

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.

File No.: SR-CHX-2005-39
Submitted: December 22, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 19b-4

Proposed Rule Change

By

CHICAGO STOCK EXCHANGE, INCORPORATED

Pursuant to Rule 19b-4 under the
Securities Exchange Act of 1934

1. Text of Proposed Rule Change

- (a) The Chicago Stock Exchange, Incorporated (the “CHX” or the “Exchange”), pursuant to Rule 19b(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² proposes to amend its Minor Rule Violation Plan (the “Plan”) to include a number of additional violations that may be subject to disciplinary proceedings under the Plan, and to clarify the application of the Plan. The text of the proposed rule change is included in Exhibit 5.
- (b) Not applicable.
- (c) Not applicable.

2. Procedures of Self-Regulatory Organization

The proposed rule change was approved by the Exchange’s Board of Directors on November 15, 2005. No further approval is required.

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

- (a) The Exchange’s Minor Rule Violation Plan provides an effective and efficient method for the Exchange to encourage its members to fully comply with applicable rules. Under the Plan, the Exchange may impose a monetary fine, instead of instituting a formal disciplinary proceeding, for a rule violation that the Exchange has found is minor in nature, but which the Exchange believes should still be the subject of a meaningful sanction.³ Fines under the Plan can be up to \$2,500 per violation. Currently, each individual violation is identified to the Minor Rule Violation Panel – the persons who determine whether to assess fines under the Plan – when it determines appropriate sanctions for violative activity.

The proposed rule changes would amend the Exchange’s Minor Rule Violation Plan to include a number of violations that are currently not eligible for disposition under the Plan. These violations include the following provisions: reporting of transactions (Article XXI, Rule 1); failure to comply with the firm quote rule in response to Intermarket Trading System (“ITS”) commitments

¹15 U.S.C. 78s(b)(1).

²17 CFR 240.19b-4.

³Fines under the Minor Rule Violation Plan can provide an appropriate sanction in appropriate situations. For example, where member conduct is not intentional or of such magnitude that it can be considered reckless, a fine under the Minor Rule Violation Plan might be an appropriate response to a first, second or third violation by an Exchange member. The Exchange is mindful, however, that more egregious violations should not be handled through the summary proceedings authorized by the Minor Rule Violation Plan.

(Article XX, Rule 39(b)(4)); failure to comply with single price opening guarantees (Article XX, Rule 37(a)(4)); entry of market-at-the-close orders (Article XX, Rule 44); order to buy and sell same security (Article XX, Rule 23); dealer required to purchase all odd lots offered (Article XXXI, Rule 6); combining of orders to buy or sell lots of same stock (Article XXXI, Rule 8); odd lot order pricing requirements (Article XXXI, Rule 9); and pricing for preopening odd lot orders (Article XXXI, Rule 15). The majority of these rules are similar in nature to the rules already eligible for disposition under the Plan inasmuch as they relate to the manner in which trading activity routinely occurs on the Exchange.⁴ The Exchange also proposes to add to the Plan its rule requiring participants to provide information to the staff of the Exchange upon request.⁵ Finally, the Exchange proposes to add the failure of any participant to reasonably supervise to prevent the violation of any rule eligible for disposition under the Plan.⁶ One of the recommendations of the recent review of the Exchange's trading floor surveillance and enforcement practices by an outside Consultant was that the Exchange's Plan be amended to include all additional trading rules for which an MRVP sanction would be appropriate; the Consultant specifically suggested that the Exchange consider adding to the MRVP the rules relating to the provision of documents and information to the staff and the failure to supervise. The Consultant believed (and the Exchange agrees) that these measures would enhance the ability of the staff to sanction participants for violations of these trading rules, or for the failure to provide requested information or to adequately supervise its business.

The Exchange is also seeking to eliminate certain inconsistencies in its Recommended Fine Schedule. Currently, most rules in the Plan have a graduated fine schedule by which the recommended fine for the first violation is \$100, for the second violation is \$500 and for the third (and subsequent) violation is \$1000. There are two exceptions: the recommended fine for limit order display rule ("LODR") violations is \$1000 for any violation and the recommended fine for

⁴ Many of these rules also are consistent with rules that other self-regulatory organizations have included in their minor rule violation plans. *See* New York Stock Exchange ("NYSE") Rule 476A ("Imposition of Fines for Minor Violations of Rules"), which includes NYSE Rule 15 requirements for interaction with other markets through ITS; and failure to adhere to NYSE's entry and cancellation procedures on certain dates for limit-at-the-close and market-at-the-close orders; Pacific Exchange ("PCX") Equity Rule 10.12 ("Minor Rule Plan"), which includes a failure to adhere to the requirements of PCXE Rules 7.55 – 7.57 relating to the use of ITS; and failure to submit trade data in a timely manner as required by PCXE Rule 10.2(e)); Boston Stock Exchange ("BSE") Chapter XXXIV, Section 2 ("Rule Violations"), which includes a failure promptly report executions to the Consolidated Tape Association as required by BSE Rules Chapter II, Section 2.

⁵ *See* CHX Article VIII, Rule 11. Other markets have included similar rules in their Minor Rule Plans, including the Pacific Exchange (PCXE Rule 10.12(g)(3)(relating to a firm's failure to furnish, in a timely manner, books, records and other information as required by PCXE Rule 4.11(c)); the Philadelphia Stock Exchange ("PHLX") (PHLX Rule 970, which includes violations of Floor Procedure Advice F-8 relating to a firm's failure to comply with an Exchange inquiry); and the National Stock Exchange ("NSX") (NSX Rule 8.15, which includes violations of NSX Rules 4.1 and 4.2 relating to the submission of responses to Exchange requests for trading data).

⁶ The New York Stock Exchange has a similar provision in its Plan. *See* NYSE Rule 476A.

short sale rule violations is \$500 (1st violation), \$1000 (2nd violation) and \$2500 (3rd and subsequent violations). The Exchange does not believe that it is necessary or appropriate to have a different recommended fine schedule for these types of violations. The surveillance unit of the Market Regulation Department conducts regular, highly-automated surveillance in these two areas in order to detect and deter violations by Exchange specialists. The Exchange does not believe that the additional measure of a higher rate of fines is needed to accomplish its regulatory objectives.⁷

The Exchange proposes to add a censure authority to the Plan, again pursuant to a recommendation of the Consultant.⁸ Censures would be used in initial findings of a violation where the Panel wants to put the Respondent on notice of its conduct or does not otherwise believe that the imposition of a fine is appropriate or necessary. Additionally, the Exchange seeks to clarify the pleading requirements of a Respondent who seeks to challenge an MRVP Panel's sanction by instituting a formal disciplinary proceeding.

Lastly, the Exchange would like to clarify its application of the Minor Rule Violation Plan. The review by the outside Consultant suggested that a Respondent escalate to the next higher level of fine as each transaction occurred. However, there may be situations in which a respondent has asserted facts or defenses to the MRVP Panel that he or she believes will establish that no violation occurred. Imposing a fine on conduct that occurred while the respondent's arguments were pending final disposition by the Panel would have the effect of penalizing them for asserting a defense. In recognition of this situation, the Exchange proposes to amend Article XII, Rule 9(f) to provide that a violation will not be deemed to have occurred for purposes of applying the Recommended Fine Schedule until the Panel has made a final disposition and the Respondent has received notice of this action.

- (b) Approval of the rule changes proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b). In particular, the proposed rule is consistent with Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade, to remove impediments and to perfect the mechanism of a free

⁷Moreover, the Consultant specifically suggested that the Exchange seek to harmonize its MRVP fine schedule for LODR violations with the schedules used by other exchanges. *See* BSE Chapter XXXIV, Section 2 (stating that an initial LODR offense would be the subject of a written warning; that a second offense could receive a \$50 fine; and that subsequent offenses could receive \$100 fines); NSX Rule 8.15, Interpretation .01(g) (stating that a recommended fine for LODR violations is \$100 per violation).

⁸ The Consultant noted that CHX should consider adding censure authority to its MRVP if it believes that the Panel should have the authority to direct the issuance of a censure. The CHX does believe that the Panel should have the authority to issue a censure when appropriate, depending upon the facts and circumstances of a particular violation.

and open market and a national market system, and, in general, to protect investors and the public interest.

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 change.

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

No written comments were solicited or received.

6. Extension of the Time Period for Commission Action

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Act.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

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

Not applicable.

9. Exhibits

Exhibit 1: The completed notice of the proposed rule change for publication in the Federal Register.

Exhibits 2-4: Not applicable

Exhibit 5: Proposed changes to the rule text.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION

**(Release No. 34-_____ ; File No. SR-CHX-2005-39)
SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change By The Chicago Stock Exchange, Inc. Regarding Changes to its Minor Rule Violation Plan

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 December 22, 2005, the Chicago Stock Exchange, Inc. (the “CHX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the CHX. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

Through this filing, the Exchange proposes to amend its Minor Rule Violation Plan (the “MRVP” or the “Plan”) to include a number of additional violations that may be subject to disciplinary proceedings under the Plan, and to clarify the application of the Plan. 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

The Exchange's Minor Rule Violation Plan provides an effective and efficient method for the Exchange to encourage its members to fully comply with applicable rules. Under the Plan, the Exchange may impose a monetary fine, instead of instituting a formal disciplinary proceeding, for a rule violation that the Exchange has found is minor in nature, but which the Exchange believes should still be the subject of a meaningful sanction.¹ Fines under the Plan can be up to \$2,500 per violation. Currently, each individual violation is identified to the Minor Rule Violation Panel – the persons who determine whether to assess fines under the Plan – when it determines appropriate sanctions for violative activity.

¹ Fines under the Minor Rule Violation Plan can provide an appropriate sanction in appropriate situations. For example, where member conduct is not intentional or of such magnitude that it can be considered reckless, a fine under the Minor Rule Violation Plan might be an appropriate response to a first, second or third violation by an Exchange member. The Exchange is mindful, however, that more egregious violations should not be handled through the summary proceedings authorized by the Minor Rule Violation Plan.

The proposed rule changes would amend the Exchange's Minor Rule Violation Plan to include a number of violations that are currently not eligible for disposition under the Plan. These violations include the following provisions: reporting of transactions (Article XXI, Rule 1); failure to comply with the firm quote rule in response to Intermarket Trading System ("ITS") commitments (Article XX, Rule 39(b)(4)); failure to comply with single price opening guarantees (Article XX, Rule 37(a)(4)); entry of market-at-the-close orders (Article XX, Rule 44); order to buy and sell same security (Article XX, Rule 23); dealer required to purchase all odd lots offered (Article XXXI, Rule 6); combining of orders to buy or sell lots of same stock (Article XXXI, Rule 8); odd lot order pricing requirements (Article XXXI, Rule 9); and pricing for preopening odd lot orders (Article XXXI, Rule 15). The majority of these rules are similar in nature to the rules already eligible for disposition under the Plan inasmuch as they relate to the manner in which trading activity routinely occurs on the Exchange.² The Exchange also proposes to add to the Plan its rule requiring participants to provide information to the staff of the Exchange upon request.³ Finally, the Exchange proposes to add the failure of

² Many of these rules also are consistent with rules that other self-regulatory organizations have included in their minor rule violation plans. *See* New York Stock Exchange ("NYSE") Rule 476A ("Imposition of Fines for Minor Violations of Rules"), which includes NYSE Rule 15 requirements for interaction with other markets through ITS; and failure to adhere to NYSE's entry and cancellation procedures on certain dates for limit-at-the-close and market-at-the-close orders; Pacific Exchange ("PCX") Equity Rule 10.12 ("Minor Rule Plan"), which includes a failure to adhere to the requirements of PCXE Rules 7.55 – 7.57 relating to the use of ITS; and failure to submit trade data in a timely manner as required by PCXE Rule 10.2(e)); Boston Stock Exchange ("BSE") Chapter XXXIV, Section 2 ("Rule Violations"), which includes a failure promptly report executions to the Consolidated Tape Association as required by BSE Rules Chapter II, Section 2.

³ *See* CHX Article VIII, Rule 11. Other markets have included similar rules in their Minor Rule Plans, including the Pacific Exchange (PCXE Rule 10.12(g)(3)(relating to a

any participant to reasonably supervise to prevent the violation of any rule eligible for disposition under the Plan.⁴ One of the recommendations of the recent review of the Exchange's trading floor surveillance and enforcement practices by an outside Consultant was that the Exchange's Plan be amended to include all additional trading rules for which an MRVP sanction would be appropriate; the Consultant specifically suggested that the Exchange consider adding to the MRVP the rules relating to the provision of documents and information to the staff and the failure to supervise. The Consultant believed (and the Exchange agrees) that these measures would enhance the ability of the staff to sanction participants for violations of these trading rules, or for the failure to provide requested information or to adequately supervise its business.

The Exchange is also seeking to eliminate certain inconsistencies in its Recommended Fine Schedule. Currently, most rules in the Plan have a graduated fine schedule by which the recommended fine for the first violation is \$100, for the second violation is \$500 and for the third (and subsequent) violation is \$1000. There are two exceptions: the recommended fine for limit order display rule ("LODR") violations is \$1000 for any violation and the recommended fine for short sale rule violations is \$500 (1st violation), \$1000 (2nd violation) and \$2500 (3rd and subsequent violations). The Exchange does not believe that it is necessary or appropriate to have a different

firm's failure to furnish, in a timely manner, books, records and other information as required by PCXE Rule 4.11(c)); the Philadelphia Stock Exchange ("PHLX") (PHLX Rule 970, which includes violations of Floor Procedure Advice F-8 relating to a firm's failure to comply with an Exchange inquiry); and the National Stock Exchange ("NSX") (NSX Rule 8.15, which includes violations of NSX Rules 4.1 and 4.2 relating to the submission of responses to Exchange requests for trading data).

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recommended fine schedule for these types of violations. The surveillance unit of the Market Regulation Department conducts regular, highly-automated surveillance in these two areas in order to detect and deter violations by Exchange specialists. The Exchange does not believe that the additional measure of a higher rate of fines is needed to accomplish its regulatory objectives.⁵

The Exchange proposes to add a censure authority to the Plan, again pursuant to a recommendation of the Consultant.⁶ Censures would be used in initial findings of a violation where the Panel wants to put the Respondent on notice of its conduct or does not otherwise believe that the imposition of a fine is appropriate or necessary. Additionally, the Exchange seeks to clarify the pleading requirements of a Respondent who seeks to challenge an MRVP Panel's sanction by instituting a formal disciplinary proceeding.

Lastly, the Exchange would like to clarify its application of the Minor Rule Violation Plan. The review by the outside Consultant suggested that a Respondent escalate to the next higher level of fine as each transaction occurred. However, there may be situations in which a respondent has asserted facts or defenses to the MRVP Panel that he or she believes will establish that no violation occurred. Imposing a fine on conduct

⁵ Moreover, the Consultant specifically suggested that the Exchange seek to harmonize its MRVP fine schedule for LODR violations with the schedules used by other exchanges. *See* BSE Chapter XXXIV, Section 2 (stating that an initial LODR offense would be the subject of a written warning; that a second offense could receive a \$50 fine; and that subsequent offenses could receive \$100 fines); NSX Rule 8.15, Interpretation .01(g) (stating that a recommended fine for LODR violations is \$100 per violation).

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that occurred while the respondent's arguments were pending final disposition by the Panel would have the effect of penalizing them for asserting a defense. In recognition of this situation, the Exchange proposes to amend Article XII, Rule 9(f) to provide that a violation will not be deemed to have occurred for purposes of applying the Recommended Fine Schedule until the Panel has made a final disposition and the Respondent has received notice of this action.

2. Statutory Basis

The CHX believes the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).⁷ The Exchange believes that the proposed changes are consistent with Section 6(b)(5) of the Act, because they would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest.

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.

⁷ 15 U.S.C. 78(f)(b).

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

Within 35 days of the date of publication of this notice in the Federal Register or within such other period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve the proposed rule changes, or
- (B) institute proceedings to determine whether the proposed rule changes should be disapproved.

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-CHX-2005-39 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File No. SR-CHX-2005-39. 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-2005-39 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.⁸

Margaret H. McFarland
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).

Exhibit 5

Additions are underlined; deletions [bracketed]

Chicago Stock Exchange Rules

Minor Rule Violations

RULE 9. (a) In lieu of commencing a "disciplinary proceeding" as that term is used in Article XII of the Exchange Rules[and Article VII of the Exchange Constitution], the Exchange may, subject to the requirements set forth in this Rule, impose a censure or fine, not to exceed \$2,500, on any Participant, associated person, or registered or non-registered employee of a Participant, for any violation of a rule of the Exchange, which violation the Exchange shall have determined is minor in nature. Any censure or fine imposed pursuant to this Rule and not contested shall not be publicly reported, except as may be required by Rule 19d-1 under the Securities Exchange Act of 1934, and as may be required by any other regulatory authority. Any censure or fine that is contested may be publicly reported to the same extent that Exchange disciplinary proceedings may be publicly reported.

(b) Procedure for Imposing Sanctions [Fines]. In the event that the staff of the Exchange determines that a Participant, associated person or registered or non-registered employee of a Participant has violated a rule of the Exchange set forth in paragraph (h) of this Rule, and the Exchange staff desires to take action under this Rule 9, the staff shall present the facts supporting the violative conduct to a Minor Rule Violation Panel. The Participant or other person [accused] shall not have the right to attend such presentation nor shall such person [the accused] have the right to present any evidence or testimony at such presentation. A Minor Rule Violation Panel may (i) accept the staff's recommendation and impose sanctions on behalf of the Exchange in accordance with this Rule 9, (ii) reject the staff's recommendation, or (iii) recommend that the Exchange commence a formal disciplinary proceeding. A Minor Rule Violation Panel shall have no authority, however, to authorize the initiation of a formal disciplinary proceeding. In the event a Minor Rule Violation Panel recommends that the Exchange commence a formal disciplinary proceeding, the staff shall either (i) issue a report to the Chief Executive Officer in accordance with Article XII, Rule 1(a), recommending that formal charges be brought or (ii) advise the Minor Rule Violation Panel that the staff will not recommend that the Exchange commence a formal disciplinary proceeding. In the event that the staff chooses alternative (ii) from the preceding sentence, the matter shall be returned to the Minor Rule Violation Panel that recommended the commencement of the formal disciplinary proceeding, which shall then impose a fine in accordance with the provisions of this Rule 9.

One or more Minor Rule Violation Panels shall be appointed, from time to time, by the Chief Executive Officer and shall each consist of three persons.

Notwithstanding anything in this paragraph (b) to the contrary, the Committee on Floor Procedure shall have jurisdiction to impose a fine pursuant to this Rule for violations of (h)(ii)(7) and (8) of this Rule relating to decorum on the trading floor. However, the Committee on Floor Procedure and a Minor Rule Violation Panel shall not, collectively, impose more than one fine pursuant to this Rule 9 relating to the same underlying violation and incident.

(c) In any action taken by the Exchange pursuant to this Rule, the person against whom a censure or fine is imposed shall be served (as provided in Rule 1(c) of Article XII) with a written statement, signed by a Floor Official or officer of the Exchange, setting forth (i) the rule(s) or policy(ies) alleged to have been violated; (ii) the act or omission constituting each such violation; (iii) the sanction [fine] imposed for each such violation; (iv) the date on which such action is taken; and (v) the date on which such determination becomes final and such fine becomes due and payable to the Exchange, or on which such action must be contested as provided in paragraph (e), such date to be not less than 20 [15] days after the date of service of the written statement.

(d) No change to text.

(e) Except for fines imposed by the Committee on Floor Procedure or its appropriately designated subcommittee pursuant to Article XII, Rule 3, any person against whom a censure or fine is imposed pursuant to this Rule may contest the Exchange's determination by filing with the Secretary of the Exchange not later than the date by which such determination must be contested, a written answer which specifically admits or denies each violation alleged in the Notice and a statement setting forth in detail the reasons why the rule(s) or policies alleged to have been violated are being contested. Any alleged violation not specifically denied will constitute an admission to that violation. The Secretary of the Exchange may deny the answer if such answer is untimely or the answer fails to establish a prima facie basis for contesting the alleged violations. [response meeting the requirements of an Answer as provided in Article XII, Rule 5 of the Exchange Rules] If the answer is denied by the Secretary of the Exchange, the decision of the Minor Rule Violation Panel shall become final and the censure shall be imposed and/or fine become due and payable. Unless denied by the Secretary of the Exchange, an answer filed by respondent shall be deemed accepted, at which point the matter shall become a "Disciplinary Proceeding" subject to the provisions of Article XII applicable to disciplinary proceedings. Fines imposed by the Committee on Floor Procedure or its appropriately designated subcommittee may be appealed pursuant to the procedures set forth in Rule 3 of this Article.

(f) The Exchange shall prepare and announce to its Participants from time to time a listing of the Exchange rules and policies as to which the Exchange may impose censures or fines as provided in this Rule. Such listing shall also indicate the specific or recommended dollar amount that may be imposed as a fine hereunder with respect to any violation of such rule or policy, or may indicate the minimum and maximum dollar amount that may be imposed by the Exchange with respect to any such violation. In applying the Recommended Fine Schedule, the Minor Rule Violation Panel shall consider a Violation as having occurred at the time that the Panel finds that a Violation has occurred and the Respondent has been notified of that fact. Nothing in this Rule shall require the Exchange to impose a censure or fine pursuant to this Rule with respect to the violation of any rule or policy included in any such listing and the Exchange shall be free, whenever it determines that any violation is not minor in nature, to proceed under other provisions of Article XII rather than under this Rule.

(g) Any fine assessed under this Rule shall not be deemed to satisfy any damages or liability incurred from the violation:

(h) Exchange Rules and Policies subject to the Minor Rule Violation Plan:

(i) Reporting and Record Retention Violations

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

(21) Submission of Books to Board (Article VIII, Rule 11)

(ii) Floor Decorum and Minor Trading Rule Violations

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

(22) Reporting of Transactions (Article XXI, Rule 1)

(23) Failure to comply with the firm quote rule in response to ITS commitments (Article XX, Rule 39(b)(4))

(24) Failure to comply with single price opening guarantees (Article XX, Rule 37(a)(4))

(25) Failure of Participant to reasonably supervise its conduct to prevent violations of any rule or regulation that is included in the Minor Rules Violation Plan.

(26) Entry of Market-at-the-Close Orders (Article XX, Rule 44)

(27) Order to Buy and Sell Same Security (Article XX, Rule 23)

(28) Dealer Required to Purchase All Odd Lots Offered (Article XXXI, Rule 6)

(29) Combining of Orders to Buy or Sell Lots of Same Stock (Article XXXI, Rule 8)

(30) Odd lot order pricing requirements (Article XXXI, Rule 9)

(31) Pricing for preopening Odd lot orders (Article XXXI, Rule 15)

* * *

**MINOR RULE VIOLATION PLAN
RECOMMENDED FINE SCHEDULE**
(Pursuant to Article XII, Rule 9(e))

Rule Violation	Fine for First Violation*	Fine for Second Violation*	Fine for Third and Subsequent Violation*
* * *			
Failure by floor Participant to comply with rules relating to short sales when selling short for their own account (Article IX, Rule 17)	[\$500] <u>\$100</u>	[\$1000] <u>\$500</u>	[\$2,500] <u>\$1,000</u>
* * *			
Failure to display a limit order in the quotation (Article XX, Rule 7, interpretation and policy .05)	[\$1,000] <u>\$100</u>	[\$1,000] <u>\$500</u>	\$1,000
* * *			
<u>Submission of Books to Board (Article VIII, Rule 11)</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>
<u>Reporting of Transactions (Article XXI, Rule 1)</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>
<u>Failure to comply with the firm quote rule in response to ITS commitments (Article XX, Rule 39(b)(4))</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>
<u>Failure to comply with single price opening guarantees (Article XX, Rule 37(a)(4))</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>

<u>Failure of member or member firm to reasonably supervise its conduct to prevent violations of any rule or regulation that is included in the Minor Rules Violation Plan.</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>
<u>Entry of Market-at-the-Close Orders (Article XX, Rule 44)</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>
<u>Order to Buy and Sell Same Security (Article XX, Rule 23)</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>
<u>Dealer Required to Purchase All Odd Lots Offered (Article XXXI, Rule 6)</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>
<u>Combining of Orders to Buy or Sell Lots of Same Stock (Article XXXI, Rule 8)</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>
<u>Odd lot order pricing requirements (Article XXXI, Rule 9)</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>
<u>(31) Pricing for preopening Odd lot orders (Article XXXI, Rule 15)</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>

*The number of violations shall be calculated on a 12-month rolling basis.