

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

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

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

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

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

Date	<input type="text" value="11/05/2007"/>
By	<input type="text" value="Ellen J Neely"/>
	(Name)
	<input type="text" value="President & General Counsel"/>
	(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.

Ellen J Neely, eneely@chx.com

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information

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

Exhibit 1 - Notice of Proposed Rule Change

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

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

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Exhibit Sent As Paper Document

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

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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

Exhibit 4 - Marked Copies

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

Exhibit 5 - Proposed Rule Text

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

Partial Amendment

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

Partial Amendment (Amendment No. 3) to SR-CHX-2005-34

Through this partial amendment, the Exchange seeks to make changes both to the narrative portion of the filing as well as to the rule text.

First, the Exchange proposes to make non-substantive modifications to the narrative which reflect the Exchange's demutualization and the implementation of its new trading model. These changes would replace the term "member" with the term "participant" and would remove references to its trading floor.

In addition, the Exchange proposes to amend the proposed rule text in the following ways: (1) to add the proposed rule language as an interpretation to Article 20, Rule 9 of the Exchange's rules (rather than to the originally proposed Article XX, Rule 12); (2) to remove references to the Exchange's trading floor and to replace references to "members" with the term "participants"; (3) to update the citation to the Exchange's rule relating to just and equitable principles of trade (from Article VIII, Rule 7 to Article 9, Rule 2); and (4) to add a new provision that provides that the interpretation cannot become operative until a special trade indicator is implemented to identify these transactions.

The updated text of the proposed rule change is set out below in Exhibits 4 and 5.

Exhibit 4 to SR-CHX-2005-34

Additions to the existing rule text are underlined; deletions are [bracketed]. Text that is added through this amendment is shown in ***bold italics and is underlined***; text that is deleted through this amendment is shown with ~~strike-through markings~~.

Chicago Stock Exchange Rules

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ARTICLE 20

Operation of the CHX Matching System

* * *

Cancellation of Transactions

RULE 9. A transaction made in demonstrable error and cancelled by both parties may be unwound, subject to the approval of the Exchange.

. . . Interpretations and Policies

.01 Cancellation of stock-option orders. (a). Unless otherwise expressly permitted by the Exchange's rules, a trade representing the execution of the stock leg of a stock-option order may be cancelled at the request of any ~~member~~ ***Participant*** that is a party to that trade only if market conditions in any of the non-Exchange market(s) prevent the execution of the option leg(s) at the price agreed upon by the parties to the options leg.

(b) For purposes of this ~~rule~~ ***Interpretation***, a "stock-option order" is an order to buy or sell a stated number of units of an underlying or a related security coupled with either (i) the purchase or sale of option contract(s) on the opposite side of the market representing either the same number of units of the underlying or related security or the number of units of the underlying security necessary to create a delta-neutral or delta-hedged position or (ii) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price, expiration date and each representing the same number of units of stock as, and on the opposite side of the market from, the underlying or related security portion of the order.

(c) The ~~on-floor~~ Participant acting as broker on the trade must maintain records sufficient to establish that market conditions in a non-Exchange market prevented the execution of the option leg(s).

(d) The ~~on-floor~~ Participant acting as broker on the trade must identify each stock-option order and must notify the parties to the order that the order may be cancelled as permitted above.

(e) Failure to comply with the provisions of Interpretation and Policy .01(d) shall be considered conduct inconsistent with just and equitable principles of trade and a violation of Article ~~VIII-9~~, Rule ~~7~~2.

(f) This Interpretation cannot become operative until a special trade indicator to identify these transactions has been implemented.

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Exhibit 5 to SR-CHX-2005-34

This rule text completely supersedes and replaces the rule text that was filed in Amendment No. 1.

Chicago Stock Exchange Rules

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(c) The Participant acting as broker on the trade must maintain records sufficient to establish that market conditions in a non-Exchange market prevented the execution of the option leg(s).

(d) The Participant acting as broker on the trade must identify each stock-option order and must notify the parties to the order that the order may be cancelled as permitted above.

(e) Failure to comply with the provisions of Interpretation and Policy .01(d) shall be considered conduct inconsistent with just and equitable principles of trade and a violation of Article 9, Rule 2.

(f) This Interpretation cannot become operative until a special trade indicator to identify these transactions has been implemented.

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