

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

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" 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)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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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 &amp; 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="10/31/2007"/>
By	<input type="text" value="Ellen J Neely"/>
	(Name)
	<input type="text" value="President &amp; General Counsel"/>
	(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.

Ellen J Neely, eneely@chx.com

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 Schedule of Participant Fees and Credits (the “Fee Schedule”) to (a) provide that port fees would not be charged to participant firms that provide a certain amount of liquidity to the Matching System; (b) modify the provide credits associated with trades in Tape B securities to create an incentive to send orders in these and other securities to the Matching System; (c) modify the fees for the receipt of orders through the CHX Connect network; and (d) add new fees in connection with the processing of away-market trades that are sent to clearing through the Exchange’s facilities. The text of the proposed fee changes is set out in Exhibit 5.

\* \* \*

(b) Not applicable.

(c) Not applicable.

**2. Procedures of Self-Regulatory Organization**

These changes to the Fee Schedule were approved by the Exchange’s Board of Directors on October 25, 2007.

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

(a) Through this filing, the Exchange would amend its Fee Schedule in several ways.

First, the Exchange would amend the Fee Schedule to provide that port fees would not be charged to participant firms that provide a certain amount of liquidity to the Matching System.<sup>1</sup> Specifically, port fees would not be charged to a participant firm for any month in which that firm executes an average daily

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<sup>1</sup> Under the Exchange’s Fee Schedule, port charges of \$400 per month currently are assessed for each participant give-up that has access through a participant connection to the Matching System. Port charges are not assessed for access to the Matching System through the Exchange’s Brokerplex system.

volume of 5 million or more provide shares in the Matching System.<sup>2</sup> The Exchange believes that it is appropriate to eliminate the port fees charged to participant firms that send a high level of volume to the Matching System because the Exchange's costs of providing services to these firms are offset by the revenues produced by the firms' trading activity on the Exchange.

As its second Fee Schedule change, the Exchange would modify the provide credits associated with trades in Tape B securities to create an incentive for CHX participants to send orders in these and other securities to the Matching System. Under the current Fee Schedule, the Exchange charges a \$.0029/share take fee and pays a \$.0026/share credit in connection with the execution of single-sided orders of 100 or more shares in the Exchange's Matching System. The Exchange proposes to increase, to \$.0036/share, the credit paid for trades in Tape B securities, for any participant firm that executes an average daily volume of 5 million or more provide shares in Tape A and/or C securities in the Exchange's Matching System. The Exchange also proposes to increase, to \$.0032/share, the credit paid for trades in Tape B securities, for any participant firm that executes an average daily volume of fewer than 5 million provide shares in Tape A and/or C securities.<sup>3</sup> These increases in the credit paid for trades in Tape B securities are in direct response to price changes announced by other market centers and are designed to create an incentive for CHX participants to send orders in Tape B securities to the CHX, rather than to other markets.<sup>4</sup>

Another proposed change to the Fee Schedule would modify the fees for the receipt of orders through the CHX Connect network. Under the current Fee Schedule, the Exchange charges a \$5,000 per month fee to any participant firm that receives orders through the CHX Connect network. The Exchange proposes to increase this fee to \$10,000/month and charge an additional fee of \$.0004/share for executions that are processed by the network. These changes are designed to help cover the costs of providing the network. The Exchange, however, proposes to reduce the base fee from \$10,000 per month to as low as \$5,000 per month, by applying a credit of \$.0004 for each provide share executed in the Exchange's Matching System.<sup>5</sup> This credit would create an incentive for users of the CHX Connect network to send orders to the Exchange's Matching System.

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<sup>2</sup> A "provide" share is one that is given a provide credit under the take/provide provisions of the Exchange's Fee Schedule. *See* Fee Schedule, Section E(1). In calculating a firm's average daily volume, the Exchange would not count trading activity on days when the Exchange closes early.

<sup>3</sup> In calculating a firm's average daily volume, the Exchange would not count trading activity on days when the Exchange closes early.

<sup>4</sup> The Exchange's proposal to make the top tier of the credit available to firms that execute at least a certain number of shares in Tape A and C securities similarly is designed to create an incentive for firms to send orders in these securities to the Exchange.

<sup>5</sup>No credits will be carried over from month to month.

The last proposed change to the Fee Schedule would add new fees in connection with the processing of certain away-market trades that are sent to clearing through the Exchange's facilities. Under the Exchange's existing Fee Schedule, the Exchange charges a \$.0015/share fee for the clearing-related processing of away-market trades in securities that are not listed or traded pursuant to unlisted trading privileges on the Exchange. The Exchange proposes to increase this fee to \$.0035/share for clearing reports in Tape A and B securities and to \$.0025/share for clearing reports in Tape C securities.<sup>6</sup> The Exchange also proposes to apply the fees to trades in all securities, instead of limiting the fee to securities that are not listed or traded on the Exchange. These fee changes are designed to help offset the Exchange's costs of processing these transactions for clearing.

All of the proposed fee changes, except the change to the CHX Connect fees, take effect November 1, 2007. The proposed changes to the CHX Connect fees would take effect December 1, 2007.

(b) The Exchange believes that the rule changes proposed in this submission are 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)(4) of the Act in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members.

**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.

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<sup>6</sup> These fees would be assessed only on away-market trades that are reported to the tape, but not to clearing, in another market. The fees would be charged for each report that is submitted to clearing through the Exchange's systems.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The proposed rule change is to take effect pursuant to Section 19(b)(3)(A)(ii) in that it establishes or changes a due, fee or other charge imposed by the Exchange upon its participants.

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 2-4: Not applicable.

Exhibit 5: The proposed rule text.

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-\_\_\_\_; File No. SR-CHX-2007-26)**

**SELF-REGULATORY ORGANIZATIONS**

**Notice of Filing and Immediate Effectiveness of Proposed Rule Change by The Chicago Stock Exchange, Inc. Relating to Participant Fees and Credits.**

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 31, 2007, the Chicago Stock Exchange, Inc. (“CHX” or “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 proposes to amend its Schedule of Participant Fees and Credits (the “Fee Schedule”) to (a) provide that port fees would not be charged to participant firms that provide a certain amount of liquidity to the Matching System; (b) modify the provide credits associated with trades in Tape B securities to create an incentive to send orders in these and other securities to the Matching System; (c) modify the fees for the receipt of orders through the CHX Connect network; and (d) add new fees in connection with the processing of away-market trades that are sent to clearing through the Exchange’s facilities. The text of this proposed rule change is available on the Exchange’s website at [http://www.chx.com/rules/proposed\\_rules.htm](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

Through this filing, the Exchange would amend its Fee Schedule in several ways.

First, the Exchange would amend the Fee Schedule to provide that port fees would not be charged to participant firms that provide a certain amount of liquidity to the Matching System.<sup>1</sup> Specifically, port fees would not be charged to a participant firm for any month in which that firm executes an average daily volume of 5 million or more provide shares in the Matching System.<sup>2</sup> The Exchange believes that it is appropriate to eliminate the port fees charged to participant firms that send a high level of volume to the Matching System because the Exchange's costs of providing services to

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<sup>1</sup> Under the Exchange's Fee Schedule, port charges of \$400 per month currently are assessed for each participant give-up that has access through a participant connection to the Matching System. Port charges are not assessed for access to the Matching System through the Exchange's Brokerplex system.

<sup>2</sup> A "provide" share is one that is given a provide credit under the take/provide provisions of the Exchange's Fee Schedule. *See* Fee Schedule, Section E(1). In calculating a firm's average daily volume, the Exchange would not count activity on days when the Exchange closes early.

these firms are offset by the revenues produced by the firms' trading activity on the Exchange.

As its second Fee Schedule change, the Exchange would modify the provide credits associated with trades in Tape B securities to create an incentive for CHX participants to send orders in these and other securities to the Matching System. Under the current Fee Schedule, the Exchange charges a \$.0029/share take fee and pays a \$.0026/share credit in connection with the execution of single-sided orders of 100 or more shares in the Exchange's Matching System. The Exchange proposes to increase, to \$.0036/share, the credit paid for trades in Tape B securities, for any participant firm that executes an average daily volume of 5 million or more provide shares in Tape A and/or C securities in the Exchange's Matching System. The Exchange also proposes to increase, to \$.0032/share, the credit paid for trades in Tape B securities, for any participant firm that executes an average daily volume of fewer than 5 million provide shares in Tape A and/or C securities.<sup>3</sup> These increases in the credit paid for trades in Tape B securities are in direct response to price changes announced by other market centers and are designed to create an incentive for CHX participants to send orders in Tape B securities to the CHX, rather than to other markets.<sup>4</sup>

Another proposed change to the Fee Schedule would modify the fees for the receipt of orders through the CHX Connect network. Under the current Fee Schedule,

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<sup>3</sup> In calculating a firm's average daily volume, the Exchange would not count trading activity on days when the Exchange closes early.

<sup>4</sup> The Exchange's proposal to make the top tier of the credit available to firms that execute at least a certain number of shares in Tape A and C securities similarly is designed to create an incentive for firms to send orders in these securities to the Exchange.

the Exchange charges a \$5,000 per month fee to any participant firm that receives orders through the CHX Connect network. The Exchange proposes to increase this fee to \$10,000/month and charge an additional fee of \$.0004/share for executions that are processed by the network. These changes are designed to help cover the costs of providing the network. The Exchange, however, proposes to reduce the base fee from \$10,000 per month to as low as \$5,000 per month, by applying a credit of \$.0004 for each provide share executed in the Exchange's Matching System.<sup>5</sup> This credit would create an incentive for users of the CHX Connect network to send orders to the Exchange's Matching System.

The last proposed change to the Fee Schedule would add new fees in connection with the processing of certain away-market trades that are sent to clearing through the Exchange's facilities. Under the Exchange's existing Fee Schedule, the Exchange charges a \$.0015/share fee for the clearing-related processing of away-market trades in securities that are not listed or traded pursuant to unlisted trading privileges on the Exchange. The Exchange proposes to increase this fee to \$.0035/share for clearing reports in Tape A and B securities and to \$.0025/share for clearing reports in Tape C securities.<sup>6</sup> The Exchange also proposes to apply the fees to trades in all securities, instead of limiting the fee to securities that are not listed or traded on the Exchange. These fee changes are designed to help offset the Exchange's costs of processing these transactions for clearing.

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<sup>5</sup> No credits will be carried over from month to month.

<sup>6</sup> These fees would be assessed only on away-market trades that are reported to the tape, but not to clearing, in another market. The fees would be charged for each report that is submitted to clearing through the Exchange's systems.

All of the proposed fee changes, except the change to the CHX Connect fees, would take effect November 1, 2007. The proposed changes to the CHX Connect fees would take effect December 1, 2007.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(4) of the Act<sup>7</sup> in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members.

*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**

The foregoing rule change establishes or changes a due, fee or other charge imposed by the Exchange and therefore has become effective pursuant to Section 19(B)(3)(A) of the Act<sup>8</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder.<sup>9</sup> At any time within 60 days of the filing of such rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or

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<sup>7</sup> 15 U.S.C. 78(f)(b)(4).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(2).

appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purpose of the Act.

#### **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-2007-26 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-2007-26. 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-2007-26 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>10</sup>

Nancy M. Morris  
Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).

**Exhibit 5 to SR-CHX-2007-26**

Additions are underlined; deleted text is [in brackets]

**PARTICIPANT FEES AND CREDITS**

\* \* \*

**D. Matching System Port Charges**

A port charge is assessed for each Participant give-up that has access through any Participant connection to the Matching System. (A separate port charge is assessed for each main and back-up connection). Port charges are not assessed for connections to the Matching System through Brokerplex or for a month in which a Participant Firm executes an average daily volume of 5 million or more provide shares in the Matching System during the month. Activity on days when the Exchange closes early are not counted when calculating a Participant Firm's average daily volume. (Effective November 1, 2007).

\* \* \*

**E. Transaction and Order Processing Fees****1. Matching System single order executions (one-sided orders of 100+ shares)**

**Fee if liquidity is taken from the Matching System**

**Rebate if liquidity is provided to the Matching System**

*Effective [April] November 1, 2007:*

<u>Tape A &amp; C</u> [All] issues	\$0.0029/share	\$0.0026/share
<u>Tape B issues,</u> <u>where the Participant</u> <u>Firm that submits the</u> <u>order to the Matching</u> <u>System executes an</u> <u>average daily volume of</u> <u>5 million or more provide</u> <u>shares in Tape A and/or</u> <u>C issues in the Matching</u> <u>System during the month</u>	<u>\$0.0029/share</u>	<u>\$0.0036/share</u>

Tape B issues, \$0.0029/share \$0.0032/share  
where the Participant  
Firm that submits the  
order to the Matching  
System executes an  
average daily volume  
of less than 5 million  
provide shares in  
Tape A and/or Tape C  
in the Matching System  
during the month

Activity on days when the Exchange closes early are not counted when  
calculating a Participant Firm's average daily volume.

\* \* \*

**7. Trade processing fees**

[.0015/share, up to \$100 per side]

Effective November 1, 2007

Tape A issues \$0.0035/share, up to a maximum of \$100 per side  
Tape B issues \$0.0035/share, up to a maximum of \$100 per side  
Tape C issues \$0.0025/share, up to a maximum of \$100 per side

These fees are charged for transactions that are executed and reported to  
the tape (but not reported to clearing) by an institutional broker in an away  
market [securities that are not listed or traded UTP on the Exchange but]  
and are reported to clearing [processed] by the Exchange's [clearing]  
systems. These fees are charged for each report submitted to clearing.

\* \* \*

**M. Receipt of Orders Through CHX Connect[CHX Wide Area Network]**

Through November 30, 2007:

\$5,000/month, pro-rated based on start date (beginning January 1, 2007)

Effective December 1, 2007:

\$10,000/month base fee, pro-rated based on start date, plus \$0.0004 for each  
executed share processed by CHX Connect during the month.

A Participant Firm will receive a credit of \$0.0004 for each provide share executed in the Matching System, which will reduce the base fee, but not below \$5,000/month. Credits will not be carried over from month to month.