

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 checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
--	--

Description
Provide a brief description of the proposed rule change (limit 250 characters).

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

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

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

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

Date

By

(Name) (Title)

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

Add Remove View

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

Exhibit 1 - Notice of Proposed Rule Change

Add Remove View

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

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

Add Remove View

Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

Add Remove View

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

Exhibit 5 - Proposed Rule Text

Add Remove View

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

Partial Amendment

Add Remove View

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

Partial Amendment to SR-CHX-2005-01

The Chicago Stock Exchange Inc. (“the Exchange”) seeks to amend this filing as follows.

1. The Exchange proposes to amend the rule text, as shown by the changes below, to (a) clarify that proposed Interpretation and Policy .07 only applies to listed securities; (b) remove one of the proposed exceptions to a specialist’s obligation to use order match in connection with the execution of ITS commitments; and (c) clarify that, if a specialist receives satisfaction from another market center that has traded through a customer order, the specialist is obligated to provide that satisfaction price to the customer order that was traded through, if that price is better than the price at which the specialist executed the customer order. In making the change described in (c) above, the Exchange also shortened the rule text, replacing a clause that referred to a trade-through of the CHX’s bid or offer, where “the specialist has already filled the customer order(s) that constituted the bid or offer and were traded through,” with a more concise reference to a “trade-through of a customer order that the specialist has already filled.” This new language does not substantively change the provisions of the rule.

The Exchange believes, after consultation with Commission staff, that the removal of one of the proposed exceptions to a specialist’s obligation to use order match in connection with the execution of ITS commitments (the change set out in subparagraph (b), above) more appropriately reflects the specialist’s obligations under existing CHX rules. The Exchange also believes that it is appropriate to clarify that a specialist currently must give a customer order, that was traded through by another ITS market center, any better price that the specialist receives in satisfaction of the trade through.

The text set out below shows the totality of the proposed changes against the Exchange’s existing rule text:

Additions are underlined; deletions are in [brackets]

Article XXX Specialists

* * *

Precedence to Orders in Book

RULE 2. a. The specialist, co-specialist and relief specialist shall at all times give precedence to orders in the book for purchase or sale of

securities over the orders which originate with him or it as a dealer, provided, his or its orders and those of his or its customer are market orders, or limited orders at the same price. Notwithstanding the foregoing, whenever a specialist, co-specialist or relief specialist elects to accept a professional order for the book which is not required to be accepted by such specialist, co-specialist or relief specialist pursuant to the rules and policies of the Exchange, such specialist, co-specialist or relief specialist is not required to relinquish precedence to such order over the orders which originate with him or it as a dealer, provided (a) his or its orders and those of his or its customer are limited orders at the same price, and (b) the specialist, co-specialist or relief specialist is displaying his or its order, including its size, through the quotation system.

b. Use of any and all exchange-provided order match functionality is mandatory, except in cases of systems problems with such functionality. "Order match functionality" is defined to mean any automated process by which a proposed specialist execution on a principal basis is replaced by the execution of an eligible customer order resident on the specialist's book.

• • • *Interpretations and Policies:*

.005 No change to text.

.01 No change to text.

.02 No change to text.

.03 No change to text.

.04. No change to text.

.05 No change to text.

.06 No change to text.

.07 For listed securities, if (1) a specialist seeks liquidity in a specialty stock in another market with respect to one or more orders in the book; and (2) while waiting for an execution report from the other market, the specialist executes the order(s) in the book as principal pursuant to the preopening order guarantee set out in the Exchange's rules; and (3) the specialist then receives the execution report(s) from the other market at a price equal to the execution(s) given the orders pursuant to the preopening order guarantee, the specialist shall not be required to fill any other

customer order(s) in his or its book as a result of having received the execution report from the other market.

.08 Nothing in this rule requires a specialist to use order match functionality associated with the automated matching of ITS commitments where an inbound ITS execution is received in satisfaction of another market center's trade-through of a customer order that the specialist has already filled. In this situation, a specialist shall not be required to fill any other customer order(s) in his or its book as a result of having received the "satisfying" ITS execution, but shall be required to provide the "satisfying" price to the customer order that was traded through, if that price is better than the price at which the specialist executed the order.

2. The Exchange also proposes to submit Exhibit 4 to the filing, in the following form:

Exhibit 4 to Partial Amendment No. 3 to SR-CHX-2005-01

Additions to the original text are double-underlined; deletions from that text are shown with ~~strike-through formatting~~

**Article XXX
Specialists**

* * *

Precedence to Orders in Book

RULE 2. a. The specialist, co-specialist and relief specialist shall at all times give precedence to orders in the book for purchase or sale of securities over the orders which originate with him or it as a dealer, provided, his or its orders and those of his or its customer are market orders, or limited orders at the same price. Notwithstanding the foregoing, whenever a specialist, co-specialist or relief specialist elects to accept a professional order for the book which is not required to be accepted by such specialist, co-specialist or relief specialist pursuant to the rules and policies of the Exchange, such specialist, co-specialist or relief specialist is not required to relinquish precedence to such order over the orders which originate with him or it as a dealer, provided (a) his or its orders and those of his or its customer are limited orders at the same price, and (b) the

specialist, co-specialist or relief specialist is displaying his or its order, including its size, through the quotation system.

b. Use of any and all exchange-provided order match functionality is mandatory, except in cases of systems problems with such functionality. “Order match functionality” is defined to mean any automated process by which a proposed specialist execution on a principal basis is replaced by the execution of an eligible customer order resident on the specialist’s book.

• • • *Interpretations and Policies:*

.005 No change to text.

.01 No change to text.

.02 No change to text.

.03 No change to text.

.04. No change to text.

.05 No change to text.

.06 No change to text.

.07 For listed securities, if (1) a specialist seeks liquidity in a specialty stock in another market with respect to one or more orders in the book; and (2) while waiting for an execution report from the other market, the specialist executes the order(s) in the book as principal pursuant to the preopening order guarantee set out in the Exchange’s rules; and (3) the specialist then receives the execution report(s) from the other market at a price equal to the execution(s) given the orders pursuant to the preopening order guarantee, the specialist shall not be required to fill any other customer order(s) in his or its book as a result of having received the execution report from the other market.

.08 Nothing in this rule requires a specialist to use order match functionality associated with the automated matching of ITS commitments where ~~either (1) an inbound ITS execution is received in satisfaction of another market center’s trade-through of a customer order that the specialist has already filled the CHX’s bid or offer (and the specialist has already filled the customer order(s) that constituted the bid or offer and were traded through); or (2) an inbound ITS execution is received in~~

~~satisfaction of a complaint lodged by a CHX specialist against another market center.~~ In these situations, a specialist shall not be required to fill any other customer order(s) in his or its book as a result of having received the “satisfying” ITS execution, but shall be required to provide the “satisfying” price to the customer order that was traded through, if that price is better than the price at which the specialist executed the order.