

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

Initial <input type="checkbox"/>	Amendment <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input type="checkbox"/>	Section 19(b)(3)(A) <input checked="" 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 checked="" type="checkbox"/> 19b-4(f)(6)	

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

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

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

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

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

Date

By

(Name)

(Title)

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

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

Exhibit 1 - Notice of Proposed Rule Change

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

Form 19b-4 Information

1. Text of Proposed Rule Change

- (a) The Chicago Stock Exchange, Incorporated (the “CHX” or the “Exchange”), pursuant to Rule 19b-4 of the Securities Exchange Act of 1934 (the “Act”), proposes to amend its rules and Schedule of Participant Fees and Credits (the “Fee Schedule”) to establish a new role and fee credit for participants on the Exchange that qualify as “Two-Sided Quote Providers.” The text of the proposed rule change is set out below:

ARTICLE IX

Trading Rules

* * *

Two-Sided Quote Providers

RULE 25. a. A Participant may seek to register with the Exchange as a Two-Sided Quote Provider. A “Two-Sided Quote Provider” is required to use its own automated systems to maintain, throughout the Exchange’s primary and post-primary trading sessions, a continuous two-sided quote (i.e., a bid and an offer) in all securities that are not traded by an Exchange specialist, but are traded in an automated Exchange system.

b. The Exchange will provide a credit, as described in the Fee Schedule, to the first three Participants that demonstrate their ability and willingness to serve in this role.

c. If a Two-Sided Quote Provider does not provide a continuous two-sided quote as required above, the Exchange shall not pay the Two-Sided Quote Provider for the day in which the quotes were not maintained and shall end the Participant’s role as a Two-Sided Quote Provider as of the end of the month in which the failure to provide continuous two-sided quotes occurred.

* * *

PARTICIPANT FEES AND CREDITS

* * *

M. Credits

1. – 4. No change to text

5. Through October 31, 2006, total monthly fees owed by a Two-Sided Quote Provider will be reduced (and these participants will be paid each month for any unused credits) by a credit of \$3,000 per month.

* * *

(b) Not applicable.

(c) Not applicable.

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

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

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

(a) Through this proposal, the Exchange seeks to allow participant firms to register as Two-Sided Quote Providers and to provide a credit of \$3,000 per month for firms that fulfill that role.¹ The credit would be available through October 31, 2006.

Under the proposed rule, a Two-Sided Quote Provider would be an Exchange participant that uses its own automated systems to maintain, throughout the Exchange's primary and post-primary trading sessions, a continuous two-sided quote (i.e., a bid and an offer) in all securities that are not traded by an Exchange specialist, but are traded in an automated Exchange system.² If the Two-Sided

¹ The Exchange originally filed this proposal simply as an addition to its Fee Schedule. See SR-CHX-2006-15. The Exchange withdrew that filing concurrently with the submission of the original version of this proposal, which would establish a new rule and a change to the Exchange's Fee Schedule.

² The Exchange plans to provide the \$3,000 credit, on a first-come, first-served basis, to the first three participants that demonstrate their ability and willingness to serve in this role. The Exchange does not believe that these firms would need to register as market makers in the Exchange's electronic book (where many securities that are not traded by a specialist are traded) or on the Exchange (where some listed securities have not yet been transitioned to trading in the electronic book), because the Exchange does not seek to impose any requirement that these firms maintain fair and orderly markets.

Quote Provider does not provide a continuous two-sided quote as required above, the Exchange would not pay the Two-Sided Quote Provider for the day in which the quotes were not maintained and would end the participant's role as a Two-Sided Quote Provider as of the end of the month in which the failure occurred.³ A Two-Sided Quote Provider would continue to be subject to all CHX rules that apply to its trading on the Exchange, including, but not limited to the Firm Quote Rule, the electronic book's clearly erroneous rule, the rules prohibiting trading ahead of customer orders and the Intermarket Trading System ("ITS") rules.⁴

This proposal is designed to provide an appropriate incentive to up to three participant firms to ensure that a two-sided quote is continuously displayed on the Exchange in securities that are traded on the Exchange.⁵

(b) Approval of the rule changes proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b). The proposed rule change is consistent with Section 6(b)(4) of the Act in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members and provides an appropriate incentive for up to three firms to ensure that a two-sided quote is continuously displayed on the Exchange in securities that are traded on the Exchange. The proposed rule change is consistent with Section 6(b)(5) of the Act because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest by permitting the Exchange to allow its participants to register as Two-Sided Quote Providers to help ensure, among other things, that a continuous two-sided quote is displayed on the Exchange in all securities that qualify for trading under the ITS Plan.

³ The Exchange also would consider a failure to provide these quotes as a violation of the Exchange's Rules. The Exchange could exercise its discretion in determining whether or not to pursue a further fine or penalty from a participant for a violation of this rule, based on applicable facts and circumstances.

⁴ Registration as a Two-Sided Quote Provider does not allow a participant to avoid the application of any CHX trading rule that would otherwise apply to its activities as a CHX floor broker, market maker, specialist or order-sending firm.

⁵ Under the current Intermarket Trading System Plan ("ITS Plan"), a member in any market that is an ITS Plan participant may use the ITS System to trade a particular security only if the market maintains continuous two-sided quotations in that security. See ITS Plan, Section 6(a)(i). This proposed credit would help ensure, among other things, that a continuous two-sided quote is displayed on the Exchange in all securities that qualify for trading under the ITS Plan.

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)

The Exchange believes that the proposed rule change (A) does not significantly affect the protection of investors or the public interest; and (B) does not impose any significant burden on competition because it permits the Exchange to allow its participants to register as Two-Sided Quote Providers so that, among other things, a continuous two-sided quote is displayed on the Exchange in all securities that qualify for trading under the ITS Plan. The Exchange provided the Commission with the text of the rule change on April 30 and June 6, 2006 and has asked the Commission to waive the 30-day operative period requirement, to permit the proposed rule and fee change to take effect immediately. As a result, the Exchange believes that this submission is non-controversial and should be designated to take effect pursuant to Section 19(b)(3)(A)(vi).

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

Although the proposed rule change and credit are not based on the rules of another self-regulatory organization, at least one other self-regulatory organization has provided a mechanism that, among other things, ensures that it displays a continuous two-sided market in ITS-eligible securities. *See* PCX Equities Rule 7.58 (providing that Archipelago Securities, LLC is responsible for entering two-sided orders in all stocks eligible for trading on the NYSE Arca Marketplace for purposes of fulfilling the two-sided quote requirements found in Section 6(a)(i)(B) of the ITS Plan).

9. Exhibits

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

Exhibits 2-5: Not applicable.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION

**(Release No. 34-____; File No. SR-CHX-2006-24)
SELF-REGULATORY ORGANIZATIONS**

**Proposed Rule Change By The Chicago Stock Exchange, Inc. Regarding Two-Sided
Quote Providers**

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 July 21, 2006, the Chicago Stock Exchange, Inc. (the “CHX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) Amendment No. 1 to 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

Through this filing, the Exchange proposes to amend its rules and Schedule of Participant Fees and Credits (the “Fee Schedule”) to establish a new role and fee credit for participants on the Exchange that qualify as “Two-Sided Quote Providers.” The text of this proposed rule change is available on the Exchange’s website at http://www.chx.com/rules/proposed_rules.htm and in the Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549.

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

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

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

1. Purpose

Through this proposal, the Exchange seeks to allow participant firms to register as Two-Sided Quote Providers and to provide a credit of \$3,000 per month for firms that fulfill that role.¹ The credit would be available through October 31, 2006.

Under the proposed rule, a Two-Sided Quote Provider would be an Exchange participant that uses its own automated systems to maintain, throughout the Exchange's primary and post-primary trading sessions, a continuous two-sided quote (i.e., a bid and an offer) in all securities that are not traded by an Exchange specialist, but are traded in an automated Exchange system.² If the Two-Sided Quote Provider does not provide a

¹ The Exchange originally filed this proposal simply as an addition to its Fee Schedule. *See* SR-CHX-2006-15. The Exchange withdrew that filing concurrently with the submission of the original version of this proposal, which would establish a new rule and a change to the Exchange's Fee Schedule.

² The Exchange plans to provide the \$3,000 credit, on a first-come, first-served basis, to the first three participants that demonstrate their ability and willingness to serve in this role. The Exchange does not believe that these firms would need to register as market makers in the Exchange's electronic book (where many securities that are not traded by a specialist are traded) or on the Exchange (where some listed securities have

continuous two-sided quote as required above, the Exchange would not pay the Two-Sided Quote Provider for the day in which the quotes were not maintained and would end the participant's role as a Two-Sided Quote Provider as of the end of the month in which the failure occurred.³ A Two-Sided Quote Provider would continue to be subject to all CHX rules that apply to its trading on the Exchange, including, but not limited to the Firm Quote Rule, the electronic book's clearly erroneous rule, the rules prohibiting trading ahead of customer orders and the Intermarket Trading System ("ITS") rules.⁴

This proposal is designed to provide an appropriate incentive to up to three participant firms to ensure that a two-sided quote is continuously displayed on the Exchange in securities that are traded on the Exchange.⁵

2. Statutory Basis

not yet been transitioned to trading in the electronic book), because the Exchange does not seek to impose any requirement that these firms maintain fair and orderly markets.

³ The Exchange also would consider a failure to provide these quotes as a violation of the Exchange's Rules. The Exchange could exercise its discretion in determining whether or not to pursue a further fine or penalty from a participant for a violation of this rule, based on applicable facts and circumstances.

⁴ Registration as a Two-Sided Quote Provider does not allow a participant to avoid the application of any CHX trading rule that would otherwise apply to its activities as a CHX floor broker, market maker, specialist or order-sending firm.

⁵ Under the current Intermarket Trading System Plan ("ITS Plan"), a member in any market that is an ITS Plan participant may use the ITS System to trade a particular security only if the market maintains continuous two-sided quotations in that security. *See* ITS Plan, Section 6(a)(i). This proposed credit would help ensure, among other things, that a continuous two-sided quote is displayed on the Exchange in all securities that qualify for trading under the ITS Plan.

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).⁶ The Exchange believes that the proposed changes are consistent with Section 6(b)(5) of the Act, because they would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest by permitting the Exchange to allow its participants to register as Two-Sided Quote Providers to help ensure, among other things, that a continuous two-sided quote is displayed on the Exchange in all securities that qualify for trading under the ITS Plan.

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

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

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

No written comments were either solicited or received.

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

Because the foregoing proposed rule change does not:

- (i) significantly affect the protection of investors or the public interest;
- (ii) impose any significant burden on competition; and

⁶ 15 U.S.C. 78(f)(b).

- (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate,

it has become effective pursuant to Section 19(b)(3)(A) of the Act⁷ and Rule 19b-4(f)(6) thereunder.⁸ At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

The Exchange has requested that the Commission accelerate the operative date. The Commission finds good cause to designate the proposal to become operative immediately because such designation is consistent with the protection of investors and the public interest. For these reasons, the Commission finds good cause to designate that the proposal is both effective and operative upon filing with the Commission.⁹

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

⁷ 15 U.S.C. 78s(b)(3)(A).

⁸ 17 CFR 240.19b-4(f)(6).

⁹ For purposes only of accelerating the operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-CHX-2006-24 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File No. SR-CHX-2006-24. 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-2006-24 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.¹⁰

Nancy M. Morris
Secretary

¹⁰ 17 CFR 200.30-3(a)(12).

Exhibit 4 to CHX-2006-24

Text that has been added to the original filing is in ***bold italics***; text that has been deleted has been identified with ~~strike-through formatting~~.

ARTICLE IX

Trading Rules

* * *

Two-Sided Quote Providers

RULE 25. a. A Participant may seek to register with the Exchange as a Two-Sided Quote Provider. A “Two-Sided Quote Provider” is required to use its own automated systems to maintain, throughout the Exchange’s primary and post-primary trading sessions, a continuous two-sided quote (i.e., a bid and an offer) in all securities that are not traded by an Exchange specialist, but are traded in an automated Exchange system.

b. The Exchange will provide a credit, as described in the Fee Schedule, to the first three Participants that demonstrate their ability and willingness to serve in this role.

c. If a Two-Sided Quote Provider does not provide a continuous two-sided quote as required above, the Exchange shall not pay the Two-Sided Quote Provider for the day in which the quotes were not maintained and shall end the Participant’s role as a Two-Sided Quote Provider as of the end of the month in which the failure to provide continuous two-sided quotes occurred.

* * *

PARTICIPANT FEES AND CREDITS

* * *

M. Credits

1. – 4. No change to text

5. From May 1, 2006 through October 31, 2006, total monthly fees owed by a Two-Sided Quote Provider will be reduced (and these participants will be paid each month for any unused credits) by a credit of \$3,000 per month.

* * *