

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

<input type="checkbox"/> Initial	<input checked="" type="checkbox"/> Amendment	<input type="checkbox"/> Withdrawal	<input checked="" type="checkbox"/> Section 19(b)(2)	<input type="checkbox"/> Section 19(b)(3)(A)	<input type="checkbox"/> Section 19(b)(3)(B)
			Rule		
<input type="checkbox"/> Pilot	<input type="checkbox"/> Extension of Time Period for Commission Action	<input type="text" value=""/> Date Expires	<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)	

<input type="checkbox"/> Exhibit 2 Sent As Paper Document	<input type="checkbox"/> Exhibit 3 Sent As Paper Document
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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="01/22/2008"/>
By	<input type="text" value="Ellen J Neely"/> President & General Counsel
	(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

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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.

Amendment No. 1 to SR-CHX-2007-18

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 rules to make administrative changes that are designed to allow third-party routers to provide better service to their customers. These changes would (1) allow a participant and a routing destination to request that the CHX flip any executions into the participant’s account and report that second leg of the away-market transaction to clearing; (2) allow the CHX (and/or a routing destination), in certain circumstances, to determine whether additional agreements with CHX participants are needed to implement the routing functionality; and (3) allow a participant to use its own give-up (rather than the routing service’s give-up) when routing orders to other markets as part of a cross with satisfy or an outbound ISO.

The text of the proposed changes is set out below. New text is underlined; deletions are [bracketed].

* * *

ARTICLE 20

Prevention of Trade-throughs

RULE 5. No change to text.

- • • *Interpretations and Policies:*

* * *

.03 No change to text.

- a. Cross with satisfy/outbound ISO. If a Participant has submitted a cross with satisfy or an outbound ISO and its execution would cause an improper trade-through, the Matching System shall execute that order and simultaneously route orders necessary to satisfy the bids or offers of other markets. The Exchange’s systems will determine when, how and where these orders should be routed. These orders will be routed through the connectivity provided by a routing services provider with whom the Exchange has negotiated an access agreement. The Exchange

will flip any executions into the Participant's account, as necessary, and report that second leg of the away-market transaction to clearing.

b. All other situations. In all other situations, if the execution of all or a part of an inbound round lot order would cause a trade-through, and the Participant has not identified the order as "do not route," the Matching System shall route the order to another venue, according to each Participant's instructions. The Participant will be responsible for ensuring that it has a relationship with its chosen destination to permit the requested access. The Exchange shall not have responsibility for the handling of the order by the other destination, but will report any execution or cancellation of the order by the other destination to the Participant that submitted the order, [and] will notify the other venue of any cancellations or changes to the order submitted by the order-sending Participant and, if requested by the Participant and its chosen destination, will flip any executions into the Participant's account, as necessary, and report that second leg of the away-market transaction to clearing.

c. (1) With respect to the routing under paragraph (a), t[T]he Exchange will provide its Routing Services pursuant to the terms of this rule and three separate agreements, to the extent that they are applicable to a specific routing decision: ([1]a) an agreement between the Exchange and each Participant on whose behalf orders will be routed ("Participant-Exchange Agreement"); ([2]b) an agreement between each Participant and a specified third-party broker-dealer that will use its routing connectivity to other markets and, if necessary, serve as a "give-up" in those markets ("Give-Up Agreement"); and ([3]c) an agreement between the Exchange and the specified third-party broker-dealer ("Routing Connectivity Agreement") pursuant to which the third-party broker-dealer agrees to provide routing connectivity to other markets and serve as a "give-up" for the Exchange's Participants in other markets. The Routing Connectivity Agreement will include terms and conditions that enable the Exchange to comply with this Interpretation and Policy .03.

With respect to the routing under paragraph (b), above, the agreements described in paragraph (c)(1) will be used to the extent that they are deemed necessary by the Exchange and/or a third-party broker-dealer providing connectivity to other markets.

* * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of Self-Regulatory Organization

The CHX Board of Directors approved the proposed rules change at a meeting on June 13, 2007.

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

(a) Under the Exchange's rules, the Exchange's Matching System will not execute an order if its execution would be improper under Rule 611 (an "improper trade-through").¹ Similarly, the Exchange's Matching System will not display an order if its display would improperly lock or cross other markets.² In these situations, the Exchange either cancels the order back to the participant that submitted it or routes the order to the destination of the participant's choice, all at the direction of the participant.³

Under this proposal, the Exchange seeks to make three administrative changes to its routing rules to permit these third-party routers to provide better service to their customers. The first proposed change would allow a participant and a routing destination to request that the CHX flip any executions into the participant's account and report that second leg of the away-market transaction to clearing.⁴ This service would give the order-sending participant the option of consolidating its clearing reports in specific locations.

The second proposed change would allow the CHX (and a routing destination) to determine whether additional agreements with CHX participants are needed to implement the routing functionality for all orders, except a cross with satisfy or an

¹ See Article 20, Rule 5.

² See Article 20, Rule 6.

³ The participant is responsible for ensuring that it has a relationship with its chosen destination to permit the requested access. The Exchange is not involved in the execution of the order – any execution of the order is the responsibility of the destination to which the order was sent. The Exchange, however, reports any execution or cancellation of the order by the other destination to the participant that submitted the order and notifies the other venue of any cancellations or changes to the order submitted by the order-sending participant.

⁴ For example, if the Exchange routes a participant's buy order to the participant's chosen destination (Router ABC) and Router ABC gets an execution of that order in another market against market maker XYZ, the first leg of the transaction (ABC buying from XYZ) will be reported to clearing by the other market. The Router ABC would send an execution report back to the Exchange (for routing to the original order-sending participant). Under this proposal, if the participant and Router ABC had requested, the Exchange would take the execution report and create a clearing-only record, flipping the execution from Router ABC's account to the account of the order-sending participant (ABC selling to the order-sending participant).

outbound ISO.⁵ While the CHX believes that most routing destinations will require that order-senders sign additional agreements for any services that the destinations might provide, the CHX wants to provide flexibility for destinations to make choices appropriate to their business models.

Finally, the third proposed change would allow a participant to ask its chosen destination to use the participant's own give-up (rather than the routing destination's give-up) when routing orders to other markets as part of a cross with satisfy or an outbound ISO.⁶ We believe that some participants – that already have good give-ups in other markets – might prefer that the routing service use those give-ups rather than its own.

The Exchange believes that these proposed changes do not substantially change the existing routing process, but instead simply provide additional flexibility to the third-party routing services that participants might desire to use.⁷

The Exchange filed this amendment to the proposal to: (1) reflect changes to the rule text that were made in a recent filing to eliminate references to the Reg NMS Linkage and ITS Plans; and (2) change the text (and the related narrative description of the proposal) to limit the proposed flexibility in determining whether agreements are necessary to routing decisions other than those involving a cross with satisfy or outbound ISO. This amendment supersedes and replaces the original filing in its entirety.

(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 allowing the Exchange to provide additional flexibility to its participants and the destinations to which the Exchange should route their orders.

⁵ The routing of an outbound ISO or a cross with satisfy will be provided pursuant to the agreements described in section (c)(1) of the Interpretation, to the extent that the agreements are applicable to a specific routing decision. *See* Article 20, Rule 5, Proposed Interpretation and Policy .03(c)(1).

⁶ *See* Article 20, Rule 5, Proposed Interpretation and Policy .03(c).

⁷ Because these proposals do not make substantive changes to the Exchange's routing structure, the Exchange believes that its routing of orders to a participant's chosen destination would continue to be a facility of the Exchange, but the destinations chosen by each participant would not constitute Exchange facilities.

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.

9. Exhibits

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

Exhibits 2-3: Not applicable.

Exhibit 4: Marked version of the rule text showing changes from the text included in the original filing.

Exhibit 5: Not applicable.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION

**(Release No. 34-____; File No. SR-CHX-2007-18)
SELF-REGULATORY ORGANIZATIONS**

Proposed Change By the Chicago Stock Exchange, Inc. to Make Administrative Changes to its Routing Rules

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 6, 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. On January 22, 2008, the Exchange filed an amendment to the proposal. 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 rules to make administrative changes that are designed to allow third-party routers to provide better service to their customers. 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

Under the Exchange's rules, the Exchange's Matching System will not execute an order if its execution would be improper under Rule 611 (an "improper trade-through").¹ Similarly, the Exchange's Matching System will not display an order if its display would improperly lock or cross other markets.² In these situations, the Exchange either cancels the order back to the participant that submitted it or routes the order to the destination of the participant's choice, all at the direction of the participant.³

Under this proposal, the Exchange seeks to make three administrative changes to its routing rules to permit these third-party routers to provide better service to their customers. The first proposed change would allow a participant and a routing destination to request that the CHX flip any executions into the participant's account and report that

¹ See Article 20, Rule 5.

² See Article 20, Rule 6.

³ The participant is responsible for ensuring that it has a relationship with its chosen destination to permit the requested access. The Exchange is not involved in the execution of the order – any execution of the order is the responsibility of the destination to which the order was sent. The Exchange, however, reports any execution or cancellation of the order by the other destination to the participant that submitted the order and notifies the other venue of any cancellations or changes to the order submitted by the order-sending participant.

second leg of the away-market transaction to clearing.⁴ This service would give the order-sending participant the option of consolidating its clearing reports in specific locations.

The second proposed change would allow the CHX (and a routing destination) to determine whether additional agreements with CHX participants are needed to implement the routing functionality for all orders, except a cross with satisfy or an outbound ISO.⁵ While the CHX believes that most routing destinations will require that order-senders sign additional agreements for any services that the destinations might provide, the CHX wants to provide flexibility for destinations to make choices appropriate to their business models.

Finally, the third proposed change would allow a participant to ask its chosen destination to use the participant's own give-up (rather than the routing destination's give-up) when routing orders to other markets as part of a cross with satisfy or an outbound ISO.⁶ We believe that some participants – that already have good give-ups in

⁴ For example, if the Exchange routes a participant's buy order to the participant's chosen destination (Router ABC) and Router ABC gets an execution of that order in another market against market maker XYZ, the first leg of the transaction (ABC buying from XYZ) will be reported to clearing by the other market. The Router ABC would send an execution report back to the Exchange (for routing to the original order-sending participant). Under this proposal, if the participant and Router ABC had requested, the Exchange would take the execution report and create a clearing-only record, flipping the execution from Router ABC's account to the account of the order-sending participant (ABC selling to the order-sending participant).

⁵ The routing of an outbound ISO or a cross with satisfy will be provided pursuant to the agreements described in section (c)(1) of the Interpretation, to the extent that the agreements are applicable to a specific routing decision. *See* Article 20, Rule 5, Proposed Interpretation and Policy .03(c)(1).

⁶ *See* Article 20, Rule 5, Proposed Interpretation and Policy .03(c).

other markets – might prefer that the routing service use those give-ups rather than its own.

The Exchange believes that these proposed changes do not substantially change the existing routing process, but instead simply provide additional flexibility to the third-party routing services that participants might desire to use.⁷

The Exchange filed an amendment to the proposal to: (1) reflect changes to the rule text that were made in a recent filing to eliminate references to the Reg NMS Linkage and ITS Plans; and (2) change the text (and the related narrative description of the proposal) to limit the proposed flexibility in determining whether agreements are necessary to routing decisions other than those involving a cross with satisfy or outbound ISO. This amendment supersedes and replaces the original filing in its entirety.

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).⁸ 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 allowing the Exchange to provide additional flexibility to its participants and the destinations to which the Exchange should route their orders.

⁷ Because these proposals do not make substantive changes to the Exchange's routing structure, the Exchange believes that its routing of orders to a participant's chosen destination would continue to be a facility of the Exchange, but the destinations chosen by each participant would not constitute Exchange facilities.

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

⁸ 15 U.S.C. 78(f)(b).

- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-CHX-2007-18 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-2007-18. 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-2007-18 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.⁹

Nancy M. Morris
Secretary

⁹ 17 CFR 200.30-3(a)(12).

Exhibit 4 to SR-CHX-2007-18, Amendment No. 1

Text that has been added to the original filing is in *bold italics*. If the text is designed to be included as new rule text, it is in bold italics and *double-underlined*. Text that has been deleted from the original filing is identified with ~~double strike-through~~ markings.

As in the original filing, additions are underlined; deleted text is [in brackets]

ARTICLE 20**Prevention of Trade-throughs**

RULE 5. No change to text.

• • • *Interpretations and Policies:*

* * *

.03 No change to text.

a. Cross with satisfy/outbound ISO. If a Participant has submitted a cross with satisfy or an outbound ISO and its execution would cause an improper trade-through, the Matching System shall execute that order and simultaneously route orders ~~or commitments~~ necessary to satisfy the bids or offers of other markets. The Exchange's systems will determine when, how and where these orders ~~(or commitments)~~ should be routed. These orders will be routed, ~~at the Participant's election, either through the NMS Linkage System (or any later linkage that supersedes the NMS Linkage System) or~~ through the connectivity provided by a routing services provider with whom the Exchange has negotiated an access agreement. The Exchange will flip any executions into the Participant's account, as necessary, and report that second leg of the away-market transaction to clearing.

b. All other situations. In all other situations, if the execution of all or a part of an inbound round lot order would cause a trade-through, and the Participant has not identified the order as "do not route," the Matching System shall route the order to another venue, according to each Participant's instructions. The Participant will be responsible for ensuring that it has a relationship with its chosen destination to permit the requested access. The Exchange shall not have responsibility for the handling of the order by the other destination, but will report any execution or cancellation of the order by the other destination to the Participant that submitted the order, [and] will notify the other venue of any cancellations or changes to the order submitted by the order-sending Participant and, if requested by the Participant and its chosen destination, will flip any executions into the Participant's account, as necessary, and report that second leg of the away-market transaction to clearing.

c. (1) With respect to the routing under paragraph (a), ~~The Exchange will provide its Routing Services pursuant to the terms of this rule and three separate agreements, to the extent that they are applicable to a specific routing decision and are deemed necessary by the Exchange and/or a specific third-party broker-dealer providing connectivity to other markets:~~ (1a) an agreement between the Exchange and each Participant on whose behalf orders will be routed (“Participant-Exchange Agreement”); (2b) an agreement between each Participant and a specified third-party broker-dealer that will use its routing connectivity to other markets and, if necessary, serve as a “give-up” in those markets (“Give-Up Agreement”); and (3c) an agreement between the Exchange and the specified third-party broker-dealer (“Routing Connectivity Agreement”) pursuant to which the third-party broker-dealer agrees to provide routing connectivity to other markets and serve as a “give-up” for the Exchange’s Participants in other markets. The Routing Connectivity Agreement will include terms and conditions that enable the Exchange to comply with this Interpretation and Policy .03.

With respect to the routing under paragraph (b), above, the agreements described in paragraph (c)(1) will be used to the extent that they are deemed necessary by the Exchange and/or a third-party broker-dealer providing connectivity to other markets.

* * *