



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 rules allow the CHX to open at 8:30 a.m., without regard to whether the primary market in a particular security is open and to make other associated changes to its rules. The text of the proposed rule change is set out in Exhibit 5.
- (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) Under existing rules, the Exchange generally opens for trading in a security once the primary market has done so.<sup>1</sup> If the primary market announces that it will not open, or if the primary market has delayed its opening for reasons other than a regulatory halt, the rules permit two senior CHX officials to open the market.<sup>2</sup>

While these rules provided a reasonable way to handle the opening as the Exchange transitioned from its specialist trading model to its new fully-automated trading model, the Exchange believes that it is no longer appropriate to base its opening time on the actions taken by other markets. Through this filing, the Exchange would amend its rules to permit trading to begin at 8:30 a.m., except for trading in specified exchange-traded funds, which would begin at 7:20 a.m.<sup>3</sup>

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<sup>1</sup> See CHX Rules, Article 20, Rule 1(b).

<sup>2</sup> See CHX Rules, Article 20, Interpretation and Policy .01.

<sup>3</sup> See Proposed CHX Rules, Article 20, Rule 1(b).

In conjunction with this change to the opening time of the Exchange's market, the Exchange would make two other changes to its rules. First, the Exchange would eliminate the opening cross order type. These cross orders, which are designed to execute at the primary market opening price, likely could no longer be effectively executed on the Exchange, once the proposed change is made to the time of the Exchange's opening.<sup>4</sup> In addition, the Exchange would add a new rule that prevents immediate or cancel ("IOC") market orders from being accepted until either (i) the primary market in a security has opened trading in that security or (ii) two senior officers of the Exchange have determined that it is appropriate for the Exchange to accept IOC market orders.<sup>5</sup> This change is designed to prevent market orders from being executed at prices that are far away from the primary market opening price, when that market ultimately opens.

(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 begin trading at 8:30 a.m., without regard to whether the primary market in a particular security is open.

**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.

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<sup>4</sup> If the Exchange's systems allow its participants to begin trading before the primary market opens trading in a particular security, an opening cross order (which must execute at the primary market opening price) might violate the protected quotations of other markets. To avoid this potential result, the Exchange believes that it is appropriate to eliminate this order type.

<sup>5</sup> See Proposed CHX Rules, Article 1, Rule 2(n) and Article 20, Rule 4(b)(13). For purposes of this rule, another exchange would be considered to have opened for trading in a security when the first trade in that security occurs in that market on or after 8:30 a.m.

**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.

**9. Exhibits**

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

Exhibits 2-4: Not applicable.

Exhibit 5: The proposed rule text.

**Exhibit 1**

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-\_\_\_\_; File No. SR-CHX-2007-23)  
SELF-REGULATORY ORGANIZATIONS**

**Proposed Change By the Chicago Stock Exchange, Inc. to Amend its Rules to Begin Trading at 8:30 a.m.**

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 2, 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 rules allow the CHX to open at 8:30 a.m., without regard to whether the primary market in a particular security is open and to make other associated changes to its rules. 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

Under existing rules, the Exchange generally opens for trading in a security once the primary market has done so.<sup>1</sup> If the primary market announces that it will not open, or if the primary market has delayed its opening for reasons other than a regulatory halt, the rules permit two senior CHX officials to open the market.<sup>2</sup>

While these rules provided a reasonable way to handle the opening as the Exchange transitioned from its specialist trading model to its new fully-automated trading model, the Exchange believes that it is no longer appropriate to base its opening time on the actions taken by other markets. Through this filing, the Exchange would amend its rules to permit trading to begin at 8:30 a.m., except for trading in specified exchange-traded funds, which would begin at 7:20 a.m.<sup>3</sup>

In conjunction with this change to the opening time of the Exchange's market, the Exchange would make two other changes to its rules. First, the Exchange would eliminate the opening cross order type. These cross orders, which are designed to execute at the primary market opening price, likely could no longer be effectively executed on the Exchange, once the proposed change is made to the time of the

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<sup>1</sup> See CHX Rules, Article 20, Rule 1(b).

<sup>2</sup> See CHX Rules, Article 20, Interpretation and Policy .01.

Exchange's opening.<sup>4</sup> In addition, the Exchange would add a new rule that prevents immediate or cancel ("IOC") market orders from being accepted until either (i) the primary market in a security has opened trading in that security or (ii) two senior officers of the Exchange have determined that it is appropriate for the Exchange to accept IOC market orders.<sup>5</sup> This change is designed to prevent market orders from being executed at prices that are far away from the primary market opening price, when that market ultimately opens.

## 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>6</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 permitting the Exchange to begin trading at 8:30 a.m., without regard to whether the primary market in a particular security is open.

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<sup>3</sup> See Proposed CHX Rules, Article 20, Rule 1(b).

<sup>4</sup> If the Exchange's systems allow its participants to begin trading before the primary market opens trading in a particular security, an opening cross order (which must execute at the primary market opening price) might violate the protected quotations of other markets. To avoid this potential result, the Exchange believes that it is appropriate to eliminate this order type.

<sup>5</sup> See Proposed CHX Rules, Article 1, Rule 2(n) and Article 20, Rule 4(b)(13). For purposes of this rule, another exchange would be considered to have opened for trading in a security when the first trade in that security occurs in that market on or after 8:30 a.m.

<sup>6</sup> 15 U.S.C. 78(f)(b).

*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](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2007-23 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-2007-23. 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-2007-23 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>7</sup>

Nancy M. Morris  
Secretary

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<sup>7</sup> 17 CFR 200.30-3(a)(12).

**Exhibit 5 to SR-CHX-2007-23**

Additions are underlined; deleted text is [bracketed]

**ARTICLE 1**

**Definitions and General Information**

\* \* \*

**Order Types and Conditions**

RULE 2. Unless otherwise specifically defined elsewhere in the CHX Rules, the following terms shall have the respective meanings ascribed to them, for purposes of all CHX Rules. Additional information about order types and conditions can be found in Article 20.

\* \* \*

n. "IOC market": a market order that is to be executed, either in whole or in part, at or better than the Exchange's BBO (including any reserve size or other undisplayed orders at or better than that price), with any unexecuted balance of the order to be immediately cancelled. IOC market orders shall not be accepted until (i) the primary market in a security has opened trading in that security or (ii) two senior officers of the Exchange have determined that it is appropriate for the Exchange to accept IOC market orders. For purposes of this rule, another exchange will be considered to have opened for trading in a security when the first trade in that security occurs in that market on or after 8:30 a.m.

\* \* \*

y. Reserved. ["Opening cross": an order to buy and an order to sell the same security at the opening price. For purposes of this definition, the opening price for securities listed on the NYSE, Amex or any other exchange except Nasdaq shall be the primary market opening price. For Nasdaq-listed securities (except in the case of an IPO), the opening price shall be the midpoint of the first unlocked, uncrossed market that occurs on or after 8:30 a.m. For Nasdaq-listed securities on the date of an IPO, the opening price shall be the Nasdaq opening price. Opening cross orders shall not be accepted in securities exclusively listed on the Exchange and shall not be accepted if any part of the sell side of the order is marked as a sell short order.]

\* \* \*

## ARTICLE 20

### Operation of the CHX Matching System

#### Trading Sessions

RULE 1. a. No change to text.

b. *Trading sessions.* The Exchange shall have two trading sessions during each day. [Except as described in Interpretation and Policy .03 and .04 below, t]The first trading session - the regular trading session - shall begin at 8:30 a.m. and [immediately after the primary market for a security opens its market. This trading session] shall end at 3:00 p.m. each day for all securities except specified exchange-traded funds, which shall begin trading at 7:20 a.m. or trade until 3:15 p.m. The second trading session - the late trading session - shall begin immediately after the close of the first session and shall end at 4:00 p.m. Trading during these sessions may be halted or suspended as provided in Rules 1(d) and 2 below.

\* \* \*

#### ••• *Interpretations and Policies:*

.01 No change to text.

.02 No change to text.

[.03 If the primary market in a security has announced that it will not open or will open later than usual on a particular trading day, or if the primary market in a security has not opened within 15 minutes after its normal opening time, two senior officers of the Exchange may determine that it is appropriate for the Exchange to open for trading. If these officers decide to open one or more securities listed on the NYSE, Amex or any other exchange except Nasdaq when the primary market for these securities is not trading, the Matching System shall cancel all pending opening cross orders in affected securities and, at the opening time selected by these officers, shall then accept all other orders and shall match them as provided in Rule 8(d), below. If these officers decide to open one or more Nasdaq-listed securities when the primary market for these securities is not trading, the Matching System shall (a) if the decision is made before 8:30 a.m., execute all opening cross orders in affected securities as if the primary market had opened and then accept all other orders and match them as provided in Rule 8(d), below; or (b) if the decision is made on or after 8:30 a.m., cancel all pending opening cross orders in affected securities and, at the opening time selected by the Exchange officers, then accept all other orders and match them as provided in Rule 8(d), below.]

[.04 The regular trading session for securities listed exclusively on the Exchange shall begin at 8:30 a.m. and shall end at 3 p.m.]

.0[5]3 No change to text.

\* \* \*

### Eligible Orders

RULE 4. a. No change to text.

b. *Order types and indications.* The Matching System shall only accept the following order types or orders with the following indications:

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

(13) "IOC market": a market order that is to be executed, either in whole or in part, or better than at the Exchange's BBO (including any reserve size or other undisplayed orders at or better than that price), with any unexecuted balance of the order to be immediately cancelled. IOC market orders shall not be accepted until (i) the primary market in a security has opened trading in that security or (ii) two senior officers of the Exchange have determined that it is appropriate for the Exchange to accept IOC market orders. For purposes of this rule, another exchange will be considered to have opened for trading in a security when the first trade in that security occurs in that market on or after 8:30 a.m.

(14)-(17) No change to text.

(18) Reserved. ["Opening cross": an order to buy and an order to sell the same security at the opening price. For purposes of this definition, the opening price for listed securities shall be the primary market opening price. For Nasdaq/NM securities, the opening price shall be the midpoint of the first unlocked, uncrossed market that occurs on or after 8:30 a.m.]

\* \* \*

### Operation of the Matching System

RULE 8. The Exchange's Matching system shall operate in the following manner:

\* \* \*

c. The opening of the market.

1. [Regular trading session for exclusively-listed issues. The Matching System shall not accept opening crosses in securities exclusively listed on the Exchange. At 8:30 a.m., the Matching System shall begin accepting orders in these securities and shall match them as provided in Rule 8(d), below.]

[2.] *Regular trading session.* At 8:30 a.m. (7:20 a.m. for specific exchange-traded funds), [Immediately after the primary market opens,] the Matching System shall [execute all opening cross orders. The Matching System shall then] begin accepting [all other] orders and shall match them as provided in Rule 8(d), below. [If the primary market for a security other than a Nasdaq-listed security opens with a quote, but has not reported a trade for 30 seconds following the dissemination of the initial quote, the Matching System shall cancel all opening cross orders and shall then accept all other orders and shall match them as provided in Rule 8(d), below. If the primary market in a security has announced that it will not open or will open later than usual on a particular trading day, or if the primary market in a security has not opened within 15 minutes after its normal opening time, two senior officers of the Exchange may determine that it is appropriate for the Exchange to open for trading. If these officers decide to open one or more securities listed on the NYSE, Amex or any other exchange except Nasdaq when the primary market for these securities is not trading, the Matching System shall cancel all pending opening cross orders in affected securities and, at the opening time selected by these officers, shall then accept all other orders and shall match them as provided in Rule 8(d), below. If these officers decide to open one or more Nasdaq-listed securities when the primary market for these securities is not trading, the Matching System shall (a) if the decision is made before 8:30 a.m., execute all opening cross orders in affected securities as if the primary market had opened and then accept all other orders and match them as provided in Rule 8(d), below; or (b) if the decision is made on or after 8:30 a.m., cancel all pending opening cross orders in affected securities and, at the opening time selected by the Exchange officers, then accept all other orders and match them as provided in Rule 8(d), below.]

[3]2. No change to text.

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