

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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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 regarding the handling of "clearly erroneous" and other transactions. The text of the proposed rule change is set out below. New text is underlined; deletions are [bracketed].

ARTICLE 20

OPERATION OF THE CHX MATCHING SYSTEM

* * *

Handling of Clearly Erroneous Transactions

RULE 10. The Exchange will respond to requests for review of clearly erroneous transactions using the following procedures:

- (a) No change to text.
- (b) Any participant may request a review of an execution received through the Matching System when the participant believes that the terms of the transaction were clearly erroneous when submitted and, for trades for regular-way settlement during the regular trading session, if the transaction that is the subject of the request is considered eligible for review. A transaction is considered eligible for review if the price of the transaction is away from the midpoint of the NBBO by at least the percentage set out below:

Share Price of Transaction	NBBO price offset
<\$1.00	20%
≥\$1.00	10%

(1) The participant must make a written request for review [by telephone immediately after the execution and also must provide a written request], by facsimile or by e-mail, within [15] 30 minutes after the execution.

(2)-(4) No change to text.

(c) No change to text.

(d) Either party may appeal this determination to a subcommittee of the Exchange's Committee on Exchange Procedure by submitting an appeal to the Exchange's Secretary, by facsimile or in writing, within 30 minutes after receiving the Exchange's written decision or, if the Exchange notifies parties of its decision after 3:00 p.m., by 8:30 a.m., the next trading day. Once an appeal is received, the Exchange shall notify the counterparty to the trade and both parties and the Exchange itself will be permitted to submit any additional supporting written materials up to the time that the subcommittee considers the appeal. Either party to a disputed trade may request, and the Exchange shall provide, the written documentation presented to the subcommittee by the other party or by the Exchange. An appeal does not operate as a stay on the decision being appealed. After consideration of any written materials provided by the parties or by the Exchange, and after any hearings that the subcommittee may hold, the subcommittee, using the standards set out in this rule, shall affirm, modify or reverse the original decision. The decision of this subcommittee shall be the final Exchange action on the matter. Any decision by an Exchange officer under section (c) above or by a subcommittee of the Committee on Exchange Procedure under this section (d) shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration between themselves.

[(e) Either party to the trade may appeal the subcommittee's decision on a matter to the full Committee on Exchange Procedure by submitting an appeal to the Exchange's Secretary, by facsimile or in writing, within five days after receiving the subcommittee's written decision. Once an appeal is received, the Exchange shall notify the counterparty to the trade and both parties and the Exchange itself will be permitted to submit any additional supporting written materials up to the time that the Committee considers the appeal. Either party to a disputed trade may request, and the Exchange shall provide, the written documentation presented to the subcommittee by the other party or by the Exchange. An appeal does not operate as a stay on the decision being appealed. After consideration of any written materials provided by the parties or by the Exchange, and after any hearings that the Committee may hold, the Committee, using the standards set out in this rule, shall affirm, modify or reverse the original decision. The decision of the Exchange's Committee on Exchange Procedure shall be the final Exchange action on the matter. Any decision by an Exchange officer under section (c) above or by the Committee on Exchange Procedure or any of its subcommittees under section (d) above or this section (e) shall be rendered without prejudice as to the rights of the

parties to the transaction to submit their dispute to arbitration between themselves.]

(f) No change to text.

System Disruptions and Malfunctions

RULE 11. If there is any disruption or malfunction in the use or operation of the Exchange's Matching System, or the communications systems associated with the Exchange's Matching System, or when extraordinary market conditions or other circumstances exist in which the nullification or modification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest, the Chief Executive Officer, or another officer designated by the Chief Executive Officer, may declare any transaction arising out of the use of the Exchange's Matching System during the period of the disruption, malfunction or other conditions null and void or may modify the terms of these transactions. In making this decision, the Chief Executive Officer, or any designee, must find that the transactions were clearly erroneous or that the actions are necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest. Absent extraordinary circumstances, any action by the Chief Executive Officer or other designee shall be taken within 30 minutes of detection of the erroneous transaction, but in no event later than 2:00 p.m. on the trading day following the date of the trade at issue. The Exchange shall notify each participant involved in the transaction as soon as practicable following the decision, [and] Any party to the transaction may appeal that decision by following the procedures set out above in Rule 10(d) above, unless the Chief Executive Officer or his designee determines that the number of affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest.

* * *

(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) The Exchange's rules currently allow the Exchange to cancel a trade, or modify the terms of a trade, when the terms of the trade are determined to be "clearly erroneous" or when other circumstances (including a CHX systems problem) require that that action be taken for the maintenance of a fair and orderly market or the protection of investors and the public interest.¹ Other exchanges have similar rules.²

As the Exchange has gained experience in the operation of these rules, it has identified, and is now proposing, several changes to the rules' provisions.

First, the Exchange seeks to extend, from 15 to 30 minutes, the time for filing an initial request for review of a potentially "clearly erroneous" trade. As part of this change, the Exchange would also eliminate the arguably duplicative requirement that a participant also notify the Exchange by telephone of its intent to seek review. Together, these changes would streamline the process for filing a review request under these rules.³

Additionally, the Exchange would establish specific thresholds for determining whether or not the terms of a transaction are eligible for review under the clearly erroneous rules. Under these thresholds, a trade would be found to be eligible for review if: (a) for a trade where the price per share is less than \$1.00, the execution price is 20% or more away from the midpoint of the national best bid and offer ("NBBO"); (b) for a trade where the price per share is equal to or greater than \$1.00, the execution price is 10% or more away from the midpoint of the NBBO. The Exchange believes that these easily-applied standards set reasonable thresholds for determining whether or not a transaction should be eligible for review.⁴

¹ See CHX Rules, Article 20, Rule 10 ("Handling Clearly Erroneous Transactions") and Rule 11 ("Systems Disruptions and Malfunctions").

² See, e.g., Nasdaq Rule 11890 ("Clearly Erroneous Transactions"); NYSE Arca Equities Rule 7.10 ("Clearly Erroneous Transactions").

³ Extending the time for filing a complaint to 30 minutes is consistent with the rules of at least one other exchange. See Nasdaq Nasdaq Rule 11890(a)(2)(A)(ii) (giving members 30 minutes to submit written complaints for transactions that are executed before 9:30 a.m. (Eastern Time) and at or after 10 a.m. (Eastern Time)).

⁴ These eligibility requirements would only apply to trades for regular-way settlement during regular trading hours. See Proposed Article 20, Rule 10(b). Among other things, the application of these standards would give participants certainty about whether or not a particular transaction would be eligible for review under the clearly erroneous rules and would allow the Exchange to focus its resources on addressing situations where more significant harm has potentially occurred.

Another proposed change to the CHX's rules would eliminate one of the two levels of appeal that can be taken from an initial Exchange determination that the terms of a trade should be modified or that the trade should be cancelled.⁵ This change brings the Exchange's procedures in line with those in other markets.⁶

Finally, the last proposed change would give the Exchange the discretion, in situations where it is acting on its own initiative to respond to systems disruptions or extraordinary market conditions or other circumstances, to determine that the number of affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. This determination would provide certainty to participants whose transactions were affected by decisions in these unusual situations.⁷

(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 enhancing, in certain circumstances, a participant's opportunity to make an initial request for review of a transaction he believes to be "clearly erroneous" and allowing the Exchange to more efficiently respond to requests that are made.

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 See Proposed Article 20, Rule 10(d).

⁶ See Nasdaq Rule 11890(c) (providing for an appeal to the Market Operations Review Committee); NYSE Arca Rule 7.10(c)(2) (providing for an appeal to the Clearly Erroneous Execution Panel).

⁷ Other markets have included a similar provision in their rules. See Nasdaq Rule 11890(c)(1); NYSE Arca Rule 7.10(c)(2).

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, although other exchanges have rules that are substantially similar to many of the Exchange's proposals. *See, e.g.*, Nasdaq Rule 11890 ("Clearly Erroneous Transactions"); NYSE Arca Equities Rule 7.10 ("Clearly Erroneous Transactions").

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-2007-24)
SELF-REGULATORY ORGANIZATIONS**

Proposed Change By the Chicago Stock Exchange, Inc. to Amend its Rules Relating to the Handling of Clearly Erroneous Transactions

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 4, 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 regarding the handling of "clearly erroneous" and other transactions. 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

The Exchange's rules currently allow the Exchange to cancel a trade, or modify the terms of a trade, when the terms of the trade are determined to be "clearly erroneous" or when other circumstances (including a CHX systems problem) require that that action be taken for the maintenance of a fair and orderly market or the protection of investors and the public interest.¹ Other exchanges have similar rules.² As the Exchange has gained experience in the operation of these rules, it has identified, and is now proposing, several changes to the rules' provisions.

First, the Exchange seeks to extend, from 15 to 30 minutes, the time for filing an initial request for review of a potentially "clearly erroneous" trade. As part of this change, the Exchange would also eliminate the arguably duplicative requirement that a participant also notify the Exchange by telephone of its intent to seek review. Together, these changes would streamline the process for filing a review request under these rules.³

¹ See CHX Rules, Article 20, Rule 10 ("Handling Clearly Erroneous Transactions") and Rule 11 ("Systems Disruptions and Malfunctions").

² See, e.g., Nasdaq Rule 11890 ("Clearly Erroneous Transactions"); NYSE Arca Equities Rule 7.10 ("Clearly Erroneous Transactions").

³ Extending the time for filing a complaint to 30 minutes is consistent with the rules of at least one other exchange. See Nasdaq Rule 11890(a)(2)(A)(ii) (giving members 30 minutes to submit written complaints for transactions that are executed before 9:30 a.m. (Eastern Time) and at or after 10 a.m. (Eastern Time)).

Additionally, the Exchange would establish specific thresholds for determining whether or not the terms of a transaction are eligible for review under the clearly erroneous rules. Under these thresholds, a trade would be found to be eligible for review if: (a) for a trade where the price per share is less than \$1.00, the execution price is 20% or more away from the midpoint of the national best bid and offer (“NBBO”); (b) for a trade where the price per share is equal to or greater than \$1.00, the execution price is 10% or more away from the midpoint of the NBBO. The Exchange believes that these easily-applied standards set reasonable thresholds for determining whether or not a transaction should be eligible for review.⁴

Another proposed change to the CHX’s rules would eliminate one of the two levels of appeal that can be taken from an initial Exchange determination that the terms of a trade should be modified or that the trade should be cancelled.⁵ This change brings the Exchange’s procedures in line with those in other markets.⁶

Finally, the last proposed change would give the Exchange the discretion, in situations where it is acting on its own initiative to respond to systems disruptions or extraordinary market conditions or other circumstances, to determine that the number of affected transactions is such that immediate finality is necessary to maintain a fair and

⁴ These eligibility requirements would only apply to trades for regular-way settlement during regular trading hours. *See* Proposed Article 20, Rule 10(b). Among other things, the application of these standards would give participants certainty about whether or not a particular transaction would be eligible for review under the clearly erroneous rules and would allow the Exchange to focus its resources on addressing situations where more significant harm has potentially occurred.

⁵ *See* Proposed Article 20, Rule 10(d).

⁶ *See* Nasdaq Rule 11890(c) (providing for an appeal to the Market Operations Review Committee); NYSE Arca Rule 7.10(c)(2) (providing for an appeal to the Clearly Erroneous Execution Panel).

orderly market and to protect investors and the public interest. This determination would provide certainty to participants whose transactions were affected by decisions in these unusual situations.⁷

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 enhancing, in certain circumstances, a participant's opportunity to make an initial request for review of a transaction he believes to be "clearly erroneous" and allowing the Exchange to more efficiently respond to requests that are made.

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.

⁷ Other markets have included a similar provision in their rules. See Nasdaq Rule 11890(c)(1); NYSE Arca Rule 7.10(c)(2).

⁸ 15 U.S.C. 78(f)(b).

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-2007-24 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-2007-24. 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-2007-24 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).