

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 checked="" 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	<input type="text" value="Kathleen"/>	Last Name	<input type="text" value="Boege"/>
Title	<input type="text" value="Vice President & Associate General Counsel"/>		
E-mail	<input type="text" value="kboege@chx.com"/>		
Telephone	<input type="text" value="(312) 663-2601"/>	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 Vice President & Associate General Counsel
(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

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, Incorporated (the “CHX” or the “Exchange”), pursuant to Rule 19b-4 of the Securities Exchange Act of 1934 (the “Act”), proposes a revised Schedule of Participant Fees and Credits (the “Fee Schedule”) to provide for fees, charges and credits contemplated by the new trading model being implemented by the CHX this fall.

The text of the proposed rule change is set out in Exhibit 5 to Amendment #1, which replaces the originally-filed Exhibit 5 in its entirety. Exhibit 5 to Amendment #1 is marked to show the originally-filed fee changes, but these markings are the only change from the original Exhibit 5. There are no substantive changes to any of the fees set forth in the originally-filed Exhibit 5.

This amendment is intended to clarify the limited scope of the changes being made to the Fee Schedule. Section 3 of this Form 19b-4 has been revised to address the changes in the order that they occur in the text of Exhibit 5, rather than the topical structure of the original Form 19b-4.

- (b) Not applicable.
- (c) Not applicable.

2. Procedures of Self-Regulatory Organization

The Exchange’s Board of Directors unanimously approved this proposed Fee Schedule at a meeting on September 20, 2006.

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

- (a) Throughout 2006, the Exchange has been working on the design and development of a new trading model centered around a core Matching System that will provide for fully automated electronic matching of orders, as well as corresponding rules and regulatory initiatives. On September 29, 2006, the Exchange’s proposed rules relating to the new

trading model¹ were approved by the Commission.² The Exchange anticipates making the transition to its new trading model commencing the week of October 23.

As further detailed in SR-CHX-2006-05, the Exchange's new trading model differs from the current CHX structure in several notable ways. First, the CHX will no longer operate from a traditional physical exchange floor, but rather will operate an entirely electronic facility. Second, the CHX will no longer maintain a specialist program, in which specialists maintain books of orders in designated issues.³ Finally, as noted above, orders will be matched by a fully automated matching system.⁴

This fundamental shift in the Exchange's trading model necessitates certain changes in the Exchange's business model, including the fees, charges and credits that it assesses its participants. After significant deliberation, including a comprehensive review of other self-regulatory organizations and their respective billing structures, the Exchange has formulated a revised Fee Schedule that more closely resembles the fee structures that have been implemented in connection with other electronic trading facilities.

Summarized below are the provisions of the Fee Schedule that will change from the previous version. To facilitate an orderly transition to the new trading model, the Fee Schedule in general contemplates charging participants under current rates, with new Fee Schedule provisions to become applicable as issues are transitioned to the new trading model and become eligible for trading in the matching system. The Fee Schedule clearly delineates which fees will be "phased out" during and after the transition to the new trading model.

¹ See SR-CHX-2006-05, as amended.

² See SEC Release No. 34-54550 (September 29, 2006); 71 FR 59563 (October 10, 2006)(referred to as the "NTM Approval Order").

³ In the new trading model, participants may register as either market makers or institutional brokers (formerly known as floor brokers), or may simply operate as unregistered order-sending firms that route orders to the CHX for execution.

⁴ The CHX new trading model does contemplate special handling of orders by CHX institutional brokers, but all such orders must be entered by institutional brokers into an electronic functionality known as Brokerplex; brokered orders must clear the Matching System prior to execution and must otherwise be executed in accordance with the rules set forth in new Article 17, which governs institutional brokers, as well as applicable law, including Regulation NMS.

Participant Access & Registration (Sections A-D)

- **Permit Fees:** In connection with the Exchange's demutualization on February 9, 2005, the Exchange's rules were amended to require that each CHX participant hold at least one Trading Permit in order to access the CHX.⁵ The Exchange's Fee Schedule was amended to provide for annual Trading Permit fees in lieu of annual member dues; the amount of the Trading Permit Annual Fee (\$6,000) was identical to the amount of member dues immediately prior to demutualization. Trading Permit fees have not increased for nearly two years, since the demutualization transaction.

Pursuant to a series of recent rule changes (the "Trading Permit Rule Changes"), each Participant Firm will be required to hold only one Trading Permit per firm, regardless of the number of its registered representatives.⁶ These rule changes reflect the Exchange's transition from a floor-based exchange (where it was appropriate to require multiple Trading Permits if a Participant Firm had multiple representatives on the CHX floor) to an electronic facility (where all Participant Firms have equivalent electronic access to the Exchange's facilities).

The revised Fee Schedule provides that the annual fee for each Trading Permit will increase from \$6,000 to \$7,200 for each Trading Permit purchased or renewed after October 1, 2006. The Trading Permit cancellation fee will increase to the lesser of \$2,400 or \$600 per month for the remainder of the one-year term of the permit, effective with the renewal of each Trading Permit after October 1, 2006. *See* Section A of the Fee Schedule.

The CHX believes that these changes to the Trading Permit fee structure are reasonable under the circumstances. The Trading Permit Annual Fee has not increased for some time, warranting a modest increase. Moreover,

⁵ Prior to demutualization, the Exchange's rules provided for access by "members" who owned or leased CHX "seats." The demutualization rule changes provided for access by "participants" who held "trading permits."

⁶ *See* SR-CHX-2006-23; SEC Release No. 34-54494 (September 25, 2006); 71 FR 58023 (October 2, 2006). Arguably, the Trading Permit Rule Changes will provide for an even more equitable allocation of fees among Exchange participants, because no firm will be required to bear a disproportionate share of total Trading Permit fees by holding multiple Trading Permits. Instead, each participant's Trading Permit fee will be identical, because each participant will only hold one Trading Permit.

the Trading Permit Rule Changes will result in aggregate savings to CHX Participants.⁷

With respect to the Trading Permit cancellation fee, as set forth in previous submissions relating to charges for cancellation of Trading Permits,⁸ the CHX believes that it is reasonable to provide for some fee relief for participants whose trading permits are cancelled intrayear. The Exchange also believes, however, that it is necessary for the Exchange to have an adequate basis on which to budget and project annual revenues. Accordingly, a Trading Permit cancellation fee, including a modest increase thereof, remains appropriate.

- **SRO Fee:** This fee will increase nominally, from \$100/month to \$250/month. This fee is assessed per Trading Permit. *See* Section B of the Fee Schedule. As set forth above with respect to Trading Permit fees, this slight increase in the per permit fee is offset by the aggregate savings that will be achieved by CHX participants due to the new “one firm, one permit” rule made effective by the Trading Permit Rule Changes.
- **Registration Fees:** The CHX will continue to assess a \$500 annual fee for each trader who is engaged in proprietary securities trading for an off-Exchange Participant Firm that is solely a CHX Participant and for which the CHX is DEA. This fee will be pro-rated in the first year of a trader’s registration, based on the quarter in which that registration occurs.⁹ *See* Section C of the Fee Schedule.

Other changes to Section C of the Fee Schedule reflect the transition away from a floor-based trading environment, with references to the floor modified to reflect access to the Exchange’s facilities. The fee for floor clerks has been eliminated.

⁷ Although not all CHX participant firms will realize savings due to a reduction in the number of Trading Permits, total Trading Permit fees will be reduced substantially. In order to offset a portion of this aggregate reduction, the Exchange believes that the proposed modest increase in annual Trading Permit fees is appropriate.

⁸ *See* SR-CHX 2005-31, SEC Release No. 34-52815 (November 21, 2005); 70 FR 71572 (November 29, 2005); SR-CHX-2006-20, SEC Release No. 34-54323 (August 16, 2006), 71 FR 49495 (August 23, 2006) (providing for cancellation fee in the event a Trading Permit is cancelled intrayear).

⁹ This provision formerly provided for a \$500 initial registration fee and \$500 annual fee (with no proration for partial years) for each off-floor trader who was engaged in proprietary securities trading for a Participant Firm for which the CHX is DEA. Given the elimination of the \$500 initial registration fee and the addition of the proration language, the changes to this provision will result in net savings by affected Participant Firms.

- **Matching System Port Charges:** The revised Fee Schedule provides for a port charge of \$400 per month for each Participant connection to the Matching System, other than connections through the Brokerplex functionality that is used by CHX Institutional Brokers. *See* Section D of the Fee Schedule.¹⁰ This fee is a new addition to the Fee Schedule and reflects the Exchange's transition to a fully-electronic trading platform instead of a floor-based market. In the new trading model, the port charge provides a reasonable means of allocating a portion of Matching System expenses to those Participant Firms that maintain connectivity to the Matching System.¹¹

Transaction and Order Routing Fees (Section E)

Transaction fees will be modified in several ways as the Exchange transitions to its new trading model. *See* Section E of the Fee Schedule.

- **Matching System:** Section E sets forth the transaction fees that will be charged for executions in the CHX Matching System once it is operative, including Matching System routing fees. This section also contains an odd-lot Matching System transaction fee, which is charged to the Participant that submits the odd-lot order to the Matching System. The Exchange believes that the new transaction fees for the Matching System are fair and reasonable, particularly in light of the fee structures implemented in connection with other electronic facilities. Indeed, the "take/provide" model has become a widely-recognized industry model and the Exchange's rates are in line with other similarly-situated market centers.

To facilitate an orderly transition, Section E.7 preserves the pre- new trading model fee structure, which will continue to provide the basis for transaction and order processing fees if an issue is not yet traded in the Matching System, but will no longer be applicable once an issue transitions to the new trading model and is available for trading in the Matching System. Section E.7 also contains a new provision establishing a charge for outbound ITS or NMS Linkage Plan orders.¹²

¹⁰ Section D formerly contained provisions relating to assignment of issues to CHX specialists. This process will no longer occur because all specialist issues are being migrated to the new trading model. Accordingly, all former text of Section D has been deleted in its entirety.

¹¹ The former Fee Schedule allocated a portion of these costs by means of various MAX-related connectivity charges, which will be eliminated for issues as they migrate from MAX (the Exchange's current semi-automated execution platform) to the new trading model.

¹² This provision was necessitated in order to implement the CHX's participation in the exchange-to-exchange billing arrangement associated with the NMS Linkage Plan, which took effect on October 1,

- **Institutional Broker Agency Fees:** Section E.3 outlines the fees that will be charged to the Participant Firm that executes an order through an Institutional Broker, if the broker facilitates the execution of the order on the Exchange or in another market over ITS or any later linkage plan. These fees have not changed from the fees set forth in Section F.4(e) and (f) of the previous Fee Schedule; only their location within the Fee Schedule has changed.¹³

Credits (Section F)

The Exchange's credit structure has been revised to adjust for the new trading model as well as Regulation NMS, which impacts allocation and payment of market data fees. *See* Section F of the Fee Schedule.

- **Institutional Brokers:** In lieu of the previous formula used for floor broker credits, which incorporated significant variables including market data fees, each institutional broker will be eligible for a monthly transaction fee credit equal to 18% of the transaction fees received by the Exchange each month for agency trades executed through the institutional broker.¹⁴
- **Specialist Credits:** These credits will continue to be available to specialists in issues that they trade as specialist during the transition to the new trading model.¹⁵ As an issue moves into the Matching System for trading, specialist credits will be pro-rated or eliminated for that issue, based on the date that the issue becomes eligible for trading in the Matching System. Specialists (or other eligible CHX participants) who elect to register as market makers in the new trading model may then earn

2006. *See* SR-CHX-2006-28; SEC Release No. 34-54548 (September 29, 2008), 71 FR 59159 (October 6, 2006) (approving NMS Linkage Plan exchange-to-exchange billing procedures) SEC Release No. 34-54239 (July 28, 2006), 71 FR 59148 (October 6, 2006)(approving NMS Linkage Plan). When an outbound NMS Linkage Plan commitment is executed on another NMS Linkage participant market, such market will directly invoice the CHX for a transaction fee equal to the transaction fee that it would charge its own member for such an execution. The CHX is then responsible for payment of such invoice; the new CHX Fee Schedule provision permits the CHX to collect a corresponding fee from the CHX participant who generated the outbound NMS Linkage Plan commitment.

¹³ Reference to "floor" broker also has changed to "institutional" broker.

¹⁴ This new institutional broker credit replaces the former floor broker credit provision set forth in Section M.2 of the previous Fee Schedule.

¹⁵ Formerly set forth in Section M.1, the specialist credit provisions are unchanged and will remain in place until an issue migrates to the new trading model.

market data rebates for liquidity-providing trades or crosses submitted to the Matching System.

- **Market Data Rebates for Matching System Trades:** Each Participant Firm¹⁶ will be eligible for a tape credit, applied on a quarterly basis, equal to 50% of monthly tape revenue from the Consolidated Tape Association (less all direct CTA costs) generated by liquidity-providing trades or crosses submitted to the Matching System by a Participant Firm in a particular Tape A or Tape B security. By its terms, this credit is not available unless an issue has migrated to the Matching System.

The terms of this credit are identical to the terms of the Specialist Credit.¹⁷ This identity is intentional. As set forth above, the Specialist Credit is available until an issue migrates to the CHX Matching System, at which point Specialist Credits will no longer be available,¹⁸ but the former specialist (or another eligible CHX participant) may receive a Market Data Rebate in lieu of the Specialist Credit, on account of liquidity-providing trades or crosses submitted to the Matching System.

- **Other Credit Provisions:** Section F.4 relating to Two-Sided Quote Providers remains unchanged but has been relocated from former Section M.4. Section F.5, governing unavailability of credits if a Participant's payment to the Exchange is more than 60 days past due, also is unchanged from the version that became effective shortly before this Fee Schedule was submitted.¹⁹

Co-location Fees (Section G)

These provisions have not changed whatsoever; they merely have been relocated from former Section H to current Section G of the Fee Schedule.

Clearing Support Fees (Section H)

There are no changes to this section, which formerly was Section I, except that the Exchange is deleting provisions relating to CUSIP fees.

¹⁶ Institutional brokers are not eligible to receive tape credits; they are instead eligible for the transaction fee credits previously described.

¹⁷ The CHX has added a provision indicating that tape credits will be applied on a quarterly basis, after the Exchange receives its payments from the reporting plans.

¹⁸ There will no longer be a specialist assigned to such issue.

¹⁹ See SR-CHX-2006-26, SEC Release No. 34-54522 (September 27, 2006), 71 FR 58456 (October 3, 2006).

Listing Fees (Section I)

There are no substantive changes to this section, which formerly was Section J.

Market Regulation and Market Surveillance Fees (Section J)

There are no changes to this section, which formerly was Section K, except that the provision relating to DEA Examination Fees has been modified to delete a footnote relating to exemptions, and to clarify that the charge is assessed per Participant Firm.

Specialist Fixed Fees (Section K)

These provisions have not changed with respect to calculation of the aggregate fixed fees; they merely have been relocated from former Section E to current Section K of the Fee Schedule. This provision has also been modified to reflect the transition to the new trading model and to provide a basis for pro rating the fixed fees as issues migrate to the new trading model over the next several months. Fixed fees will continue to be charged for issues traded by CHX specialists; once an issue migrates to the new trading model and is no longer traded by a CHX specialist, the fixed fee due from the specialist for that month will be prorated based on the transition date.

Space Charges (Section L)

The rule changes relating to the new trading model provide that the Exchange will no longer be considered to have a physical trading floor from a regulatory perspective, although the current trading floor space will remain available for leasing by CHX participants (and ultimately perhaps by non-CHX participants). During the transitional period this fall, the existing billing structure for booth space, post space and electrical or structural modifications to such space will remain in place, through December 31, 2006. After that date, any applicable space charges will be incorporated into separate lease agreements between the Exchange and entities that lease space on the Exchange's former trading floor. *See* Section L of the Fee Schedule. The Exchange is in the process of finalizing its comprehensive space plan for the former trading floor, including the terms under which it will offer space for lease to CHX participants. These terms, and corresponding lease documentation, will be available consideration by CHX participants later this fall.

Equipment, Information Services & Technology Charges (Section M)

As with space charges, these fees will remain in place until December 31, 2006. Except as set forth below, there are no substantive changes to this section; most changes are intended to delete obsolete provisions relating to the Exchange's former OTC specialist program.

- **Broker Connectivity Charge/Credit:** All network and connectivity charges are rebilled monthly to institutional brokers that access the network, based on the proportion of each firm's use of the network during the month. *See* Section M of the Fee Schedule. Until completion of the new trading model rollout, institutional brokers will be eligible for a monthly network/connectivity fee credit, equal to a total monthly credit of \$15,000, allocated among institutional broker firms based on each firm's respective percentage of total monthly transaction fee credits. *See* Section F.2 of the Fee Schedule for a description of this credit.

Supplies, Rulebooks and Reports (Section N)

This section includes two new charges, neither of which is anticipated to be material:

- **Brokerplex Report Charge:** There will be a charge of \$50 per month to provide reports of Participant Firm activity, by trader. *See* Section N.3 of the Fee Schedule.
- **Trade and order data:** This charge is intended to help the Exchange defray the expenses of responding to Participants' data requests, which often require significant customization and other accommodation of specific requests. *See* Section N.4 of the Fee Schedule.

Late Fees (Section O)

These provisions have not changed whatsoever; they merely have been relocated from former Section N to current Section O of the Fee Schedule.

- (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 is consistent with the allocation of dues, fees and other

charges utilized by other self-regulatory organizations that have implemented trading platforms similar to the CHX new trading model.

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 proposed rule change is to take effect pursuant to Section 19(b)(3)(A)(ii) in that it establishes or changes a due, fee or other charge imposed by the Exchange.

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 complete text of the proposed rule change, marked to show changes from the previous Fee Schedule. This version of Exhibit 5 replaces the originally-filed Exhibit 5 in its entirety.

SECURITIES AND EXCHANGE COMMISSION

**(Release No. 34-____; File No. SR-CHX-2006-29)
SELF-REGULATORY ORGANIZATIONS**

Notice of Filing and Immediate Effectiveness of Proposed Rule Change by The Chicago Stock Exchange, Inc. Relating to Participant Fees and Credits.

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 September 28, 2006, the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the CHX. On October 20, 2006, the CHX filed Amendment #1 to its submission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The CHX proposes to revise its Schedule of Participant Fees and Credits (the “Fee Schedule”) to provide for fees, charges and credits contemplated by the new trading model (the “New Trading Model”) being implemented by the CHX this fall. 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

Throughout 2006, the Exchange has been working on the design and development of a new trading model centered around a core Matching System that will provide for fully automated electronic matching of orders, as well as corresponding rules and regulatory initiatives. On September 29, 2006, the Exchange's proposed rules relating to the new trading model¹ were approved by the Commission.² The Exchange anticipates making the transition to its new trading model commencing the week of October 23.

As further detailed in SR-CHX-2006-05, the Exchange's new trading model differs from the current CHX structure in several notable ways. First, the CHX will no longer operate from a traditional physical exchange floor, but rather will operate an entirely electronic facility. Second, the CHX will no longer maintain a specialist

¹ See SR-CHX-2006-05, as amended.

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program, in which specialists maintain books of orders in designated issues.³ Finally, as noted above, orders will be matched by a fully automated matching system.⁴

This fundamental shift in the Exchange's trading model necessitates certain changes in the Exchange's business model, including the fees, charges and credits that it assesses its participants. After significant deliberation, including a comprehensive review of other self-regulatory organizations and their respective billing structures, the Exchange has formulated a revised Fee Schedule that more closely resembles the fee structures that have been implemented in connection with other electronic trading facilities.

Summarized below are the provisions of the Fee Schedule that will change from the previous version. To facilitate an orderly transition to the new trading model, the Fee Schedule in general contemplates charging participants under current rates, with new Fee Schedule provisions to become applicable as issues are transitioned to the new trading model and become eligible for trading in the matching system. The Fee Schedule clearly delineates which fees will be "phased out" during and after the transition to the new trading model.

³ In the new trading model, participants may register as either market makers or institutional brokers (formerly known as floor brokers), or may simply operate as unregistered order-sending firms that route orders to the CHX for execution.

⁴ The CHX new trading model does contemplate special handling of orders by CHX institutional brokers, but all such orders must be entered by institutional brokers into an electronic functionality known as Brokerplex; brokered orders must clear the Matching System prior to execution and must otherwise be executed in accordance with the rules set forth in new Article 17, which governs institutional brokers, as well as applicable law, including Regulation NMS.

Participant Access & Registration (Sections A-D)

- **Permit Fees:** In connection with the Exchange's demutualization on February 9, 2005, the Exchange's rules were amended to require that each CHX participant hold at least one Trading Permit in order to access the CHX.⁵ The Exchange's Fee Schedule was amended to provide for annual Trading Permit fees in lieu of annual member dues; the amount of the Trading Permit Annual Fee (\$6,000) was identical to the amount of member dues immediately prior to demutualization. Trading Permit fees have not increased for nearly two years, since the demutualization transaction.

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⁵ Prior to demutualization, the Exchange's rules provided for access by "members" who owned or leased CHX "seats." The demutualization rule changes provided for access by "participants" who held "trading permits."

⁶ See SR-CHX-2006-23; SEC Release No. 34-54494 (September 25, 2006); 71 FR 58023 (October 2, 2006). Arguably, the Trading Permit Rule Changes will provide for an even more equitable allocation of fees among Exchange participants, because no firm will be required to bear a disproportionate share of total Trading Permit fees by holding multiple Trading Permits. Instead, each participant's Trading Permit fee will be identical, because each participant will only hold one Trading Permit.

The revised Fee Schedule provides that the annual fee for each Trading Permit will increase from \$6,000 to \$7,200 for each Trading Permit purchased or renewed after October 1, 2006. The Trading Permit cancellation fee will increase to the lesser of \$2,400 or \$600 per month for the remainder of the one-year term of the permit, effective with the renewal of each Trading Permit after October 1, 2006. *See* Section A of the Fee Schedule.

The CHX believes that these changes to the Trading Permit fee structure are reasonable under the circumstances. The Trading Permit Annual Fee has not increased for some time, warranting a modest increase. Moreover, the Trading Permit Rule Changes will result in aggregate savings to CHX Participants.⁷

With respect to the Trading Permit cancellation fee, as set forth in previous submissions relating to charges for cancellation of Trading Permits,⁸ the CHX believes that it is reasonable to provide for some fee relief for participants whose trading permits are cancelled intrayear. The Exchange also believes, however, that it is necessary for the Exchange to have an adequate basis on which to budget and project annual revenues. Accordingly, a Trading Permit cancellation fee, including a modest increase thereof, remains appropriate.

⁷ Although not all CHX participant firms will realize savings due to a reduction in the number of Trading Permits, total Trading Permit fees will be reduced substantially. In order to offset a portion of this aggregate reduction, the Exchange believes that the proposed modest increase in annual Trading Permit fees is appropriate.

⁸ *See* SR-CHX 2005-31, SEC Release No. 34-52815 (November 21, 2005); 70 FR 71572 (November 29, 2005); SR-CHX-2006-20, SEC Release No. 34-54323 (August 16, 2006), 71 FR 49495 (August 23, 2006) (providing for cancellation fee in the event a Trading Permit is cancelled intrayear).

- **SRO Fee:** This fee will increase nominally, from \$100/month to \$250/month. This fee is assessed per Trading Permit. *See* Section B of the Fee Schedule. As set forth above with respect to Trading Permit fees, this slight increase in the per permit fee is offset by the aggregate savings that will be achieved by CHX participants due to the new “one firm, one permit” rule made effective by the Trading Permit Rule Changes.

- **Registration Fees:** The CHX will continue to assess a \$500 annual fee for each trader who is engaged in proprietary securities trading for an off-Exchange Participant Firm that is solely a CHX Participant and for which the CHX is DEA. This fee will be pro-rated in the first year of a trader’s registration, based on the quarter in which that registration occurs.⁹ *See* Section C of the Fee Schedule.

Other changes to Section C of the Fee Schedule reflect the transition away from a floor-based trading environment, with references to the floor modified to reflect access to the Exchange’s facilities. The fee for floor clerks has been eliminated.

- **Matching System Port Charges:** The revised Fee Schedule provides for a port charge of \$400 per month for each Participant connection to the Matching System, other than connections through the Brokerplex functionality that is used by CHX

⁹ This provision formerly provided for a \$500 initial registration fee and \$500 annual fee (with no proration for partial years) for each off-floor trader who was engaged in proprietary securities trading for a Participant Firm for which the CHX is DEA. Given the elimination of the \$500 initial registration fee and the addition of the proration language, the changes to this provision will result in net savings by affected Participant Firms.

Institutional Brokers. *See* Section D of the Fee Schedule.¹⁰ This fee is a new addition to the Fee Schedule and reflects the Exchange's transition to a fully-electronic trading platform instead of a floor-based market. In the new trading model, the port charge provides a reasonable means of allocating a portion of Matching System expenses to those Participant Firms that maintain connectivity to the Matching System.¹¹

Transaction and Order Routing Fees (Section E)

Transaction fees will be modified in several ways as the Exchange transitions to its new trading model. *See* Section E of the Fee Schedule.

- **Matching System:** Section E sets forth the transaction fees that will be charged for executions in the CHX Matching System once it is operative, including Matching System routing fees. This section also contains an odd-lot Matching System transaction fee, which is charged to the Participant that submits the odd-lot order to the Matching System. The Exchange believes that the new transaction fees for the Matching System are fair and reasonable, particularly in light of the fee structures implemented in connection with other electronic facilities. Indeed, the "take/provide" model has become a widely-recognized industry model and the Exchange's rates are in line with other similarly-situated market centers.

¹⁰ Section D formerly contained provisions relating to assignment of issues to CHX specialists. This process will no longer occur because all specialist issues are being migrated to the new trading model. Accordingly, all former text of Section D has been deleted in its entirety.

¹¹ The former Fee Schedule allocated a portion of these costs by means of various MAX-related connectivity charges, which will be eliminated for issues as they migrate from MAX (the Exchange's current semi-automated execution platform) to the new trading model.

To facilitate an orderly transition, Section E.7 preserves the pre- new trading model fee structure, which will continue to provide the basis for transaction and order processing fees if an issue is not yet traded in the Matching System, but will no longer be applicable once an issue transitions to the new trading model and is available for trading in the Matching System. Section E.7 also contains a new provision establishing a charge for outbound ITS or NMS Linkage Plan orders.¹²

- Institutional Broker Agency Fees: Section E.3 outlines the fees that will be charged to the Participant Firm that executes an order through an Institutional Broker, if the broker facilitates the execution of the order on the Exchange or in another market over ITS or any later linkage plan. These fees have not changed from the fees set forth in Section F.4(e) and (f) of the previous Fee Schedule; only their location within the Fee Schedule has changed.¹³

¹² This provision was necessitated in order to implement the CHX's participation in the exchange-to-exchange billing arrangement associated with the NMS Linkage Plan, which took effect on October 1, 2006. See SR-CHX-2006-28; SEC Release No. 34-54548 (September 29, 2008), 71 FR 59159 (October 6, 2006) (approving NMS Linkage Plan exchange-to-exchange billing procedures) SEC Release No. 34-54239 (July 28, 2006), 71 FR 59148 (October 6, 2006)(approving NMS Linkage Plan). When an outbound NMS Linkage Plan commitment is executed on another NMS Linkage participant market, such market will directly invoice the CHX for a transaction fee equal to the transaction fee that it would charge its own member for such an execution. The CHX is then responsible for payment of such invoice; the new CHX Fee Schedule provision permits the CHX to collect a corresponding fee from the CHX participant who generated the outbound NMS Linkage Plan commitment.

¹³ Reference to "floor" broker also has changed to "institutional" broker.

Credits (Section F)

The Exchange's credit structure has been revised to adjust for the new trading model as well as Regulation NMS, which impacts allocation and payment of market data fees. *See* Section F of the Fee Schedule.

- **Institutional Brokers:** In lieu of the previous formula used for floor broker credits, which incorporated significant variables including market data fees, each institutional broker will be eligible for a monthly transaction fee credit equal to 18% of the transaction fees received by the Exchange each month for agency trades executed through the institutional broker.¹⁴

- **Specialist Credits:** These credits will continue to be available to specialists in issues that they trade as specialist during the transition to the new trading model.¹⁵ As an issue moves into the Matching System for trading, specialist credits will be pro-rated or eliminated for that issue, based on the date that the issue becomes eligible for trading in the Matching System. Specialists (or other eligible CHX participants) who elect to register as market makers in the new trading model may then earn market data rebates for liquidity-providing trades or crosses submitted to the Matching System.

¹⁴ This new institutional broker credit replaces the former floor broker credit provision set forth in Section M.2 of the previous Fee Schedule.

¹⁵ Formerly set forth in Section M.1, the specialist credit provisions are unchanged and will remain in place until an issue migrates to the new trading model.

- **Market Data Rebates for Matching System Trades:** Each Participant Firm¹⁶ will be eligible for a tape credit, applied on a quarterly basis, equal to 50% of monthly tape revenue from the Consolidated Tape Association (less all direct CTA costs) generated by liquidity-providing trades or crosses submitted to the Matching System by a Participant Firm in a particular Tape A or Tape B security. By its terms, this credit is not available unless an issue has migrated to the Matching System.

The terms of this credit are identical to the terms of the Specialist Credit.¹⁷ This identity is intentional. As set forth above, the Specialist Credit is available until an issue migrates to the CHX Matching System, at which point Specialist Credits will no longer be available,¹⁸ but the former specialist (or another eligible CHX participant) may receive a Market Data Rebate in lieu of the Specialist Credit, on account of liquidity-providing trades or crosses submitted to the Matching System.

- **Other Credit Provisions:** Section F.4 relating to Two-Sided Quote Providers remains unchanged but has been relocated from former Section M.4. Section F.5, governing unavailability of credits if a Participant's payment to the Exchange is

¹⁶ Institutional brokers are not eligible to receive tape credits; they are instead eligible for the transaction fee credits previously described.

¹⁷ The CHX has added a provision indicating that tape credits will be applied on a quarterly basis, after the Exchange receives its payments from the reporting plans.

¹⁸ There will no longer be a specialist assigned to such issue.

more than 60 days past due, also is unchanged from the version that became effective shortly before this Fee Schedule was submitted.¹⁹

Co-location Fees (Section G)

These provisions have not changed whatsoever; they merely have been relocated from former Section H to current Section G of the Fee Schedule.

Clearing Support Fees (Section H)

There are no changes to this section, which formerly was Section I, except that the Exchange is deleting provisions relating to CUSIP fees.

Listing Fees (Section I)

There are no substantive changes to this section, which formerly was Section J.

Market Regulation and Market Surveillance Fees (Section J)

There are no changes to this section, which formerly was Section K, except that the provision relating to DEA Examination Fees has been modified to delete a footnote relating to exemptions, and to clarify that the charge is assessed per Participant Firm.

Specialist Fixed Fees (Section K)

These provisions have not changed with respect to calculation of the aggregate fixed fees; they merely have been relocated from former Section E to current Section K of the Fee Schedule. This provision has also been modified to reflect the transition to the new trading model and to provide a basis for pro rating the fixed fees as issues migrate to the new trading model over the next several months. Fixed fees will continue to be charged for issues traded by CHX specialists; once an issue migrates to the new trading

¹⁹ See SR-CHX-2006-26, SEC Release No. 34-54522 (September 27, 2006), 71 FR 58456 (October 3, 2006).

model and is no longer traded by a CHX specialist, the fixed fee due from the specialist for that month will be prorated based on the transition date.

Space Charges (Section L)

The rule changes relating to the new trading model provide that the Exchange will no longer be considered to have a physical trading floor from a regulatory perspective, although the current trading floor space will remain available for leasing by CHX participants (and ultimately perhaps by non-CHX participants). During the transitional period this fall, the existing billing structure for booth space, post space and electrical or structural modifications to such space will remain in place, through December 31, 2006. After that date, any applicable space charges will be incorporated into separate lease agreements between the Exchange and entities that lease space on the Exchange's former trading floor. *See* Section L of the Fee Schedule. The Exchange is in the process of finalizing its comprehensive space plan for the former trading floor, including the terms under which it will offer space for lease to CHX participants. These terms, and corresponding lease documentation, will be available consideration by CHX participants later this fall.

Equipment, Information Services & Technology Charges (Section M)

As with space charges, these fees will remain in place until December 31, 2006. Except as set forth below, there are no substantive changes to this section; most changes are intended to delete obsolete provisions relating to the Exchange's former OTC specialist program.

- **Broker Connectivity Charge/Credit:** All network and connectivity charges are rebilled monthly to institutional brokers that access the network, based on the proportion of each firm's use of the network during the month. *See* Section M of the Fee Schedule. Until completion of the new trading model rollout, institutional brokers will be eligible for a monthly network/connectivity fee credit, equal to a total monthly credit of \$15,000, allocated among institutional broker firms based on each firm's respective percentage of total monthly transaction fee credits. *See* Section F.2 of the Fee Schedule for a description of this credit.

Supplies, Rulebooks and Reports (Section N)

This section includes two new charges, neither of which is anticipated to be material:

- **Brokerplex Report Charge:** There will be a charge of \$50 per month to provide reports of Participant Firm activity, by trader. *See* Section N.3 of the Fee Schedule.
- **Trade and order data:** This charge is intended to help the Exchange defray the expenses of responding to Participants' data requests, which often require significant customization and other accommodation of specific requests. *See* Section N.4 of the Fee Schedule.

Late Fees (Section O)

These provisions have not changed whatsoever; they merely have been relocated from former Section N to current Section O of the Fee Schedule.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(4) of the Act²⁰ in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members and is in line with other self-regulatory organizations that have implemented trading platforms similar to the CHX new trading model.

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

The foregoing rule change establishes or changes a due, fee or other charge imposed by the Exchange and therefore has become effective pursuant to Section 19(B)(3)(A) of the Act²¹ and subparagraph (f)(2) of Rule 19b-4 thereunder.²² At any time within 60 days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or

²⁰ 15 U.S.C. 78(f)(b)(4).

²¹ 15 U.S.C. 78s(b)(3)(A).

²² 17 CFR 240.19b-4(f)(2).

appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purpose of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-CHX-2006-29 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-2006-29. 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-2006-29 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.²³

Nancy M. Morris
Secretary

²³ 17 CFR 200.30-3(a)(12).

PARTICIPANT FEES AND CREDITS
(Effective October 1, 2006, unless otherwise noted)

A. Trading Permit [Participant] Fees

[Trading Permit]Application Fee	\$200/[per]Trading Permit
[Trading Permit] Annual Fee	\$6,000/Trading Permit/year [per year per Trading Permit], payable monthly in equal installments. <i>(For annual trading permits in effect before October 1, 2006)</i>
	<u>\$7,200/Trading Permit/year, payable monthly in equal installments.</u> <i>(Effective with the purchase or renewal of each trading permit after October 1, 2006)</i>
[Intrafirm Nominee Name Change]	[\$200 per Trading Permit.]
[Trading Permit Termination Fee]	[\$200 per Trading Permit.]
<u>Trading Permit cancellation fee</u>	<u>\$2,400 or, if less, \$600/month for the remainder of the one-year term (Effective with the renewal of each trading permit after October 1, 2006).</u>

B. SRO [Self-Regulatory Organization] Fee

\$250/Participant Firm/month
 [\$100 per Participant per month.]

C. Registration Fees

<u>New Participant Firm registration [Firm or Corporation]</u>	\$200 [for registration of a new firm or new corporation or change in registration from one business form to another.]
<u>Change in business form</u>	<u>\$200</u>
Off-[Floor]Exchange Traders	[Effective August 1, 2000, \$500 initial registration fee and] \$500 annual fee for each [off-floor] trader

who is engaged in proprietary securities trading for an off-Exchange Participant Firm that is solely a CHX Participant and [a Participant Firm] for which the CHX is DEA. This fee will be pro-rated in the first year of a trader's registration, based on the quarter in which that registration occurs.

[Clerks]

[Initial registration: \$50 per clerk.]

[Annual fees: \$100 per year per clerk; 3 months, \$50; temporary (2 week limit), \$25; employers will be so assessed whether the clerk is on full-time or part-time basis.]

[Registration]
 Processing Fees

Fingerprints \$35

Background Checks \$35

Badge for access to CHX facilities \$15
 [Replacement Floor Access Badges]

[Replacement Pocket ID Badges] [\$30]

D. Matching System Port Charges [Specialist Assignment Fees]

A port charge is assessed for each Participant give-up that has access through any Participant connection to the Matching System. (A separate port charge is assessed for each main and back-up connection). Port charges are not assessed for connections to the Matching System through Brokerplex.

Port charge \$400/month

[Specialist Application Fee] [\$150 per application, provided, however, that there will be no application fee for securities that are assigned without competition.]

[Assignment of Securities] [Effective March 1, 2006, once the Committee on Specialist Assignment and Evaluation approves a Participant to act as specialist in a security (or a group of securities), that Participant must pay the following fee:]

[No charge] [If the security was assigned without competition]

[\$500] [If the security (or a group of securities) was assigned in competition with other firms]

[Exemption Eligible Securities]

[A specialist shall be exempt from payment of any specialist application fee or assignment fee set forth above in this Section D, with respect to each Exemption Eligible Security assigned to the specialist.]

["Exemption Eligible Security" means either of the following categories of issues:

- (a) any Nasdaq/NM security which averages fewer than 1000 trades per day in the Nasdaq marketplace on an average daily basis during the applicable three-month measuring period. In the case of a Nasdaq/NM security assigned to a CHX specialist, the CHX shall make a semi-annual determination based on the most recent available data for the three-month period preceding the determination date. In the case of a Nasdaq/NM security that is not currently assigned to a CHX specialist, the CHX shall make its determination based on the most recent available data for the three-month period preceding the date on which a specialist submits an application for assignment of the security. Any Nasdaq/ NM security that has been traded in the Nasdaq marketplace for less than three months (or for which three months' data is unavailable) is expressly excluded from this definition.
- (b) any Tape B issue which averages fewer than 400 trades per day in the national market system on an average daily basis during the applicable three-month measuring period. In the case of a Tape B issue assigned to a CHX specialist, the CHX shall make a semi-annual determination based on the most recent available data for the three-month period preceding the determination date. In the case of a Tape B issue that is not currently assigned to a CHX specialist, the CHX shall make its determination based on the most recent available data for the three-month period preceding the date on which a specialist submits an application for assignment of the security. Any Tape

B issue which has been traded in the national market system for less than three months (or for which three months' data is unavailable) is expressly excluded from this definition.]

E. Transaction and Order Processing Fees [Specialist Fixed Fees]

**1. Matching System single order executions
(one-sided orders of 100+ shares)**

	<u>Fee if liquidity is taken from the Matching System</u>	<u>Rebate if liquidity is provided to the Matching System</u>
<u>Tape A issues</u>	<u>\$0.0028/share</u>	<u>\$0.0023/share</u>
<u>Tape B issues</u>	<u>\$0.0028/share</u>	<u>\$0.0025/share</u>
<u>Tape C issues</u>	<u>\$0.0028/share</u>	<u>\$0.0025/share</u>

These fees are charged (and rebates paid) to the Participant or ITS participant market that submits the order to the Matching System.

**2. Matching System crosses
(two-sided orders of any number of shares)**

<u>Tape A issues</u>	<u>No charge</u>
<u>Tape B issues</u>	<u>No charge</u>
<u>Tape C issues</u>	<u>No charge</u>
<u>A cross in any issue (Tape A, B or C) where an institutional broker is trading on a proprietary basis</u>	<u>\$.0007/share, charged to the institutional broker on the shares that the institutional broker is trading on a proprietary basis</u>

These fees apply to cross orders executed in the Matching System, as well as to any orders executed by institutional brokers outside of the Matching System as permitted by CHX rules.

3. Agency executions through an institutional broker

<u>Tape A issues</u>	<u>\$.0035/share, up to a maximum of \$100 per side</u>
<u>Tape B issues</u>	<u>\$.0035/share, up to a maximum of \$100 per side</u>
<u>Tape C issues</u>	<u>\$.0025/share, up to a maximum of \$100 per side</u>

These fees are charged to the Participant Firm that executes an order through an institutional broker (if the broker facilitates the execution of the order on the Exchange or in another market over ITS or any later linkage plan). If the institutional broker executes the order in the Matching System or as otherwise permitted by CHX rules, the institutional broker (not its customer) will be assessed applicable Matching System fees (see (1) and (2) above). If the institutional broker executes the order over ITS, the broker (not its customer) will be assessed applicable outbound ITS charges.

**4. Odd-lot Matching System fee
 (single-sided orders of less than 100 shares)**

<u>Tape A issues</u>	<u>\$.0040/share</u>
<u>Tape B issues</u>	<u>\$.0040/share</u>
<u>Tape C issues</u>	<u>\$.0040/share</u>

These fees are charged to the Participant that submits the order to the Matching System.

**5. Fees assessed on the Exchange
 pursuant to Section 31 of Act**

<u>All issues</u>	<u>Rebilled at cost</u>
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6. Matching System routing fees

<u>Tape A issues routed to the NYSE through ITS or any linkage plan that supersedes ITS</u>	<u>\$.0003/share (for executed orders)</u>
<u>Tape B issues and Tape A issues routed to any market other than NYSE through ITS or any linkage plan that supersedes ITS</u>	<u>\$.0030/share (for executed orders)</u>
<u>All issues routed through the order routing service used by the Exchange</u>	<u>\$.0010/share, plus fees charges by other market centers (for executed orders)</u>

These fees are assessed for routing from the Matching System to another market when the execution of an order would (a) improperly trade through another market; (b) improperly lock or cross another market; or (c) is requested as part of a cross with satisfy or outbound ISO. These fees are charged to the Participant that sends the order to the Matching System.

[Except in the case of Tape B Exemption Eligible Securities (as defined above in Section D), and Designated CHXpress Securities (as defined below), which shall be exempt from assessment of fixed fees, specialists will be assigned a fixed fee per assigned stock on a monthly basis, to be calculated as follows:]

[Fixed Fee Per Dual Trading System Security =] [\$450,000 x Percent of Fixed Costs Per Tier x (CTA Trade Volume Per Security/ CTA Trade Volume Per Tier). (Effective February 1, 2004).]

[Fixed Fee For Specialist Firms Trading Nasdaq/NMS Securities =] [A base fee of \$20,000.]

[The base fee due from a specialist firm shall be reduced by \$100 per Nasdaq/NM issue assigned to the specialist firm, subject to a maximum reduction of \$10,000 per specialist firm.]

[The base fee due from a specialist firm shall be increased by \$.0024 per share for all MAX-executed shares above 20 million shares, subject to a maximum increase of \$30,000 per specialist firm.]

[Fixed Fee Per Dedicated Odd-Lot Dealer] [\$200,000/year, billed on a monthly basis (Effective February 1, 2004)]

["Percent of Fixed Costs Per Tier" is taken from the following table:]

[Tier]	[Description of Tier]	[Percent of Fixed Costs Per Tier]
[1]	[1-25 Most Active Securities]	[17%]
[2]	[26-100]	[18%]
[3]	[101-200]	[15%]
[4]	[201+]	[50%]

[Classification of a particular security for a particular Tier is based on the total

number of trades reported to the Consolidated Tape Association in such security for a specific month.]

["CTA Trade Volume Per Security" means the total number of trades reported to the Consolidated Tape Association in a specific security for a specific month.]

["CTA Trade Volume Per Tier" means the total number of trades reported to the Consolidated Tape Association in all securities classified in a particular Tier for a specific month.]

["Dedicated Odd-Lot Dealer" means any odd-lot dealer (as defined in Article XXXI, Rule 3) whose principal business is the trading of odd-lots.]

["Designated CHXpress Securities" are those issues which have been designated by the Exchange as fixed-fee exempt at the beginning of each month, or which have been added by the Exchange to the list of exempt securities during the month, with the consent of the specialist assigned to trade the issue.]

[Effective January 1, 2006, these fixed fees shall not be assessed to a firm with respect to securities that are temporarily assigned.]

7. Transaction and Order Processing Fees Associated with Securities Not Yet Traded in the Matching System

These fees will continue to be charged as the Exchange transitions to its new trading model, but will be eliminated as each issue transitions to the new trading model.

[F. Transaction and Order Processing Fees]

[1. SEC Transaction Fees]		[Rebilled at cost]
[2.]NASD Fees on Cleared Transactions		Rebilled at cost
[3.]Order Processing Fees		
	Odd Lots	\$.30 per trade[.]; \$800 maximum monthly fee
	Open Limit Orders	\$.25 per trade; [(]assessed on execution[)]
These [The above] order processing fees shall not apply to transactions [in NASDAQ/NMS Securities, or], except for odd-lot transactions, [to transactions] in the stocks comprising the Standard & Poor's 500 Stock Price Index executed through MAX.		
[4.]Transaction fees		
a.	Market orders sent via MAX, except agency orders executed through floor brokers	No charge

b.	All orders sent via MAX in Tape B eligible issues or in the stocks comprising the Standard & Poor's Stock Price Index, except agency orders executed through floor brokers	No charge
[c.]	[All orders in NASDAQ/NMS Securities, except agency orders executed through floor brokers]	[No charge]
<u>c.</u> [d.]	Executions by market makers	\$.0050 per share (up to a maximum of \$100 per side), subject to the fee reduction [described in (i) below] and [the] fee cap described [in (j)] below. [(Effective February 1, 2004)]
<u>d.</u> [e.]	In <u>Tape C</u> [Nasdaq/NM] securities, agency executions executed through a floor broker	\$.0025 per share (up to a maximum of \$100 per side), subject to the fee reduction [described in (i) below] and [the] fee cap described [in (j)] below.
<u>e.</u> [f.]	In <u>Tape A and Tape B</u> [Dual Trading System] issues, agency executions executed through a floor broker	\$.0035 per share (up to a maximum of \$100 per side), subject to the fee reduction [described in (i) below] and [the] fee cap described [in (j)] below.
<u>f.</u> [g.]	All other MAX orders, except agency orders executed through floor brokers	[Number of shares][Rate per share] First 500 shares: \$.00 Next 2,000 shares: \$.0075 Next 7,500 shares: \$.005 Remaining shares: \$.004 (up to a maximum of \$100 per side)
<u>g.</u> [h.]	The monthly maximum for transaction fees for orders sent via MAX, except agency orders executed through floor brokers is \$12,500 or, if less, \$.40 per 100 average monthly gross round lot shares. [(Effective February 1, 2004)]	
<u>h.</u> [i.]	[Effective August 1, 2003, t] The per-share fees described in (c), (d) and (e) [(d), (e) and (f)] above will be reduced on shares traded above a total monthly charge of \$150,000 (within each section) as follows: Fees are reduced by 25% on additional shares traded that would otherwise generate a total monthly charge above \$150,000 and below \$200,000; Fees are reduced by 50% on additional shares traded that would otherwise generate a total monthly charge at or above \$200,000 and below \$250,000; and	

	Fees are reduced by 75% on additional shares traded that would otherwise generate a total monthly charge at or above \$250,000.
i. [j.]	<p>The transaction fees set forth in [Sections F.4(d), (e) and (f)] (c), (d) and (e) <u>above</u> shall be subject to the following monthly maximums:</p> <p>[(i)]If the order-sending firm has routed an average of 7,000-9,999 executed round lot orders per day in a given month to the Exchange via the MAX system, a maximum of \$40,000 for that month;</p> <p>[(ii)]If the order-sending firm has routed an average of 10,000-12,499 executed round lot orders per day in a given month to the Exchange via the MAX system, a maximum of \$35,000 for that month;</p> <p>[(iii)]If the order-sending firm has routed an average of 12,500-15,000 executed round lot orders per day in a given month to the Exchange via the MAX system, a maximum of \$30,000 for that month;</p> <p>[(iv)]If the order-sending firm has routed an average of more than 15,000 executed round lot orders per day in a given month to the Exchange via the MAX system, a maximum of \$25,000 for that month.</p>
j. [k.]	An order-sending firm will not be eligible for any of the transaction fee caps or reductions set forth <u>above</u> [in Section F.4] if the number of orders cancelled during the subject month by the order-sending firm exceeds 50% of the order-sending firm's total CHX executions for the month.
[l.]	<p>[CHXpress Orders]</p> <p>[\$.0005 per share, if sent by an order-sending firm. CHXpress orders sent to the Exchange by an order-sending firm are not subject to any other order processing fees, transaction fees, fee caps or fee reductions set forth above in Sections F(3) and F(4).]</p> <p>[CHXpress orders entered by a CHX market maker or by a CHX floor broker on behalf of a customer shall be exempt from any CHXpress transaction fee but shall remain subject to transaction fees that are applicable to market maker or floor broker executions.]</p>
[5.]Floor Broker as Principal Fees	
Floor Brokers acting as principal in a transaction shall pay a fee as follows for each order executed in such capacity:	<p>[Number of Shares] [Rate per share]</p> <p>First 500 shares: \$.00 Next 2,000 shares: \$.0015 Next 7,500 shares: \$.001 Remaining shares: \$.0008 (up to a maximum of \$20 per side)</p> <p>[The above floor broker fees shall not</p>

	apply to transactions in NASDAQ/NMS Securities. These floor broker fees also shall not apply, through June 30, 2001, to any transaction that takes place during the E-Session.]
<u>Outbound ITS or linkage plan orders</u>	<u>\$.0030/share (for executed orders in Tape A securities routed to any market other than NYSE & Tape B securities)</u> <u>\$.0003/share (for executed orders in Tape A securities routed to NYSE)</u>

F. Credits

1. Market data rebates for trades in the Matching System

Total fees owed by a Participant Firm to the Exchange will be reduced (and Participants will be paid for any unused credits) by the application of a tape credit.

“Tape credit” means 50% of monthly tape revenue from the Consolidated Tape Association (less all direct CTA costs) generated by liquidity-providing trades or Crosses submitted to the Matching System by the Participant Firm in a particular Tape A or Tape B security.

Tape credits will be applied on a quarterly basis, after the Exchange receives its payments from the reporting plans. To the extent that CHX tape revenue is subject to a year-end adjustment, tape credits may be adjusted accordingly.

Because institutional brokers receive the transaction fee credits set out below, no tape credits are available to institutional brokers.

2. Institutional broker credits

Total monthly fees owed by an institutional broker to the Exchange will be reduced (and institutional brokers will be paid for any unused credits) by the application of a transaction fee credit. In addition, until the completion of the new trading model rollout, total monthly fees owed by an institutional broker to the Exchange will be reduced (and institutional brokers will be paid for any unused credits) by the application of a network/connectivity fee credit.

“Transaction fee credit” means 18% of the transaction fees received by the Exchange each month for agency trades executed through the institutional broker.

“Network/connectivity fee credit” means a total monthly credit of \$15,000, allocated among institutional brokerage firms based on each firm’s respective percentage of total monthly transaction fee credits.

3. Specialist Credits

These credits will continue to be available to specialists in issues that they trade as specialist during the transition to the new trading model. As an issue moves into the Matching System for trading, these credits will be pro-rated or eliminated for that issue, based on the date that the issue makes its transition to the Matching System.

Total monthly fees owed by a specialist to the Exchange will be reduced (and specialists will be paid each month for any unused credits) by the application of a Transaction Credit.

“Transaction Credit” means 50% of monthly tape revenue from the Consolidated Tape Association (less all direct CTA costs) generated by a particular Tape A or Tape B security, with the exception of tape revenue generated by a particular institutional broker. To the extent that CHX tape revenue is subject to a year-end adjustment, specialist credits may be adjusted accordingly.

“Tape A security” is any security reported on Tape A of the Consolidated Tape Association. “Tape B security” is any security reported on Tape B of the Consolidated Tape Association.

4. Two-Sided Quote Providers

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.

5. Credits Not Available if Exchange Bill Not Paid

Notwithstanding the provisions of Sections 1 and 2 above, a Participant Firm shall not be eligible to earn credits under this Section F for any month when payment of the Participant’s Exchange bill (from one or more previous months) is more than 60 days past due. If a Participant Firm has not paid an Exchange bill because it is contesting one or more Exchange charges, and if the Participant Firm pays all uncontested charges, the Exchange shall separately identify any credits

that might be available to the Participant under sections 1-4 above and (a) if the Participant Firm ultimately prevails in its contest of Exchange charges, the credits will be credited to the Participant's account; and (b) if the Participant Firm does not ultimately prevail in its contest of Exchange charges, the credits will be forfeited.

G. Co-location Fees

These fees are assessed for equipment owned by Participants and by other service providers (including marketplaces) that is stored on Exchange premises for any use, including sending orders to the Exchange.

Space

<u>Shelf (1U)</u>	<u>\$150 (one-time fee); \$45/month</u>
<u>Shelf (2U)</u>	<u>\$150 (one-time fee); \$80/month</u>
<u>Rack mount (1U)</u>	<u>\$150 (one-time fee); \$45/month</u>
<u>Each additional 1U of cabinet space up to 4U</u>	<u>\$20 (one-time fee); \$35/month</u>
<u>Rack mount (4U)</u>	<u>\$200 (one-time fee); \$140/month</u>
<u>Quarter cabinet (10U)</u>	<u>\$250 (one-time fee); \$180/month</u>
<u>Half cabinet (21 U)</u>	<u>\$275 (one-time fee); \$300/month</u>
<u>Full cabinet (42U)</u>	<u>\$300 (one-time fee); \$500/month</u>

Data connections

<u>POTS line (2-wire) x-connect</u>	<u>\$50 (one-time fee); \$10/month</u>
<u>ISDN line (2-wire) x-connect</u>	<u>\$50 (one-time fee); \$10/month</u>
<u>T1 (4-wire) x-connect</u>	<u>\$75 (one-time fee); \$20/month</u>
<u>Ethernet network cable</u>	<u>\$125 (one-time fee); \$25/month</u>
<u>CHX network connection</u>	<u>\$150 (one-time fee); \$50/month</u>

H. [I.] Clearing Support Fees

These fees are charged to Participant Firms for which the Exchange provides back-office clearing services. The [(minimum clearing support fee is \$600/[per]month)].

1. Account Fees

- First Master Account Fee \$500/[per] month
Add'l Master Account Fee \$300/account/ [per] month [\$300 per month]
[Additional]
Sub-Account Fee \$100/[per]account/[per]month
[2. CUSIP Fees]

[Specialist OTC CUSIP Fee \$2,000 per month per OTC Specialist Firm]

[Market Maker CUSIP Fee \$10 per CUSIP per month]

[Odd-Lot Dealer CUSIP Fee \$2.50 per CUSIP per month]

[Floor Broker as Principal \$2 per CUSIP per month]

[The Odd Lot Dealer CUSIP does not apply to any issue in which the odd-lot dealer is also the specialist for the issue.]

- 2. [3.] Trade Processing Fees** \$.0015/share, up to \$100 per side

These fees are charged for t[T]ransactions that are executed by an institutional broker [floor brokers] in securities that are not listed or traded UTP on the Exchange but are processed by the Exchange's clearing systems.

I. [J.] Listing Fees

1. Original Listings \$15,000 per issue of common stock[.]
\$2,500 per issue of preferred stock[.]
\$15,000 per warrant, if issued alone[.]
\$2,500 per warrant, if issued in addition to common stock[.]
\$2,500 per issue of Purchase Rights Plans[.]
2. Annual Maintenance \$.05/[per]thousand shares to maintain listing; applicable in the year following original listing. The minimum annual maintenance fee is [shall be] \$1,250 per issue; the maximum annual maintenance fee is [shall be] \$3,000 per issue.
3. Supplemental Listing \$.005/[per]share. There is [shall be] a \$7,500

maximum and a \$250 minimum charge per application, with a \$15,000 maximum per twelve month period.

4. Miscellaneous [There shall be a separate] \$2,500 [fee] for name changes, changes in the s[S]tate of i[I]ncorporation and situations considered to be technical original listings.

J. [K.] Market Regulation and Market Surveillance Fees

- | | | |
|-----------|---|---|
| <u>1.</u> | Fines | <u>Assessed for rule violations</u>
[Applied for rule violations based on nature of violation] |
| <u>2.</u> | Financial Reports
(<u>Article 7, Rule 4</u>)
[(required to be filed under Article XI, Rule 3(c))] | \$30/[per]report for professional fees |
| <u>3.</u> | Field Examinations
(<u>more than one/year</u>)
[(in excess of one per year)] | \$85/[per]day for professional fees, plus actual living expenses up to a maximum of \$35/[per]day, plus actual travel expenses. |
| <u>4.</u> | DEA Examination Fees ^[3] | \$1,000/ <u>Participant Firm/month</u> [per month.] |
| <u>5.</u> | Fees for NASD-provided services (paid directly to NASD) | |
| | Continuing Education
Regulatory Element
[(Effective January 1, 2006)] | \$75.00 |
| | Series 7 Examination | \$250.00 |

^[3] [This fee is applicable to Participants for which the CHX is the DEA. The following organizations are exempt: 1) inactive organizations; 2) organizations operating from the CHX trading floor; 3) organizations for any month where they incur transaction or clearing fees charged directly by the Exchange provided that the fees exceed the DEA examination fee for that month; and 4) organizations affiliated with an organization exempt from this fee under category two or three. Affiliation includes an organization that is a wholly owned subsidiary of, or controlled by or under common control with, an exempt Participant. An inactive organization is one which had no securities transaction revenue, as determined by annual FOCUS reports, as long as the organization continues to have no such revenue each month.]

Series 7A Examination (includes NYSE development fee)	\$250.00
Series 27 Examination	\$85.00

K. Specialist Fixed Fees

These fees will continue to be charged on securities traded by specialists as the Exchange transitions to its new trading model. To determine the amount of the fixed fee during each month of this transition period, the Exchange will calculate the aggregate fixed fees for the month based on the total number of issues traded by specialists as of the day before the Exchange begins to trade the first specialist-traded security in the new model. The Exchange then will only charge a specialist firm the fixed fees associated with the securities that it traded as specialist during each month, prorating the fee based on the date that an issue makes its transition to the Matching System for trading, as applicable.

Except in the case of Tape B Exemption Eligible Securities (as defined below), which shall be exempt from assessment of fixed fees, specialists will be assigned a fixed fee per assigned stock on a monthly basis, to be calculated as follows:

$$\text{Fixed Fee Per Dual Trading System Security} = \frac{\$450,000 \times \text{Percent of Fixed Costs Per Tier} \times (\text{CTA Trade Volume Per Security} / \text{CTA Trade Volume Per Tier})}{1}$$

The base fee due from a specialist firm shall be increased by \$.0024 per share for all MAX-executed shares above 20 million shares, subject to a maximum increase of \$30,000 per specialist firm.

“Percent of Fixed Costs Per Tier” is taken from the following table:

<u>Tier</u>	<u>Description of Tier</u>	<u>Percent of Fixed Costs Per Tier</u>
1	1-25 Most Active Securities	17%
2	26-100	18%
3	101-200	15%
4	201+	50%

Classification of a particular security for a particular Tier is based on the total number of trades reported to the Consolidated Tape Association in such security for a specific month.

“CTA Trade Volume Per Security” means the total number of trades reported to the Consolidated Tape Association in a specific security for a specific month.

“CTA Trade Volume Per Tier” means the total number of trades reported to the Consolidated Tape Association in all securities classified in a particular Tier for a specific month.

“Tape B Exemption Eligible Security” is any Tape B issue which averages fewer than 400 trades per day in the national market system on an average daily basis during the applicable three-month measuring period. The CHX shall make a semi-annual determination of a security’s eligibility based on the most recent available data for the three-month period preceding the determination date. Any Tape B issue which has been traded in the national market system for less than three months (or for which three months’ data is unavailable) is expressly excluded from this definition.

These fixed fees shall not be assessed to a firm with respect to securities that are temporarily assigned.

L. [G.] Space Charges

These fees shall remain in place through December 31, 2006, when any applicable fees will be part of separate agreements between the Exchange and entities that lease space on the Exchange’s former trading floor.

Booth Space	The expense to the Exchange of leasing the space occupied by the booths shall be allocated pro rata based on usage among all floor Participants on a monthly basis. Each Participant’s portion shall be determined based on the percentage of actual square footage of floor booth space occupied by each Participant.
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Post Space	The expense to the Exchange of leasing the post space shall be allocated pro rata based on usage among all floor Participants on a monthly basis. Each Participant’s portion shall be determined based on the percentage of actual square footage of the post space occupied by each Participant.
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Electrical or Structural Rebilled at cost.
Modifications

M.[H.] Equipment, Information Services and Technology Charges

These fees shall remain in place through December 31, 2006, when any applicable fees either will be part of separate agreements between the Exchange and entities that lease space on the Exchange's former trading floor or will be reflected in other sections of this Schedule.

Technical Equipment (per month)	PC (with 1-2 monitor connections)	\$100
	PC (with 3+ monitor connections)	\$125
	Pentium 450 PC	\$70
	Laptop	\$150
	15" flat-panel monitor	\$15
	17" flat-panel monitor	\$24
	18/19" flat-panel monitors	\$32
	17" CRT monitor	\$10
	21" CRT monitor	\$15
	Ticket printer	\$49.95
	New laser printer	\$57
	Voice recording of telephone conversations	<u>\$20/phone</u> [\$20 per month per phone]

CHX-Provided
 Connectivity
 (per month)

CHX network (dual-port[connection])	\$60
FIS	\$30
Chaos	\$30

[All Connectivity charges will be waived for the month of June 2003.]

Telephone Charges [Cost r] Rebilled at cost [based on usage]

Time clocks \$15/month[.]

Cable TV Rebilled at cost[.]

[NasdaqNasdaq Tools Fees and Charges] [Rebilled at cost.]

CME/SPY Rebilled at cost[.]

Access and connection to Rebilled at cost[.]

financial information
services or research &
analytics providers

Trader Accounting System CPU time: \$.02240/second
Elapsed time: \$.0031/second
Disk space used: \$.00011/block
\$50/hour after 4 hours of support/month[.]

Recap reports delivered
through RJE transmission \$300/month[.]

Execution quality reports
prepared by third parties Rebilled at cost[.]

MAX Connection Charges If the Exchange incurs direct costs relating to a Participant's connection to the MAX System, including costs associated with installation of equipment, telecommunication lines, telecommunication services and maintenance charges, such costs will be rebilled to the Participant at cost, provided, however, that the Exchange will not seek reimbursement of those connection-related costs deemed reasonable and necessary by the Exchange if the Participant to which the costs are allocable has routed an average of not less than 100,000 trades per month to the Exchange via the MAX System, during the 6 months preceding the billing date.

MAX access charge \$3,000 per access point, allocated pro rata among the firms that gain access to the Exchange's MAX system through that access point. [(Effective February 1, 2004)]

[OTC Access and Connection Charges] [Each specialist firm shall be billed, on a monthly basis, for actual access charges and other amounts that become due in accordance with the Exchange's contractual arrangements to access OTC market participants.]

[Amounts billed to the specialist firm will be based on the number of OTC/UTP co-specialists at each firm using products licensed or otherwise procured by the Exchange, adjusted on a monthly basis to reflect changes in the firm's number of OTC/UTP co-specialists; *provided, however*, that (i) the minimum monthly amount that will be billed to

a specialist firm will be based on the firm's number of OTC/UTP co-specialists as of the date an agreement is executed; and (ii) if the firm elects to deregister from all OTC/UTP issues, the firm must continue to pay the minimum monthly amount referenced above, for the remaining initial term of the Exchange's contractual commitment.]

Retention of electronic communications

\$25/month/active mailbox
\$20/month/inactive mailbox

\$200 per disk for offline optical disk storage (5.2GB), if requested

\$300 per disk for offline optical disk storage (9.1GB), if requested

[\$25 per month, per mailbox \$200 per disk for offline optical disk storage (5.2GB), if requested \$300 per disk for offline optical disk storage (9.1GB), if requested]

[Co-location fees for equipment owned by members (but not by marketplaces) that is used solely for any purpose other than transmitting orders to the Exchange for execution. (Effective May 1, 2004)]

[Space]

[Shelf (1U)	\$150 (one-time fee); \$45/month
Shelf (2U)	\$150 (one-time fee); \$80/month
Rack mount (1U)	\$150 (one-time fee); \$45/month
Each additional 1U of cabinet space up to 4U	\$20 (one-time fee); \$35/month
Rack mount (4U)	\$200 (one-time fee); \$140/month
Quarter cabinet (10U)	\$250 (one-time fee); \$180/month
Half cabinet (21 U)	\$275 (one-time fee); \$300/month
Full cabinet (42U)	\$300 (one-time fee); \$500/month]

[Data connections]

[POTS line (2-wire) x-connect	\$50 (one-time fee); \$10/month
ISDN line (2-wire) x-connect	\$50 (one-time fee); \$10/month
T1 (4-wire) x-connect	\$75 (one-time fee); \$20/month

Ethernet network cable	\$125 (one-time fee); \$25/month
CHX network connection	\$150 (one-time fee); \$50/month]

[Floor] Institutional Broker
Network & Connectivity Charges

All network and connectivity charges will be re-billed monthly to institutional brokers [floor broker firms] that access the network, based on the proportion of each firm's use of the network during the month. See F.2. regarding available network/connectivity credits.

N. [L.] Supplies, Rulebooks and Reports

1. Trading Forms [Cost r] Rebilled based on [form] usage[.]
2. CCH Rulebook [Cost r] Rebilled per subscription[.]
[Commerce Clearing House
CHX Guide]
3. Brokerplex reports \$50/month fee to provide reports of
Participant Firm activity by trader
4. Trade and order data Rebilled at cost

[M. Credits]

- [1. Specialist Credits]

[Total monthly fees owed by a specialist to the Exchange will be reduced (and specialists will be paid each month for any unused credits) by the application of a Transaction Credit.

“Transaction Credit” means 50% of monthly tape revenue from the Consolidated Tape Association (less all direct CTA costs) generated by a particular Tape A or Tape B security, with the exception of tape revenue generated by a particular floor broker. To the extent that CHX tape revenue is subject to a year-end adjustment, specialist credits may be adjusted accordingly. (Effective February 1, 2004).

“Tape A security” is any security reported on Tape A of the Consolidated Tape Association. “Tape B security” is any security reported on Tape B of the Consolidated Tape Association.]

[2. Floor Broker Credits]

- [a. Earned Credits. Total monthly fees owed by a floor broker to the Exchange will be reduced by the application of the following Earned Credit (and floor brokers will be paid each month for any unused credits):

$$\begin{aligned} \text{Earned --} & \quad \text{Average Daily Billable Shares} \times \text{Average Rate} \\ \text{Credit} & \quad \text{per Billable Share} \times \text{Credit Percentage} \times 8. \end{aligned}$$

In calculating the above Earned Credit, the following definitions shall apply:

“Average Daily Billable Shares” means, for a given month, (i) Total Billable Shares in Month divided by (ii) Total Trading Days in Month.

“Total Billable Shares in Month” means, for a given month, the total number of shares executed on the Exchange by the floor broker for which the Exchange received a transaction fee. Any share executed for which the Exchange did not receive a transaction fee shall not be considered a billable share.

“Total Trading Days in Month” means, for a given month, the number of business days that the Exchange was open for business during the month. Days in which the Exchange closes early, due to a holiday or otherwise, shall nonetheless be considered a day that the Exchange is open for business.

“Average Rate per Billable Share” means, for a given month, (i) the total dollar amount of transaction fees received by the Exchange for trades executed on the Exchange by the floor broker divided by (ii) Total Billable Shares in Month.

“Credit Percentage” means the applicable percentage taken from the following table:

Average Daily Billable Shares				
0 – 49,999	50,000 – 99,999	100,000 – 499,999	500,000 Shares or More	
Average Rate per Billable Share	Less than \$.0040	20%	30%	40% 50%

\$.0040 - \$.0055 40% 45% 60% 75%

Greater than \$.0055 40% 60% 80% 100%

In any month that the Exchange's Total Billable Shares in Month for all floor brokers exceeds the Exchange's monthly average billable shares for all floor brokers for the first quarter of 2003, the Exchange will distribute 50% of the incremental transaction fee revenue received by the Exchange resulting from that increase in the number of billable shares (the "Additional Revenue"). The Additional Revenue will be distributed to each floor broker in proportion to the floor broker's share of that month's incremental increase in billable shares. (*Effective August 1, 2003*)

The Earned Credit (together with any Additional Revenue) calculated above for each floor broker shall be decreased by an amount equal to that floor broker's "Credit Reduction Charge," which shall be calculated as follows:

$$\text{(Floor Broker's Monthly Earned Credit / Total CHX Monthly Earned Credits)} \times \text{Exchange Baseline} = \text{Floor Broker's Credit Reduction Charge}$$

The "Exchange Baseline" means, for a given month, \$50,000 less any additional revenues (up to \$50,000) realized by the Exchange as a result of the elimination of the monthly caps in August 2003 (SR-CHX-2003-22).]

- [b. Tape Credits. Effective January 1, 2001, total monthly fees owed by a floor broker to the Exchange will also be reduced by the application of a Tape Credit (and floor brokers will be paid each month for any unused credits). "Tape Credit" means 35% of monthly CHX tape revenue from the Consolidated Tape Association (less all direct CTA costs) generated by a particular floor broker. To the extent that CHX tape revenue is subject to a year end adjustment, Tape Credits may be adjusted accordingly.]
- [c. Connectivity Charge Credit. Effective October 1, 2004, total monthly fees owed by a floor broker to the Exchange will also be reduced by the application of a Connectivity Charge Credit (and floor brokers will be paid each month for any unused credits), if the floor broker has been assessed

Floor Broker Network and Connectivity Charges under Section H of this Fee Schedule. Each floor broker's Connectivity Charge Credit shall be calculated as follows:

Floor Broker's Connectivity Charge Credit = \$15,000 x Floor broker's percentage of total monthly Earned Credits generated by floor brokers that are assessed Floor Broker Network and Connectivity Charges.]

[3. Credits for Dedicated Odd-Lot Dealers]

[Total monthly fees owed by a Dedicated Odd-Lot Dealer will be reduced (and these odd-lot dealers will be paid each month for any unused credits) by a credit of \$.08 per round-lot trade sent by the Dedicated Odd-Lot Dealer to Exchange specialists for execution.]

[4. 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.]

Q. [N.] Late Fees

A charge of 1½%/month (equivalent to an annual rate of 18%) on the outstanding balance will be assessed on past due accounts. This fee will be assessed 10 days from the due date of the fees, dues or assessments in arrears.

* * * * *