Worth of Individual Applicant]**

[RULE 2. Individual applicants for a Trading Permit shall have a liquid net worth of not less than \$10,000, over and above the cost of the Trading Permit.]

**[Non-Partner Applicant]**

[Each individual applicant for a Trading Permit who will not be a partner or officer of a Participant Firm which is subject to Rule 3 of this Article shall have at time of application and shall maintain during the time he holds a Trading Permit personal unencumbered net worth represented by assets readily convertible into cash in the amount of not less than \$10,000 over and above the cost or value of the Trading Permit.]

\* \* \*

## ARTICLE XII

### Discipline and Trial Proceedings

\* \* \*

#### Minor Rule Violations

- RULE 9. (a)-(g) No change to text.
- (h) Exchange Rules and Policies subject to the Minor Rule Violation Plan:
- (i) Reporting and Record Retention Violations
- [(1) Acquisition of Trading Permit by general or limited partner or officer (Article II, Rule 1)]
- [(2) General partners bound by rules of Exchange (Article II, Rule 4)]
- [(13)] Notice of death or retirement of partner (Article II, Rule 10[9])
- [(24)] Filing and approval of articles of incorporation (Article II[III], Rule 5[4])
- [(5) Authorization of officers to act (Article III, Rule 5)]
- [(36)] Officers, directors and principal stockholders (Article III, Rule 6)
- [(7) Death or retirement of registrant member (Article III, Rule 11)]
- [(8) Reserved.]
- [(49)] No change to text
- [(510)] No change to text
- [(611)] No change to text
- [(712)] No change to text

[(13) Reserved.]

(8[14]) No change to text

(9[15]) No change to text

(10[16]) No change to text

(11[17]) No change to text

(12[18]) No change to text

[(19) Reserved.]

(13[20]) No change to text

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## ARTICLE XIV

### Fiscal Policies

\* \* \*

#### **Participant Liable for Any Charges of Participant Firm [Which He Has Registered]**

RULE 8. Any individual Participant who has the direct supervisory responsibility within a Participant Firm to authorize the payment of fines, charges, dues or assessments (the "Responsible Participant") [has registered a Participant Firm] shall be responsible for not only any fines, charges, dues or assessments of his own but also of such [registered] Participant Firm. If any Participant or Participant Firm [organization registered by him] shall neglect to pay any sum owing to the Exchange for one month after it becomes payable, the Responsible Participant [he] shall, after due notice, be suspended until it is paid. If not paid at the end of one year, his status as a Participant [Trading Permit] shall be terminated.

#### **Termination of Registration**

RULE 9. The suspension of a Participant for non-payment of his debts to the Exchange shall terminate the registration of the Participant Firm registered by him.

#### **Failure to Pay Debts**

RULE 10. [(a)] Any Participant who shall fail to pay any debt for Trading Permit fees, fine, transaction fee, or other sum owing the Exchange or its subsidiaries within 60 days after the same shall become payable shall, after due notice, be suspended until payment is made. If payment be not made within six months after such suspension, the Participant's status as a Participant [Trading Permit] may be terminated on at least 10 days' written notice mailed to the Participant at the Participant's address last registered with the Exchange.

[(b)] Any Participant who fails to pay Trading Permit fees or other charges in an amount not exceeding the equivalent of Trading Permit fees for two quarters may request in writing to the Executive Committee of the Exchange for permission to surrender the Participant's Trading Permit to the Exchange to discharge such liability. If the Executive Committee, in its sole discretion, approves such request, the liability for the fees or charges not paid, and any future fees or charges, will cease upon notification of such acceptance by the Executive Committee, and the Participant shall be deemed to relinquish all right, title and interest in the Trading Permit.]

\* \* \*

**ARTICLE XXXIII**

**Proxies**

\* \* \*

**Persons Subject to Proxy Rules**

RULE 6. Rules 1 through 7 of this Article apply to Participant Firms and the [nominees or employees] Associated Persons of any of them.