

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

Initial <input checked="" type="checkbox"/>	Amendment <input 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  Last Name   
 Title   
 E-mail   
 Telephone  Fax

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,  
  
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date   
 By    
 (Name) (Title)

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information**

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

**Exhibit 1 - Notice of Proposed Rule Change**

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

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

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Exhibit Sent As Paper Document

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

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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

**Exhibit 5 - Proposed Rule Text**

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

**Partial Amendment**

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

## Form 19b-4 Information

### 1. Text of Proposed Rule Change

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

#### **PARTICIPANT FEES AND CREDITS**

\* \* \*

#### **M. Credits**

1. – 4. No change to text

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

A “Two-Sided Quote Provider” is an Exchange participant that uses its own automated systems to maintain, throughout the Exchange’s primary and post-primary trading sessions, a continuous two-sided quote (i.e., a bid and an offer) in all securities that are not traded by an Exchange specialist, but are traded in an automated Exchange system. The Exchange will provide this credit, on a first-come, first-served basis to the first three participants that demonstrate their ability and willingness to serve in this role. If the Two-Sided Quote Provider does not provide a continuous two-sided quote as required above, the Exchange shall not be required to pay the Two-Sided Quote Provider for the day in which the quotes were not maintained and may end its role as a Two-Sided Quote Provider as of the end of the month in which the failure occurred.

\* \* \*

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

### 2. Procedures of Self-Regulatory Organization

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

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

(a) Through this proposal, the Exchange seeks to establish a credit of \$3,000 per month for firms that qualify as Two-Sided Quote Providers. The credit would be available from May 1, 2006 to October 31, 2006.

Under the proposed credit, a Two-Sided Quote Provider would be an Exchange participant that uses its own automated systems to maintain, throughout the Exchange's primary and post-primary trading sessions, a continuous two-sided quote (i.e., a bid and an offer) in all securities that are not traded by an Exchange specialist, but are traded in an automated Exchange system.<sup>1</sup> If the Two-Sided Quote Provider does not provide a continuous two-sided quote as required above, the Exchange would not be required to pay the Two-Sided Quote Provider for the day in which the quotes were not maintained and may end its role as a Two-Sided Quote Provider as of the end of the month in which the failure occurred.

This proposal is designed to provide an appropriate incentive to up to three participant firms to ensure that a two-sided quote is continuously displayed on the Exchange in securities that are traded on the Exchange.<sup>2</sup>

(b) Approval of the rule changes proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b). The proposed rule change is consistent with Section 6(b)(4) of the Act in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members and provides an appropriate incentive for up to three firms to ensure that a two-sided quote is continuously displayed on the Exchange in securities that are traded on the Exchange.

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<sup>1</sup> The Exchange plans to provide this credit, on a first-come, first-served basis to the first three participants that demonstrate their ability and willingness to serve in this role. The Exchange does not believe that these firms would need to register as market makers in the Exchange's electronic book (where many securities that are not traded by a specialist are traded) or on the Exchange (where some listed securities have not yet been transitioned to trading in the electronic book), because the Exchange does not seek to impose any requirement that these firms maintain fair and orderly markets.

<sup>2</sup> Under the current Intermarket Trading System Plan ("ITS Plan"), a member in any market that is an ITS Plan participant may use the ITS System to trade a particular security only if the market maintains continuous two-sided quotations in that security. See ITS Plan, Section 6(a)(i). This proposed credit would help ensure, among other things, that a continuous two-sided quote is displayed on the Exchange in all securities that qualify for trading under the ITS Plan.

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

The Exchange believes that no burden will be placed on competition as a result of the proposed rule changes.

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

No written comments were solicited or received.

**6. Extension of the Time Period for Commission Action**

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

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

The 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 2-5: Not applicable.

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-\_\_\_\_; File No. SR-CHX-2006-15)  
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 April 30, 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. 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 amend its Participant Fee Schedule (the “Fee Schedule”) to establish a credit for firms that qualify as “Two-Sided Quote Providers.” The text of this proposed rule change is available on the Exchange’s website at [http://www.chx.com/rules/proposed\\_rules.htm](http://www.chx.com/rules/proposed_rules.htm) and in the Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549.

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

In its filing with the Commission, the CHX included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received regarding the proposal. The text of these statements may be examined at the

places specified in Item IV below. The CHX has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

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

1. Purpose

Through this proposal, the Exchange seeks to establish a credit of \$3,000 per month for firms that qualify as Two-Sided Quote Providers. The credit would be available from May 1, 2006 to October 31, 2006.

Under the proposed credit, a Two-Sided Quote Provider would be an Exchange participant that uses its own automated systems to maintain, throughout the Exchange's primary and post-primary trading sessions, a continuous two-sided quote (i.e., a bid and an offer) in all securities that are not traded by an Exchange specialist, but are traded in an automated Exchange system.<sup>1</sup> If the Two-Sided Quote Provider does not provide a continuous two-sided quote as required above, the Exchange would not be required to pay the Two-Sided Quote Provider for the day in which the quotes were not maintained and may end its role as a Two-Sided Quote Provider as of the end of the month in which the failure occurred.

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<sup>1</sup> The Exchange plans to provide this credit, on a first-come, first-served basis to the first three participants that demonstrate their ability and willingness to serve in this role. The Exchange does not believe that these firms would need to register as market makers in the Exchange's electronic book (where many securities that are not traded by a specialist are traded) or on the Exchange (where some listed securities have not yet been transitioned to trading in the electronic book), because the Exchange does not seek to impose any requirement that these firms maintain fair and orderly markets.

This proposal is designed to provide an appropriate incentive to up to three participant firms to ensure that a two-sided quote is continuously displayed on the Exchange in securities that are traded on the Exchange.<sup>2</sup>

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(4) of the Act<sup>3</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members and provides an appropriate incentive for up to three firms to ensure that a two-sided quote is continuously displayed on the Exchange in securities that are traded on the Exchange.

*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

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<sup>2</sup> Under the current Intermarket Trading System Plan ("ITS Plan"), a member in any market that is an ITS Plan participant may use the ITS System to trade a particular security only if the market maintains continuous two-sided quotations in that security. *See* ITS Plan, Section 6(a)(i). This proposed credit would help ensure, among other things, that a continuous two-sided quote is displayed on the Exchange in all securities that qualify for trading under the ITS Plan.

<sup>3</sup> 15 U.S.C. 78(f)(b)(4).

19(B)(3)(A) of the Act<sup>4</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder.<sup>5</sup> 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 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](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2006-15 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-2006-15. 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

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<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> 17 CFR 240.19b-4(f)(2).

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-2006-15 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.<sup>6</sup>

Nancy M. Morris  
Secretary

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<sup>6</sup> 17 CFR 200.30-3(a)(12).