



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 registration requirements to require CHX participants to use Web CRD to register associated persons who are required to register with the Exchange under CHX rules. The Exchange would also amend its Schedule of Participant Fees and Credits (the “Fee Schedule”) to include fees that would be charged in connection with the use of Web CRD. The text of the proposed rule changes are set out below. Additions are underlined; deletions are [bracketed].

**ARTICLE 6****Registration, Supervision and Training**

\* \* \*

**Registration and Approval of Participant Personnel**

RULE 2. No change to text.

\* \* \*

**••• Interpretations and Policies:**

.01 When registering [new] persons under this Rule, a completed Form U-4 and an amended Form BD, if such Form is required to be amended, shall be submitted to the FINRA Web Central Registration Depository (“Web CRD”). [forwarded to the Exchange (or other self-regulatory organization designated by the Exchange from time to time) together with appropriate addendum and/or addenda.] Thereafter, revised forms shall be submitted to the Web CRD [forwarded to the Exchange (or other SRO designated by the Exchange from time to time)] whenever information on such forms becomes inaccurate or incomplete regarding any registered person, not later than 30 days after such registered person learns the facts or circumstances requiring the forms to be revised or, if such revision involves a statutory disqualification as defined in Section 3(a)(39) and Section 15(b)(4) of the Securities Exchange Act of 1934, as amended, not later than 10 days after such disqualification occurs.

.02 Termination of Registered Persons. Following the termination of a person associated with a Participant in a registered capacity, such Participant shall promptly, but in no event later than thirty (30) calendar days after such termination, submit [give written notice of such termination to the Exchange on] a Form U-5 to the Web CRD, and concurrently provide a copy of such notice to the person whose association has been terminated.

[.03 Termination of Other Associated Persons. Following the termination of a person associated with a Participant, but not in a registered capacity, such Participant shall promptly, but in no event later than thirty (30) calendar days after such termination, give written notice of such termination to the Exchange.]

.03[4] No change to text.

\* \* \*

### **Fingerprinting**

**RULE 10. No change to text.**

**••• Interpretations and Policies:**

.01 The Exchange may choose to allow Participants to [may] submit fingerprint cards to the Exchange for processing or may direct Participants to submit fingerprint cards to FINRA for processing.

\* \* \*

### **Schedule of Participant Fees and Credits**

\* \* \*

## **J. Market Regulation and Market Surveillance Fees**

5. Fees for FINRA[NASD]-provided services (paid directly to FINRA[NASD])

<u>Registration Fee</u>	<u>\$85</u>
<u>Disclosure Processing Fee (U-4, U-5 and any amendments)</u>	<u>\$95</u>
<u>Annual Processing Fee</u>	<u>\$30</u>

<u>Termination Fee</u>	<u>\$40</u>
<u>Late Termination Fee</u>	<u>\$80</u>

**Fingerprint Processing**

Initial Submission \$30.25 per card

Second Submission (for a first fingerprint card submission that was determined by the as being illegible) \$13 per card

Third Submission \$35 per card

\* \* \*

(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 September 18, 2007.

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

(a) FINRA's Web CRD system is a centralized, web-based system used by securities exchanges and broker-dealers across the country to track registration and qualification information about firms and the individuals who work for them. The Exchange is in the process of entering into an agreement with FINRA that would allow the Exchange's participants to use Web CRD to register certain of their associated persons. Through this proposal, the Exchange seeks to amend its registration rules and Fee Schedule (a) to require Exchange participants to use Web CRD to register associated persons who are required to register with the Exchange under CHX rules; (b) to allow the CHX to determine whether participants should submit fingerprints to the CHX or to FINRA for processing during the registration process; and (c) to adopt new fees to cover charges

assessed by FINRA for its work in processing fingerprints or the materials submitted through the Web CRD system.<sup>1</sup>

The first part of this proposal would require CHX participants to use the Web CRD system to register certain of their associated persons.<sup>2</sup> Today, CHX participants that are not members of FINRA do not have access to the Web CRD system for registering their associated persons. Instead of using this on-line tool, they must handle their registration and continuing education processes manually, by filing paperwork with the CHX, which CHX staff must process and store in hard copy form. To alleviate the need for this manual processing – and to ensure that other regulatory benefits are achieved – the Exchange believes that it is appropriate to require CHX participants to use Web CRD to register associated persons who are required to register with the Exchange under CHX rules.<sup>3</sup> Among other things, use of the Web CRD system would allow all information relating to the registration of associated persons to be compiled in one central repository for access by regulators and broker-dealers and would permit the automated tracking of a registered person's continuing education requirements, if any.

In addition, under this proposal, CHX participants would be required to submit any required fingerprints to either the Exchange or to FINRA for processing.<sup>4</sup> Under the Exchange's current rules, CHX participants submit fingerprints to the Exchange for processing.<sup>5</sup> Under the proposal, the Exchange would have the discretion to continue this process or to require its participants to submit fingerprint cards to FINRA for processing. The Exchange seeks this flexibility so

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<sup>1</sup> The CHX would also delete a provision that requires firms to notify the CHX of the termination of any non-registered, associated person's employment. *See* Article 6, Rule 2, Interpretation .03. The CHX believes that this requirement has become somewhat obsolete with the CHX's move to its new trading model, because the requirement had, in effect, been largely focused on the employment status of clerks working on the Exchange's trading floor. Moreover, the CHX regularly receives an updated list of a firm's associated persons when it conducts its annual examinations.

<sup>2</sup> *See* Proposed Article 6, Rule 2, Interpretation and Policy .01.

<sup>3</sup> Under CHX rules, officers, partners, principal stockholders and, directors of a participant firm must register with the Exchange, as well as any person acting as an institutional broker representative or as a market maker trader or any person listed on Schedules A, B or C of a participant firm's Form BD. *See* Article 6, Rule 2(b). These registration rules only apply to participant firms for which the Exchange is the designated examining authority and to registered persons of other participant firms where the registered persons act as institutional broker representatives or market maker traders on the Exchange. *See* Article 6, Rule 2, Interpretation and Policy .04.

<sup>4</sup> *See* Proposed Article 6, Rule 10, Interpretation and Policy .01.

<sup>5</sup> When the Exchange receives fingerprints, the Exchange processes them through the Federal Bureau of Investigation ("FBI"). The FBI retrieves criminal history information associated with those fingerprints and returns reports to the Exchange for review.

that it can determine, from time to time, which fingerprint processing method is most efficient for the Exchange and for its participants.

Finally, because FINRA would assess charges to CHX participants for using the Web CRD system and for processing any fingerprints that are submitted, the Exchange also seeks to amend its Fee Schedule to include applicable registration, processing and termination fees, as well as various fingerprint charges.<sup>6</sup>

The Exchange anticipates that its participants will be able to begin using Web CRD for registering associated persons in January 2008 and plans to allow its participants to transition to the use of the Web CRD system over the course of a six- to nine-month period.<sup>7</sup> At the end of this period, CHX participants would be required to use Web CRD for submitting any registration materials required by CHX rules.

(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)(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 permitting the Exchange to require CHX participant firms to register certain associated persons using FINRA's Web CRD system, a centralized database used by the securities exchanges and broker-dealers across the country to track registration and qualification information about firms and individuals who work for them. By requiring use of the Web CRD system, the Exchange's regulatory group (and the firms themselves) will be better able to determine whether a registrant has met applicable continuing education requirements. The Exchange will also be ensuring that other regulators can readily find information about disciplinary actions taken against CHX-only participants.

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<sup>6</sup> These charges include an \$85 registration fee; a \$95 disclosure processing fee; a \$30 annual processing fee and termination fees of \$40 and \$80. Fingerprint processing fees would be \$30.25 per card for an initial submission; \$13 per card for a second submission; and \$35 per card for a third submission.

<sup>7</sup> The Exchange believes that this transition period is appropriate because each CHX participant firm that is not already a FINRA member will be required to enter a new Form U-4 into the Web CRD for each person associated with the firm that is required, by CHX rules, to register with the Exchange. The entry of this information could be time-consuming for some firms and the Exchange believes it is appropriate to give firms an adequate period of time to complete this task before mandating the use of the Web CRD system.

**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**

The proposed rule change is not based on the rules of another self-regulatory organization, but other exchanges have put similar requirements in place for their members. *See, e.g.*, Release No. 34-53612 (April 6, 2006), 71 FR 18798 (April 12, 2006)(approving a similar proposal by the Philadelphia Stock Exchange); Release No. 34-46308 (August 2, 2002), 67 FR 51905 (August 9, 2002)(approving a similar proposal by the Chicago Board Options Exchange).

**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-2007-21)  
SELF-REGULATORY ORGANIZATIONS**

**Proposed Change By the Chicago Stock Exchange, Inc. to Amend its Rules Relating to Registered Persons**

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 October 9, 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 registration requirements to require CHX participants to use Web CRD to register associated persons who are required to register with the Exchange under CHX rules. The Exchange would also amend its Schedule of Participant Fees and Credits (the “Fee Schedule”) to include fees that would be charged in connection with the use of Web CRD. 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](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

FINRA's Web CRD system is a centralized, web-based system used by securities exchanges and broker-dealers across the country to track registration and qualification information about firms and the individuals who work for them. The Exchange is in the process of entering into an agreement with FINRA that would allow the Exchange's participants to use Web CRD to register certain of their associated persons. Through this proposal, the Exchange seeks to amend its registration rules and Fee Schedule (a) to require Exchange participants to use Web CRD to register associated persons who are required to register with the Exchange under CHX rules; (b) to allow the CHX to determine whether participants should submit fingerprints to the CHX or to FINRA for processing during the registration process; and (c) to adopt new fees to cover charges assessed by FINRA for its work in processing fingerprints or the materials submitted through the Web CRD system.<sup>1</sup>

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<sup>1</sup> The CHX would also delete a provision that requires firms to notify the CHX of the termination of any non-registered, associated person's employment. *See* Article 6, Rule 2, Interpretation .03. The CHX believes that this requirement has become

The first part of this proposal would require CHX participants to use the Web CRD system to register certain of their associated persons.<sup>2</sup> Today, CHX participants that are not members of FINRA do not have access to the Web CRD system for registering their associated persons. Instead of using this on-line tool, they must handle their registration and continuing education processes manually, by filing paperwork with the CHX, which CHX staff must process and store in hard copy form. To alleviate the need for this manual processing – and to ensure that other regulatory benefits are achieved – the Exchange believes that it is appropriate to require CHX participants to use Web CRD to register associated persons who are required to register with the Exchange under CHX rules.<sup>3</sup> Among other things, use of the Web CRD system would allow all information relating to the registration of associated persons to be compiled in one central repository for access by regulators and broker-dealers and would permit the automated tracking of a registered person’s continuing education requirements, if any.

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somewhat obsolete with the CHX’s move to its new trading model, because the requirement had, in effect, been largely focused on the employment status of clerks working on the Exchange’s trading floor. Moreover, the CHX regularly receives an updated list of a firm’s associated persons when it conducts its annual examinations.

<sup>2</sup> See Proposed Article 6, Rule 2, Interpretation and Policy .01.

<sup>3</sup> Under CHX rules, officers, partners, principal stockholders and, directors of a participant firm must register with the Exchange, as well as any person acting as an institutional broker representative or as a market maker trader or any person listed on Schedules A, B or C of a participant firm’s Form BD. See Article 6, Rule 2(b). These registration rules only apply to participant firms for which the Exchange is the designated examining authority and to registered persons of other participant firms where the registered persons act as institutional broker representatives or market maker traders on the Exchange. See Article 6, Rule 2, Interpretation and Policy .04.

In addition, under this proposal, CHX participants would be required to submit any required fingerprints to either the Exchange or to FINRA for processing.<sup>4</sup> Under the Exchange's current rules, CHX participants submit fingerprints to the Exchange for processing.<sup>5</sup> Under the proposal, the Exchange would have the discretion to continue this process or to require its participants to submit fingerprint cards to FINRA for processing. The Exchange seeks this flexibility so that it can determine, from time to time, which fingerprint processing method is most efficient for the Exchange and for its participants.

Finally, because FINRA would assess charges to CHX participants for using the Web CRD system and for processing any fingerprints that are submitted, the Exchange also seeks to amend its Fee Schedule to include applicable registration, processing and termination fees, as well as various fingerprint charges.<sup>6</sup>

The Exchange anticipates that its participants will be able to begin using Web CRD for registering associated persons in January 2008 and plans to allow its participants to transition to the use of the Web CRD system over the course of a six- to nine-month period.<sup>7</sup> At the end of this period, CHX participants would be required to use Web CRD for submitting any registration materials required by CHX rules.

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<sup>4</sup> See Proposed Article 6, Rule 10, Interpretation and Policy .01.

<sup>5</sup> When the Exchange receives fingerprints, the Exchange processes them through the Federal Bureau of Investigation ("FBI"). The FBI retrieves criminal history information associated with those fingerprints and returns reports to the Exchange for review.

<sup>6</sup> These charges include an \$85 registration fee; a \$95 disclosure processing fee; a \$30 annual processing fee and termination fees of \$40 and \$80. Fingerprint processing fees would be \$30.25 per card for an initial submission; \$13 per card for a second submission; and \$35 per card for a third submission.

<sup>7</sup> The Exchange believes that this transition period is appropriate because each CHX participant firm that is not already a FINRA member will be required to enter a new

## 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).<sup>8</sup> 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 by permitting the Exchange to require CHX participant firms to register certain associated persons using FINRA's Web CRD system, a centralized database used by the securities exchanges and broker-dealers across the country to track registration and qualification information about firms and individuals who work for them. By requiring use of the Web CRD system, the Exchange's regulatory group (and the firms themselves) will be better able to determine whether a registrant has met applicable continuing education requirements. The Exchange will also be ensuring that other regulators can readily find information about disciplinary actions taken against CHX-only participants.

### *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.

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Form U-4 into the Web CRD for each person associated with the firm that is required, by CHX rules, to register with the Exchange. The entry of this information could be time-consuming for some firms and the Exchange believes it is appropriate to give firms an adequate period of time to complete this task before mandating the use of the Web CRD system.

<sup>8</sup> 15 U.S.C. 78(f)(b).

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](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2007-21 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-2007-21. 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-2007-21 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>9</sup>

Nancy M. Morris  
Secretary

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<sup>9</sup> 17 CFR 200.30-3(a)(12).