

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.

Form 19b-4 Information

1. Text of Proposed Rule Change

- (a) The Chicago Stock Exchange, Inc. (the “CHX” or the “Exchange”), pursuant to Rule 19b-4 of the Securities Exchange Act of 1934 (the “Act”) proposes to amend its bylaws to bar a director from participating in a matter relating to an issuer of a security, if the director is a director, officer or employee of the issuer of that security. The text of the proposed changes is set out below. New text is underlined.

BYLAWS OF CHICAGO STOCK EXCHANGE, INC.

* * *

ARTICLE II

DIRECTORS

* * *

Participation in Meeting, Action or Proceeding

SEC. 7. No director shall be disqualified from participating in any meeting, action or proceeding of the Board of Directors by reason of having, either personally or as a member of any committee, made prior inquiry, examination or investigation of the subject under consideration, nor shall any member of any such committee be disqualified from acting as a director upon any appeal from a decision of any committee. But no director shall participate in the determination of any matter in which such director is personally interested. Participant Directors shall not be deemed to be personally interested in the determination of matters that may affect the Participants as a whole or certain groups of Participants, and Participant Directors shall not be prohibited from participating in such determinations in the normal course of conducting the Corporation's business. In a matter involving an issuer of a security listed or to be listed on the Exchange, a director shall be deemed to be “personally interested” if he or she is a director, officer or employee of the issuer of that security, and shall not participate in a decision relating to that matter. Other relationships between a director and an issuer shall be evaluated on a case-by-case basis.

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

2. Procedures of Self-Regulatory Organization

The CHX Board of Directors approved the proposed bylaws change through unanimous written consent.

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

(a) Under the Exchange's rules, if the Exchange proposes to delist a security, the issuer of the security has the right to avail itself of a hearing before a hearing officer and to appeal the decision of the hearing officer to the Exchange's Executive Committee.¹ The Exchange's Executive Committee is composed entirely of Exchange directors.²

Although the Exchange's bylaws generally prevent a director from participating in the determination of any matter in which the director is personally interested, no provision of the bylaws specifically confirms that a director should not participate in a decision involving the issuer of a security if he or she is a director, officer or employee of the issuer. This proposed change would add a clarification to the Exchange's bylaws to confirm that, in a matter involving the issuer of a security listed or to be listed on the Exchange, a director shall be deemed to be personally interested in the matter if he or she is a director, officer or employee of the issuer of the security.³ The Exchange believes that this new provision

¹ See Article 25, Rule 4.

² See Article 2, Rule 2. The committee must consist of not less than five members, plus the chairman of the Board. A majority of the committee members must be public directors. *Id.*

³ This proposal is a slightly-amended version of the proposal originally made in SR-CHX-2006-25, which has been withdrawn. In this new version of the proposal, the Exchange, at the recommendation of SEC staff, has expanded its original filing to cover all proceedings involving an issuer of a security, instead of limiting the proposal only to delisting proceedings. Importantly, however, this proposal is not designed to affect other provisions of this section of the bylaws; specifically, this proposal is not designed to prevent a participant director who is an employee of an issuer that is also a participant firm from participating in the determination of matters that may affect participants as a whole or certain groups of participants, as already expressly permitted by the bylaws. See Article II, Section 7 of the CHX's bylaws.

In this revised version of the original proposal, the Exchange also has confirmed that, although it will typically deem a director to be "personally interested" in a matter relating to an issuer if the director is a director, officer or employee of that issuer (subject to the exception described above), the Exchange will review other relationships between a director and an issuer on a case-by-case basis to determine whether inappropriate personal interest exists. When a director recuses himself or herself from a decision, the Exchange's practice is to reflect that recusal in the minutes of the meeting at which the recusal occurs.

appropriately limits a director's ability to participate in proceedings involving a company for which he or she serves as a director, officer or employee.⁴

(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 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 by confirming that an Exchange director should not participate in proceedings involving a company for which he or she serves as a director, officer or employee.

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)

Not applicable.

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

Not applicable.

⁴ This bylaws change is also consistent with a recommendation made by the Commission's Office of Compliance Inspections and Examinations.

9. Exhibits

Exhibit 1: The Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibits 2-5: Not applicable.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION

**(Release No. 34-____; File No. SR-CHX-2007-16)
SELF-REGULATORY ORGANIZATIONS**

Proposed Change By the Chicago Stock Exchange, Inc. to Amend its Bylaws

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 July 27, 2007, 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

The CHX, pursuant to Rule 19b-4 of the Act, proposes to amend its bylaws to bar a director from participating in a matter relating to an issuer of a security, if the director is a director, officer or employee of the issuer of that security. The text of this proposed rule change is available on the Exchange’s website at http://www.chx.com/content/Participant_Information/Rules_Filings.html 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

Under the Exchange's rules, if the Exchange proposes to delist a security, the issuer of the security has the right to avail itself of a hearing before a hearing officer and to appeal the decision of the hearing officer to the Exchange's Executive Committee.¹ The Exchange's Executive Committee is composed entirely of Exchange directors.²

Although the Exchange's bylaws generally prevent a director from participating in the determination of any matter in which the director is personally interested, no provision of the bylaws specifically confirms that a director should not participate in a decision involving the issuer of a security if he or she is a director, officer or employee of the issuer. This proposed change would add a clarification to the Exchange's bylaws to confirm that, in a matter involving the issuer of a security listed or to be listed on the Exchange, a director shall be deemed to be personally interested in the matter if he or she is a director, officer or employee of the issuer of the security.³ The Exchange believes

¹ See Article 25, Rule 4.

² See Article 2, Rule 2. The committee must consist of not less than five members, plus the chairman of the Board. A majority of the committee members must be public directors. *Id.*

³ This proposal is a slightly-amended version of the proposal originally made in SR-CHX-2006-25, which has been withdrawn. In this new version of the proposal, the

that this new provision appropriately limits a director's ability to participate in proceedings involving a company for which he or she serves as a director, officer or employee.⁴

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).⁵ The proposed rule change is consistent with Section 6(b)(5) of the Act because it 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 by confirming that an Exchange director should not participate in

Exchange, at the recommendation of SEC staff, has expanded its original filing to cover all proceedings involving an issuer of a security, instead of limiting the proposal only to delisting proceedings. Importantly, however, this proposal is not designed to affect other provisions of this section of the bylaws; specifically, this proposal is not designed to prevent a participant director who is an employee of an issuer that is also a participant firm from participating in the determination of matters that may affect participants as a whole or certain groups of participants, as already expressly permitted by the bylaws. *See* Article II, Section 7 of the CHX's bylaws.

In this revised version of the original proposal, the Exchange also has confirmed that, although it will typically deem a director to be "personally interested" in a matter relating to an issuer if the director is a director, officer or employee of that issuer (subject to the exception described above), the Exchange will review other relationships between a director and an issuer on a case-by-case basis to determine whether inappropriate personal interest exists. When a director recuses himself or herself from a decision, the Exchange's practice is to reflect that recusal in the minutes of the meeting at which the recusal occurs.

⁴ This bylaws change is also consistent with a recommendation made by the Commission's Office of Compliance Inspections and Examinations.

⁵ 15 U.S.C. 78(f)(b).

proceedings involving a company for which he or she serves as a director, officer or employee.

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

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-2007-16 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-2007-16. 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-2007-16 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.⁶

Nancy M. Morris
Secretary

⁶ 17 CFR 200.30-3(a)(12).