



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 ( “CHX” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“ Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposes to amend its rules to correct a number of incorrect or obsolete cross-references.

CHX has designated this proposed rule change as “non-controversial” pursuant to Section 19(b)(3)(A)<sup>3</sup> of the Act and Rule 19b-4(f)(6)<sup>4</sup> thereunder and has provided the Commission with the notice required by Rule 19b-4(f)(6)(iii).<sup>5</sup>

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is included in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of Self-Regulatory Organization

This proposal was approved by the Exchange’s Board of Directors on December 10, 2009.

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> 17 CFR 240.19b-4(f)(6)(iii).

(a) Purpose

The Exchange proposes to amend its rules to alter or delete references to incorrect rule citations or concepts which are no longer applicable to the manner in which the Exchange now transacts business. For the most part, these changes arise out of the transformation of the Exchange in 2006 and 2007 from a traditional floor-based auction marketplace to an electronic exchange.<sup>6</sup> In connection with this change, the Exchange made substantial revisions to its rules in which all of its rules were renumbered and many of them were altered or eliminated. This filing would correct cross-references to rule citations which were altered or eliminated during that process. As noted above, the Exchange also fundamentally altered its trading facilities from a floor-based exchange to a fully automated limit-order matching system. This filing would alter or eliminate references within CHX rules to obsolete roles or functions, such as the “floor,” “floor brokers,” and “specialists.” This filing would also correct certain other errors or omissions of a grammatical nature.

In Article 1, Rule 1 (Definitions), the Exchange proposes to delete obsolete references to the CHX Floor, floor brokers, co-specialists and market makers and replace them with references to Exchange-registered Market Maker Traders (“MMTs”) and Institutional Broker Representatives (“IBRs”). As defined in Articles 16 and 17, respectively, MMTs and IBRs are designations for individuals with specific rights and obligations when acting through the Exchange’s facilities. IBRs replaced the now-defunct floor broker role and MMTs replaced the old market maker role, which had been defined under the now-repealed Article XXXIV.

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<sup>6</sup> See, SR-CHX-2006-05 (Sept. 26, 2006) (approving rule changes in connection with adoption of Exchange’s New Trading Model).

In Article 2, Rule 5 (Committee on Exchange Procedure), the CHX proposes to replace an obsolete cross-reference to former Article VIII, Rule 23 with its replacement, Article 14, Rule 1. This cross-reference is to Exchange's provisions for the arbitration of controversies arising out of Exchange business which were renumbered, but not changed in substance. We also propose to delete a cross-reference to determinations by a subcommittee of the Committee on Exchange Procedure in certain disciplinary actions under former Article XII, Rule 3, since that grant of authority to the Committee on Exchange Procedure no longer exists under our rules.<sup>7</sup> In Article 3, Rule 1 (Qualifications), we are adding a missing subparagraph number under section (c) and removing the reference to Article XVI, which was repealed as unnecessary in 2006 as part of the New Trading Model rule changes. Former Article XVI required Participants which engaged in the sale of insurance products as an ancillary activity to file certain reports with the Exchange and maintain certain records relating to that activity. We note that other self-regulatory organizations do not have specific rules relating to the sale of insurance products by their members.<sup>8</sup> In Rule 8 (Limitation on Interests in Other Organizations) of Article 3, we are replacing cross-reference to former Article II

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<sup>7</sup> Former Article XII, Rule 3 authorized the Committee on Exchange Procedure (or appropriately designated subcommittee thereof) to issue summary fines of up to \$2,500 against Participants for violations of Exchange's former decorum rules, such as fighting or profanity on Exchange premises, smoking on the Trading Floor and dress code violations. The power of the Committee on Exchange Procedure to issue fines was eliminated in 2006 as part of our transition to the new trading model and elimination of the Trading Floor (*See*, SR-CHX-2006-05). Certain decorum-type rules have been retained in Article 8, Rule 16; however, charges based on violations of those provisions are authorized by the Exchange's Chief Regulatory Officer as part of the standard disciplinary process.

<sup>8</sup> *See, e.g.*, Rules of NYSE Archipelago, Inc., National Stock Exchange, Inc., BATS Exchange, Inc. We continue to believe that a prospective Participant should not be disqualified merely by the fact that it engages in insurance-related activities (such as the sale of variable annuities) to a limited extent and all other requirements are satisfied.

(Participants) with that of current Article 3 (Participants and Participant Firms), its successor. In Article 3, Rule 11 (Transfer of Equity Securities of a Participant Firm), we are removing Interpretation and Policy .04, which refers to the now-deleted provisions of former Article VIII, Rule 20.

In Article 6, Rule 2 (Registration and Approval of Participant Personnel), we are replacing the reference to the definition of Principal Stockholders in former Article III, Rule 4, with the current reference in Article 1, Rule 1(s). We are adding a missing reference in Interpretation and Policy .01 of Article 6, Rule 3 (Training and Examination of Registrants) to subsection (d) and updating a cross-reference to the former Article XI (Financial Responsibility and Reporting Requirements) to the current rule provisions dealing with that topic, which is Article 7. In Article 6, Rule 11 (Continuing Education for Registered Persons), we are deleting the rule text which was effective prior to September 30, 2005 as no longer being relevant and leaving only the language which is currently in force. In Interpretation and Policy .01 to this rule, we are removing the reference to persons transacting business on the Floor of the Exchange, given that we no longer maintain a physical floor as part of our trading facilities.

In Article 7, Rule 3A (Joint Back Office Participants) we are substituting a cross-references to Article 7 in place of former Article XI and to current Article 10 (Margins) in place of former Article X (Margins). We propose to update cross references to old Article XI to current Article 7 in Article 7, Rule 4 (Financial and Operational Reports), in a table in Article 7, Rule 6 (Fidelity Bonds) and in Article 10, Rule 3(c)(6) (Initial Margin Rule).

In Article 12 (Disciplinary Matters and Trial Proceedings), we propose to update the cross references to former Article XII (Discipline and Trial Proceedings) to current Article 12, which deals with the same subject matter, in Rules 2 (Summary Procedure) and 8 (Minor Rule Violations). In Article 12, Rule 2(a), an incorrect cross-reference to Article 12, Rule 5 concerning a respondent's Answer to disciplinary charges will be replaced by the correct cross-reference to Article 12, Rule 4(b). We are also adding a missing reference to Rule 9, which will be reserved for future use.

In Article 17, Rule 3 (Responsibilities of Institutional Brokers), Interpretations and Policies .03, we are removing an obsolete reference to former Rule 11 of Article 20. Rule 11, which addressed cancellation or modification of transactions due to systems malfunctions or disruptions, was deleted in October 2009 as part of an industry-wide initiative to standardize the rules relating to clearly erroneous transactions.<sup>9</sup>

In Article 20, Rule 8 (Operation of the Matching System), we are correcting certain erroneous cross references to existing order types defined in Rule 4 (Eligible Orders). Rule 8.e.1. describes the manner in which Cross and Cross with Size orders shall be executed and contains an erroneous cross-reference to the description of each of those order types in Rule 4(b)(3) and (b)(5), respectively. The proposal corrects those cross-references to Rule 4(b)(4) and (b)(6). We also propose to delete Interpretation and Policy .03 to Rule 8, which contained a reference to former Rule 10a-1(e)(5) under the Exchange Act.<sup>10</sup> Current Interpretation and Policy .04 will be renumbered as .03.

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<sup>9</sup> SR-CHX-2009-11 (October 2, 2009). Much of the content of former Rule 11 is now addressed in current Rule 10 under Article 20.

<sup>10</sup> Former Exchange Act Rule 10a-1(e)(5), sometimes known as the "equalizing exemption," provided an exception to the former "uptick restrictions" of Exchange Act Rule 10a-1 for registered specialists or market makers which executed transactions at

In Article 22, Rule 1 (General Provisions Regarding Listing), we propose to change outdated references to Article XXVIII (the former Article dealing with Listings) to the current Article 22, which is simply the renumbered version of the former Article. We also propose to correct numbering errors in subsection (g) to Rule 1 and update the cross reference in that subsection from old Article XXII, Rule 37 to current Article 21, Rule 2.<sup>11</sup> In Article 22, Rule 19 (Corporate Governance), we again propose to change an outdated cross reference to Article XXVIII to the current Article 22. The cross reference in Interpretation and Policy .06 of Rule 19 would be updated from old Article XXXIII, Rule 3, dealing with certain proxy requirements, to current Article 8, Rule 14(c), which addresses the same subject matter. In Article 22, Rule 23 (Public Disclosure Requirements for Tier I and Tier II Issues), Interpretation and Policy .01, we propose to delete the section headed “Relationship Between Company Officials and Exchange Specialists,” since the Exchange no longer has specialists. These provisions note certain limitations on the sharing of non-public information between company officials and the specialist making a market in the company’s securities. Since specialists no longer exist under our current market structure, this section appears to be superfluous. In Article 22, Rule 24 (Investment Company Units) and Rule 25 (Portfolio Depository Receipts), we propose to update references to the Nasdaq Small Cap Market to its current name, Nasdaq Capital Market. Finally, in Article 22, Rule 25 (Portfolio Depository Receipts), we are adding subsection (d) and reserving it for further use.

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prices at or above the last reported sale. This exemption no longer exists under current Regulation SHO, which governs short selling in securities.

<sup>11</sup> Those provisions address the requirement that Participants utilize the facilities of a national securities depository for the book entry settlement of all transactions in depository eligible securities settled in the United States.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general,<sup>12</sup> and furthers the objectives of Section 6(b)(5) in particular,<sup>13</sup> in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transaction in securities, to remove impediments and perfect the mechanisms of a free and open market, and, in general, to protect investors and the public interest. The elimination of obsolete cross references and correction of other errors in our rules will serve to eliminate a potential source of confusion for Exchange Participants.

4. Self-Regulatory Organization's Statement of Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Not applicable.

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

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<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

Pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f) thereunder,<sup>15</sup> CHX has designated this proposal as one that effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

CHX has provided the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change. CHX requests that the Commission waive the 30-day pre-operative waiting period contained in Exchange Act Rule 19b-4(f)(6)(iii).<sup>16</sup> If such waiver is granted by the Commission, the rule change will be immediately operative.

The proposed changes in this filing correct various erroneous cross references currently found in the Exchange's rules. Therefore, in order to eliminate a potential source of confusion for Exchange Participants, the CHX believes that its proposal should become immediately effective and the Commission should grant CHX's request to waive the 30-day pre-operative waiting period.

8. Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission

Not applicable.

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR. 240.19b-4(f)(6).

<sup>16</sup> 17 CFR. 240.19b-4(f)(6)(iii).

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 text of the proposed changes to rules.

## Exhibit 1

## SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-\_\_\_\_; File No. SR-CHX-2010-07)

## SELF-REGULATORY ORGANIZATIONS

**Notice of Filing of Proposed Change to Rules by the Chicago Stock Exchange, Inc. to Amend Certain Incorrect or Inaccurate Cross-References**

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on March 9, 2010, the Chicago Stock Exchange, Inc. (“CHX” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the CHX. CHX has filed this proposal pursuant to Exchange Act Rule 19b-4(f)(6)<sup>3</sup> which is effective upon filing with the Commission.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

CHX proposes to amend to correct a number of incorrect or obsolete cross-references. The text of this proposed rule change is available on the Exchange’s Web site at [www.chx.com](http://www.chx.com) and in the Commission’s Public Reference Room.

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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 proposes to amend its rules to alter or delete references to incorrect rule citations or concepts which are no longer applicable to the manner in which the Exchange now transacts business. For the most part, these changes arise out of the transformation of the Exchange in 2006 and 2007 from a traditional floor-based auction marketplace to an electronic exchange.<sup>4</sup> In connection with this change, the Exchange made substantial revisions to its rules in which all of its rules were renumbered and many of them were altered or eliminated. This filing would correct cross-references to rule citations which were altered or eliminated during that process. As noted above, the Exchange also fundamentally altered its trading facilities from a floor-based exchange to a fully automated limit-order matching system. This filing would alter or eliminate references within CHX rules to obsolete roles or functions, such as the "floor," "floor brokers," and "specialists." This filing would also correct certain other errors or omissions of a grammatical nature.

In Article 1, Rule 1 (Definitions), the Exchange proposes to delete obsolete references to the CHX Floor, floor brokers, co-specialists and market makers and replace them with references to Exchange-registered Market Maker Traders ("MMTs") and

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<sup>3</sup> 17 CFR 240.19b-4(f)(6).

<sup>4</sup> See, SR-CHX-2006-05 (Sept. 26, 2006) (approving rule changes in connection with adoption of Exchange's New Trading Model).

Institutional Broker Representatives (“IBRs”). As defined in Articles 16 and 17, respectively, MMTs and IBRs are designations for individuals with specific rights and obligations when acting through the Exchange’s facilities. IBRs replaced the now-defunct floor broker role and MMTs replaced the old market maker role, which had been defined under the now-repealed Article XXXIV.

In Article 2, Rule 5 (Committee on Exchange Procedure), the CHX proposes to replace an obsolete cross-reference to former Article VIII, Rule 23 with its replacement, Article 14, Rule 1. This cross-reference is to Exchange’s provisions for the arbitration of controversies arising out of Exchange business which were renumbered, but not changed in substance. We also propose to delete a cross-reference to determinations by a subcommittee of the Committee on Exchange Procedure in certain disciplinary actions under former Article XII, Rule 3, since that grant of authority to the Committee on Exchange Procedure no longer exists under our rules.<sup>5</sup> In Article 3, Rule 1 (Qualifications), we are adding a missing subparagraph number under section (c) and removing the reference to Article XVI, which was repealed as unnecessary in 2006 as part of the New Trading Model rule changes. Former Article XVI required Participants which engaged in the sale of insurance products as an ancillary activity to file certain reports with the Exchange and maintain certain records relating to that activity. We note

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<sup>5</sup> Former Article XII, Rule 3 authorized the Committee on Exchange Procedure (or appropriately designated subcommittee thereof) to issue summary fines of up to \$2,500 against Participants for violations of Exchange’s former decorum rules, such as fighting or profanity on Exchange premises, smoking on the Trading Floor and dress code violations. The power of the Committee on Exchange Procedure to issue fines was eliminated in 2006 as part of our transition to the new trading model and elimination of the Trading Floor (*See*, SR-CHX-2006-05). Certain decorum-type rules have been retained in Article 8, Rule 16; however, charges based on violations of those provisions

that other self-regulatory organizations do not have specific rules relating to the sale of insurance products by their members.<sup>6</sup> In Rule 8 (Limitation on Interests in Other Organizations) of Article 3, we are replacing cross-reference to former Article II (Participants) with that of current Article 3 (Participants and Participant Firms), its successor. In Article 3, Rule 11 (Transfer of Equity Securities of a Participant Firm), we are removing Interpretation and Policy .04, which refers to the now-deleted provisions of former Article VIII, Rule 20.

In Article 6, Rule 2 (Registration and Approval of Participant Personnel), we are replacing the reference to the definition of Principal Stockholders in former Article III, Rule 4, with the current reference in Article 1, Rule 1(s). We are adding a missing reference in Interpretation and Policy .01 of Article 6, Rule 3 (Training and Examination of Registrants) to subsection (d) and updating a cross-reference to the former Article XI (Financial Responsibility and Reporting Requirements) to the current rule provisions dealing with that topic, which is Article 7. In Article 6, Rule 11 (Continuing Education for Registered Persons), we are deleting the rule text which was effective prior to September 30, 2005 as no longer being relevant and leaving only the language which is currently in force. In Interpretation and Policy .01 to this rule, we are removing the reference to persons transacting business on the Floor of the Exchange, given that we no longer maintain a physical floor as part of our trading facilities.

In Article 7, Rule 3A (Joint Back Office Participants) we are substituting a cross-

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are authorized by the Exchange's Chief Regulatory Officer as part of the standard disciplinary process.

<sup>6</sup> See, e.g., Rules of NYSE Archipelago, Inc., National Stock Exchange, Inc., BATS Exchange, Inc. We continue to believe that a prospective Participant should not be

references to Article 7 in place of former Article XI and to current Article 10 (Margins) in place of former Article X (Margins). We propose to update cross references to old Article XI to current Article 7 in Article 7, Rule 4 (Financial and Operational Reports), in a table in Article 7, Rule 6 (Fidelity Bonds) and in Article 10, Rule 3(c)(6) (Initial Margin Rule).

In Article 12 (Disciplinary Matters and Trial Proceedings), we propose to update the cross references to former Article XII (Discipline and Trial Proceedings) to current Article 12, which deals with the same subject matter, in Rules 2 (Summary Procedure) and 8 (Minor Rule Violations). In Article 12, Rule 2(a), an incorrect cross-reference to Article 12, Rule 5 concerning a respondent's Answer to disciplinary charges will be replaced by the correct cross-reference to Article 12, Rule 4(b). We are also adding a missing reference to Rule 9, which will be reserved for future use.

In Article 17, Rule 3 (Responsibilities of Institutional Brokers), Interpretations and Policies .03, we are removing an obsolete reference to former Rule 11 of Article 20. Rule 11, which addressed cancellation or modification of transactions due to systems malfunctions or disruptions, was deleted in October 2009 as part of an industry-wide initiative to standardize the rules relating to clearly erroneous transactions.<sup>7</sup>

In Article 20, Rule 8 (Operation of the Matching System), we are correcting certain erroneous cross references to existing order types defined in Rule 4 (Eligible Orders). Rule 8.e.1. describes the manner in which Cross and Cross with Size orders shall be executed and contains an erroneous cross-reference to the description of each of

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disqualified merely by the fact that it engages in insurance-related activities (such as the sale of variable annuities) to a limited extent and all other requirements are satisfied.

those order types in Rule 4(b)(3) and (b)(5), respectively. The proposal corrects those cross-references to Rule 4(b)(4) and (b)(6). We also propose to delete Interpretation and Policy .03 to Rule 8, which contained a reference to former Rule 10a-1(e)(5) under the Exchange Act.<sup>8</sup> Current Interpretation and Policy .04 will be renumbered as .03.

In Article 22, Rule 1 (General Provisions Regarding Listing), we propose to change outdated references to Article XXVIII (the former Article dealing with Listings) to the current Article 22, which is simply the renumbered version of the former Article. We also propose to correct numbering errors in subsection (g) to Rule 1 and update the cross reference in that subsection from old Article XXII, Rule 37 to current Article 21, Rule 2.<sup>9</sup> In Article 22, Rule 19 (Corporate Governance), we again propose to change an outdated cross reference to Article XXVIII to the current Article 22. The cross reference in Interpretation and Policy .06 of Rule 19 would be updated from old Article XXXIII, Rule 3, dealing with certain proxy requirements, to current Article 8, Rule 14(c), which addresses the same subject matter. In Article 22, Rule 23 (Public Disclosure Requirements for Tier I and Tier II Issues), Interpretation and Policy .01, we propose to delete the section headed “Relationship Between Company Officials and Exchange Specialists,” since the Exchange no longer has specialists. These provisions note certain

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<sup>7</sup> SR-CHX-2009-11 (October 2, 2009). Much of the content of former Rule 11 is now addressed in current Rule 10 under Article 20.

<sup>8</sup> Former Exchange Act Rule 10a-1(e)(5), sometimes known as the “equalizing exemption,” provided an exception to the former “uptick restrictions” of Exchange Act Rule 10a-1 for registered specialists or market makers which executed transactions at prices at or above the last reported sale. This exemption no longer exists under current Regulation SHO, which governs short selling in securities.

<sup>9</sup> Those provisions address the requirement that Participants utilize the facilities of a national securities depository for the book entry settlement of all transactions in depository eligible securities settled in the United States.

limitations on the sharing of non-public information between company officials and the specialist making a market in the company's securities. Since specialists no longer exist under our current market structure, this section appears to be superfluous. In Article 22, Rule 24 (Investment Company Units) and Rule 25 (Portfolio Depository Receipts), we propose to update references to the Nasdaq Small Cap Market to its current name, Nasdaq Capital Market. Finally, in Article 22, Rule 25 (Portfolio Depository Receipts), we are adding subsection (d) and reserving it for further use.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general,<sup>10</sup> and furthers the objectives of Section 6(b)(5) in particular,<sup>11</sup> in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transaction in securities, to remove impediments and perfect the mechanisms of a free and open market, and, in general, to protect investors and the public interest. The elimination of obsolete cross references and correction of other errors in our rules will serve to eliminate a potential source of confusion for Exchange Participants.

### B. Self-Regulatory Organization's Statement of Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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<sup>10</sup> 15 U.S.C. 78f(b).

<sup>11</sup> 15 U.S.C. 78f(b)(5).

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 has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6)<sup>13</sup> thereunder in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes 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

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2010-07 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-CHX-2010-07. 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 on official business days between the hours of 10:00 a.m. and 3:00 p.m. 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-2010-07 and should be submitted on or before [insert date 21 days from publication in the

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Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).

Exhibit 5

Additions are underlined; deleted text is [in brackets]

## ARTICLE 1.

### Definitions and General Information

#### Rule 1. Definitions

\* \* \*

s. "Participant" means any Participant Firm that holds a valid Trading Permit and any person associated with a Participant Firm who is registered with the Exchange under Articles 16 and 17 as a Market Maker Trader or Institutional Broker Representative, respectively. [Article VI as a floor broker, co-specialist or market maker.] A Participant shall be considered a "member" of the Exchange for purposes of the Exchange Act. If a Participant is not a natural person, the Participant may also be referred to as a "Participant Firm," but unless the context requires otherwise, the term Participant shall refer to an individual Participant and/or a Participant Firm.

\* \* \*

z. "Trading Facilities" means all of the Exchange's facilities for the trading of equity securities, including [Floor space provided by the Exchange and] any and all electronic or automated order routing, execution and reporting systems provided by the Exchange.

aa. "Trading Permit" means a permit issued by the Exchange, granting the holder a revocable license to execute approved securities transactions [on the Exchange's Floor or] through the Exchange's Trading Facilities, or to have those transactions executed on its behalf.

\* \* \*

## ARTICLE 2.

### Committees

\* \* \*

#### Rule 5. Committee on Exchange Procedure

There shall be a Committee on Exchange Procedure which shall have not less than seven members who shall be Participants. The chairman shall be a member of the Executive Committee. It shall have general supervision of the conduct and dealings on the Exchange and shall have the power to enforce the Exchange's rules and regulations by recommending staff investigations for violations thereof, in accordance with the procedure provided in Article 12.

Notwithstanding the foregoing and Rule 10 of this Article, and except as otherwise provided under Article 14, Rule 1 [Article VIII, Rule 23], the Committee if it so determines may act through a subcommittee to perform any of its duties pursuant to the Rules of the Exchange or otherwise. A subcommittee shall be composed of not less than three (3) Participants of the Exchange appointed by the Chairman of the Committee, a majority of whom shall constitute a quorum. The Chairman of each subcommittee shall be a member of the full Exchange Procedure Committee. Except as provided in Article 20, Rule 10(d), any Participant adversely affected by a determination of a subcommittee regarding any matter may appeal to the full Committee within five days of receiving notice of its determination by making a written request therefore specifically stating the action complained of, the specific reasons why exception is taken thereto, and the relief sought. Any determination made by a subcommittee which is not specifically appealed as set forth herein shall be final. [Except with respect to a subcommittee determination pursuant to such authority as set forth under Article XII, Rule 3, t]The determination of the Exchange Procedure Committee on appeal shall be final. Except as provided in Article 20, Rule 10[(d)](e), any action appealed shall be stayed until the appeal is decided.

### **Rule 6. Reserved**

\* \* \*

## **ARTICLE 3.**

### **Participants and Participant Firms**

#### **Rule 1. Qualifications**

\* \* \*

#### **Primary Purpose of Participant**

(c)(1) The primary purpose of every Participant shall be the transaction of business as a broker or dealer in securities. With prior approval of the Exchange, Participants may engage in any activities substantially related to the securities business.

(2) A Participant meeting the foregoing qualifications as to its principal purpose shall not be ineligible for a Trading Permit by reason of engaging in any other aspect of the securities

business (unless in violation of other Rules or written policies of the Exchange), the commodities business, or[, to the extent permitted by Article XVI,] the insurance business, but a Participant may not engage in any business or businesses other than the foregoing without the express approval of the Exchange.

\* \* \*

### **Rule 8. Limitation on Interests in Other Organizations**

No person shall at the same time be a partner, officer, director or stockholder in more than one Participant Firm, nor shall he be affiliated in any manner with a non-Participant partnership or corporation which is engaged in the securities business, unless such affiliation has been disclosed to and is approved by his Participant Firm.

A Participant Firm for which this Exchange is the Designated Examining Authority shall not be a subsidiary of a parent firm except in accordance with the following:

(1) A Participant Firm for which this Exchange is the Designated Examining Authority may be a subsidiary of a parent firm if all requirements of the following paragraphs (i) through (iii) are met in addition to other applicable Rules in Article [II]3:

\* \* \*

### **Rule 11. Transfer of Equity Securities of a Participant Firm**

\* \* \*

• • • *Interpretations and Policies:*

\* \* \*

#### **[.04 Trading by a Participant Firm in Its Own or Its Parent Firm's Securities**

Trading by a Participant Firm in its own securities, the securities of its parent firm, and the securities of other subsidiaries of its parent firm is subject to Rule 20 of Article VIII.]

#### **[.05].04 Compliance with Blue Sky Laws**

Participant Firms are hereby cautioned that they should be certain that any sale of their securities is made in accordance with the law of each state which may be applicable. It is strongly urged that each Participant Firm clear any sale of its securities with its counsel in order to insure against possible inadvertent violations of state securities laws.

\* \* \*

## ARTICLE 6.

### Registration, Supervision and Training

#### Rule 2. Registration and Approval of Participant Personnel

##### Registration.

\* \* \*

(b) Registered persons are Participants and persons associated with a Participant who are engaged or will be engaged in the securities business of a Participant, or the management of such securities business, including the functions of supervision, solicitation, conduct of business or the training of persons associated with a Participant for any of these functions. Such registered persons shall include without limitation:

\* \* \*

(4) Principal Stockholders (as defined in Article 1, Rule 1(s) [Article III, Rule 4]);

\* \* \*

#### Rule 3. Training and Examination of Registrants

\* \* \*

• • • *Interpretations and Policies:*

##### .01 Persons Registered in Special Capacities

\* \* \*

(d) Reserved

(e) Joint Back Office Participants

All registered persons associated with Joint Back Office ("JBO") Participants (as defined in Article 7, [Article XI,] Rule 3A, section (a)) designated as financial and operations principals must successfully complete the Financial and Operations Principal Examination, Series 27.

### **Rule 11. Continuing Education for Registered Persons**

*[This language is effective until September 30, 2005.]*

(a) Regulatory Element—No member or member organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of Section (a) of this Rule.

Each registered person shall complete the Regulatory Element of the continuing education program on the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by the Exchange. On each of the occasions, the Regulatory Element must be completed within one hundred twenty days after the person's registration anniversary date. A person's initial registration date shall establish the cycle of anniversary dates for purposes of this rule. The content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the rule.

(1) Registered persons who have been continuously registered for more than ten years as of March 1, 2000 shall be exempt from participation in the Regulatory Element of the continuing education program, provided such persons have not been subject to any disciplinary action within the last ten years as enumerated in subsection (a)(3)(i)-(ii) of this Rule. However, persons delegated supervisory responsibility or authority and are registered in such capacity are exempt from participation in the Regulatory Element under this provision only if they have been continuously registered in a supervisory capacity for more than ten years as of March 1, 2000 and provided that such supervisory person has not been subject to any disciplinary action under subsection (a)(3)(i)-(ii) of this Rule.

Persons who have been currently registered for ten years or less as of March 1, 2000 shall participate in the Regulatory Element of the continuing education program within one hundred twenty days after the occurrence of their next registration anniversary date and every three years thereafter.

(2) Failure to complete—Unless otherwise determined by the Exchange, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration.

The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(3) Re-entry into program—Unless otherwise determined by the Exchange, a registered person will be required to re-enter the Regulatory Element and satisfy all of its requirements if such person:

(i) becomes subject to any statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934;

(ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(iii) is ordered as a sanction in a disciplinary proceeding to re-enter the continuing education program by any securities governmental agency or any securities self-regulatory organization.

Re-entry shall commence with initial participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) or (iii) above.

#### (b) Firm Element

(1) Persons Subject to the Firm Element— The requirements of Section (b) of this Rule shall apply to any registered person who has direct contact with customers in the conduct of the Participant's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

#### (2) Standards

(i) Each Participant must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum, each Participant shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the Participant's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a Participant analysis determines a need for supervisory training for persons with supervisory responsibilities, such training must be included in the Participant's training plan.

(ii) Minimum Standards for Training Programs—Programs used to implement a Participant's training plan must be appropriate for the business of the Participant and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the Participant:

- a. General investment features and associated risk factors;
- b. Suitability and sales practice considerations; and
- c. Applicable regulatory requirements.

(iii) Administration of Continuing Education Program—Each Participant must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) Participation in the Firm Element—Covered registered persons included in a Participant's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the Participant.

(4) Specific Training Requirements—The Exchange may require a Participant, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

• • • *Interpretations and Policies:*

.01 For purposes of this Rule, the term "registered person" means any Participant, registered representative or other person registered or required to be registered under Exchange rules, but does not include any such person whose activities are limited solely to the transaction of business on the Floor with Participants or registered broker-dealers.

.02 For purposes of this Rule, the term "customer" means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, a Participant.

.03 A registered person who has been continuously registered for more than ten years as of March 1, 2000 who becomes subject to a disciplinary action as enumerated in subsections (a)(3)(i)-(ii) of the Rule, will be required to satisfy the requirements of the Regulatory Element of the continuing education program as if the date the disciplinary action becomes final is the person's initial registration anniversary date.

.04 Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such intervals that apply (second registration anniversary and every three years thereafter based on the initial registration anniversary date, rather than based on the date of reassociation in a registered capacity).

Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program's requirements in their entirety (second registration anniversary and every three years thereafter) based on the most recent registration date.

.05 Any registration that is deemed inactive for a period of two calendar years pursuant to section (a)(2) of this Rule for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of Exchange rule.

*This language is effective after October 1, 2005.]*

\* \* \*

••• *Interpretations and Policies:*

.01 For purposes of this Rule, the term "registered person" means any Participant, registered representative or other person registered or required to be registered under Exchange rules[, but does not include any such person whose activities are limited solely to the transaction of business on the Floor with Participants or registered broker-dealers].

\* \* \*

## **ARTICLE 7.**

### **Financial Responsibility and Reporting Requirements**

#### **Rule 3A. Joint Back Office Participants**

\* \* \*

(a) Requirements for Joint Back Office Participants. In addition to complying with the requirements of Rule 3 of this Article 7 [XI], a Participant for which the Exchange is the DEA that maintains a joint back office ("JBO") arrangement (a "JBO Participant") with a clearing broker-dealer subject to the requirements of Regulation T Section 220.7 (or any successor thereto) of the Federal Reserve System shall:

\* \* \*

• • • *Interpretations and Policies:*

.01 JBO Participants shall not be considered self-clearing for any purpose other than the extension of credit under Article 10 [X], Rule 3 or under the comparable rules of another self regulatory organization.

#### **Rule 4. Financial and Operational Reports**

\* \* \*

• • • *Interpretations and Policies:*

.02 Participants who are required to file with the Exchange monthly, quarterly and annual financial and operational reports pursuant to Article 7 [XI], Rules 3 and 4 of the Exchange Rules and Commission Rule 17a-5, must file in such form and within such time periods prescribed in the aforementioned rules. Repeated failure to file required financial and operational reports in a timely manner may subject Participants to disciplinary proceedings under the Rules of the Exchange. A failure to file such reports of more than 90 days will result in the initiation of a disciplinary action against such.

#### **Rule 6. Fidelity Bonds**

\* \* \*

(c) Participant Firms doing business with the public shall:

\* \* \*

(3) Maintain required minimum coverage for Fidelity, On Premises, In Transit, Misplacement and Forgery and Alteration insuring agreements of not less than 120% of its required net capital under Rule 3 of this Article up to \$600,000. Minimum coverage for required net capital in excess of \$600,000 shall be determined by reference to the following table:

<b>Net Capital Required Under Article 7 [XI] of the Rules</b>	<b>Minimum Coverage</b>
\$600,000 – 1,000,000	750,000
1,000,001 – 2,000,000	1,000,000
2,000,001 – 3,000,000	1,500,000
3,000,001 – 4,000,000	2,000,000
4,000,001 – 6,000,000	3,000,000
6,000,001 – 12,000,000	4,000,000
12,000,001 – and above	5,000,000

\* \* \*

**ARTICLE 10.****Margins**

\* \* \*

**Rule 3. Initial Margin Rule**

\* \* \*

**Exceptions to Rule**

(c) The foregoing requirements of this Rule are subject to the following exceptions:

\* \* \*

(6) Joint Back Office Participant Accounts—A clearing Participant may carry and clear the accounts of joint back office ("JBO") participants upon a margin basis which is satisfactory to both parties, provided the requirements of Regulation T Section 220.7 (or any successor thereto) and Article 7 [XI], Rule 3A are adhered to.

\* \* \*

**ARTICLE 12.****Disciplinary Matters and Trial Proceedings**

\* \* \*

**Rule 2. Summary Procedure****Minor Infraction**

(a) If in the judgment of the Chief Regulatory Officer, it shall appear from the investigation and report provided for in Rule 1(a) of this Article that the respondent has committed a minor infraction of the Bylaws or Rules of the Exchange, the Chief Regulatory Officer may summarily censure the respondent or impose a fine not in excess of \$500 or both. Any fine imposed pursuant to subsection (a) of this Rule and not contested shall not be publicly reported, except as may be required by Rule 19d-1 under the Securities Exchange Act of 1934, and as may be required by any other regulatory authority. Any fine that is contested will be publicly reported to the same extent that Exchange disciplinary proceedings will be publicly reported. In any action taken by the Exchange pursuant to this Rule, the person against whom a fine is imposed shall be served (as provided in Rule 1(c) of Article 12 [XII]) with a written statement (the "Notice of Fines"), signed by the Chief Regulatory Officer or his designee, setting forth (i) the rule(s) or policy(ies) alleged to have been violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each such violation; (iv) the date on which such action is taken; and (v) the date on which such determination becomes final and such fine becomes due and payable to the Exchange, or on which such action must be contested as provided below. Any person against whom a fine is imposed pursuant to this Rule may contest the Exchange's determination by filing with the Secretary of the Exchange not later than 30 days after the service of the Notice of Fines, a written response meeting the requirements of an Answer as provided in Article 12, Rule 4(b) [Article XII, Rule 5] of the Exchange Rules at which point the matter shall become a "Disciplinary Proceeding" subject to the provisions of Article 12 [XII] applicable to disciplinary proceedings.

\* \* \*

**Rule 8. Minor Rule Violations**

(a) In lieu of commencing a "disciplinary proceeding" as that term is used in Article 12 [XII] of the Exchange Rules and Article VII of the Exchange Constitution, the Exchange may, subject to the requirements set forth in this Rule, impose a fine, not to exceed \$2500, on any Participant, associated person, or registered or non-registered employee of a Participant, for any violation of a rule of the Exchange, which violation the Exchange shall have determined is minor in nature. Any fine imposed pursuant to this Rule and not contested shall not be publicly reported, except as may be required by Rule 19d-1 under the Exchange Act, and as may be required by any other

regulatory authority. Any fine that is contested may be publicly reported to the same extent that Exchange disciplinary proceedings may be publicly reported.

\* \* \*

(d) If the person against whom a fine is imposed pursuant to this Rule pays the fine, such payment shall be deemed to be a waiver by such person of such person's right to a disciplinary proceeding under Article 12 [XII] and any right to review or appeal.

\* \* \*

(f) The Exchange shall prepare and announce to its Participants from time to time a listing of the Exchange rules and policies as to which the Exchange may impose fines as provided in this Rule. Such listing shall also indicate the specific or recommended dollar amount that may be imposed as a fine hereunder with respect to any violation of such rule or policy, or may indicate the minimum and maximum dollar amount that may be imposed by the Exchange with respect to any such violation. Nothing in this Rule shall require the Exchange to impose a fine pursuant to this Rule with respect to the violation of any rule or policy included in any such listing and the Exchange shall be free, whenever it determines that any violation is not minor in nature, to proceed under other provisions of Article 12 [XII] rather than under this Rule.

\* \* \*

• • • *Interpretations and Policies:*

.01 With respect to subsection (d), a failure to pay a fine imposed pursuant to this Rule by the time it is due, without timely contesting the action upon which such fine was based pursuant to subsection (e), shall be deemed a waiver by the person against whom the fine is imposed of such person's right to a disciplinary proceeding under Article 12 [XII] and any right to review or appeal.

**Rule 9. Reserved**

\* \* \*

**ARTICLE 17.**

**Institutional Brokers**

\* \* \*

**Rule 3. Responsibilities**

\* \* \*

**• • • Interpretations and Policies:**

.01 [no change]

.02 [no change]

.03 The Exchange's Brokerplex system incorporates a functionality that is designed to permit institutional brokers to execute transactions outside of the Matching System, but in a manner that is consistent with the orders in the Matching System and with the NBBO. In general terms, this functionality allows an institutional broker to input the symbol for a security and pull up a window that includes a snapshot of the Matching System BBO and the NBBO. The institutional broker then may report a trade that is consistent with the orders in the Matching System and the NBBO. As provided above, an institutional broker that initiates the use of this functionality to report a proprietary trade against a customer order must complete the transaction report (without cancelling out of the functionality), unless the institutional broker mistakenly input the symbol for the wrong security or the transaction may be cancelled pursuant to the provisions set out in Article 20, Rules 9[, ] and 10 [and 11] (relating to cancellation of transactions[, clearly erroneous transactions and systems disruptions and malfunctions] and handling of clearly erroneous transactions).

\* \* \*

**ARTICLE 20.****Operation of the CHX Matching System**

\* \* \*

**Rule 8. Operation of the Matching System**

\* \* \*

e. *Execution of certain orders and order types.* The following orders shall be executed within the Matching System as set out below:

1. *Cross and cross with size orders.* Cross and cross with size orders shall be automatically executed if they meet the requirements set out in Rule 4(b)(3)(4) and 4(b)(5)(6) above. If an order designated as cross or cross with size does not meet the

requirements for its designation at the time it is received by the Matching System, it shall be immediately and automatically cancelled.

\* \* \*

3. *Cross orders for non-regular way settlement:* These orders shall be automatically executed without regard to either the NBBO or any orders for regular way settlement that might be in the Matching System if they meet the requirements set out in Rule 4(b)[(16)](17) above. If an order designated as a non-regular way cross does not meet the requirements for its designation at the time it is received by the Matching System, it shall be immediately and automatically cancelled.

\* \* \*

• • • *Interpretations and Policies:*

\* \* \*

.03 [In executing sell short orders, the Matching System shall apply the Rule 10a-1(e)(5) exemption to orders submitted by a market maker registered with the Exchange under Article 16 of these Rules.

.04] *Routing Away.*

\* \* \*

**ARTICLE 22.**

**Listed Securities**

**Rule 1. General Provisions Regarding Listing**

\* \* \*

(b) Definitions—The following terms used in Article 22 [XXVIII] shall, unless otherwise indicated, have the following meanings:

\* \* \*

(g) Depository Eligibility

(i) [(a)] Before any issue of securities of a domestic issuer (not including American Depositary Receipts for securities of a foreign issuer) is listed on the Exchange on or after June 1, 1995, the Exchange must have received a representation from the issuer that a CUSIP number identifying the securities has been included in the file of eligible issues maintained by a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 ("securities depository" or "securities depositories"), except that this paragraph shall not apply to a security if the terms of the security do not and cannot be reasonably modified to meet the criteria for depository eligibility at all securities depositories.

(ii) [(b)] A security depository's inclusion of the CUSIP number identifying a security in its file of eligible issues does not render a security "depository eligible" within the meaning of Article 21, Rule 2 [Article XXII, Rule 37] of the Exchange's Rules until:

\* \* \*

**Rule 19. Corporate Governance**

The following Rule 19 applies to Tier I issuers:

\* \* \*

(p) Definitions. For purposes of this Article 22 [XXVIII], unless the context requires otherwise:

\* \* \*

• • • *Interpretations and Policies:*

\* \* \*

**.06 Shareholder approval of equity compensation plans.**

\* \* \*

(9) The Exchange precludes its Participant Firms from giving a proxy to vote on equity compensation plans unless the beneficial owner of the shares has given voting instructions. This prohibition is codified in Article 8, Rule 14(c) [Article XXXIII, Rule 3] and will become effective for any meeting of shareholders that occurs on or after the 90th day following Commission approval of the change.

\* \* \*

**Rule 23. Public Disclosure Requirements for Tier I and Tier II Issues**

\* \* \*

• • • *Interpretations and Policies:***.01 Informing the Public**

\* \* \*

**[Relationship Between Company Officials and Exchange Specialists**

The Specialist is charged with doing all that is in his power to give the company and its stockholders the fair and orderly market that is expected from a listing on the Exchange. In carrying out this responsibility it would be desirable for the Specialist to have appropriate liaison with one or more corporate officials. Such liaison, properly conducted, provides opportunity for communication in the event of particular questions or problems encountered by either the Specialist or the company. Company officials could be informed of any unusual market problems, if deemed appropriate, and would be free to call the Floor Procedure Department (not the Specialist) for information if a question arises about the market in the stock.

There is a point beyond which it is improper for the company to go in giving information to the Specialist. Thus, for the corporation to give advance earnings, dividend, stock split, or merger information to a Specialist or anyone else would be clearly inappropriate. On the other hand, it is entirely appropriate for company officials to discuss such matters as the trend of business with the Specialist, much as they would with bankers, stockholders, security analysts, or anyone having a legitimate interest in the company. In this way, the Specialist may be better able to maintain a market beneficial to the company and its present and prospective stockholders.]

\* \* \*

**Rule 24. Investment Company Units**

\* \* \*

• • • *Interpretations and Policies:*

\* \* \*

.04 The Exchange may approve a series of Units for trading, whether by listing or pursuant to unlisted trading privileges, pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934, provided each of the following criteria is satisfied:

(a) Eligibility Criteria for Index Components.

\* \* \*

(5) All securities in an underlying index or portfolio must be listed on a national securities exchange or the Nasdaq Stock Market (including the Nasdaq [SmallCap] Capital Market).

**Rule 25. Portfolio Depositary Receipts**

\* \* \*

(d) Reserved

\* \* \*

• • • *Interpretations and Policies:*

.01 The Exchange may approve a series of Portfolio Depositary Receipts for trading, whether by listing or pursuant to unlisted trading privileges, pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934, provided each of the following criteria is satisfied:

(a) Eligibility Criteria for Index Components.

\* \* \*

(5) All securities in an underlying index or portfolio must be listed on a national securities exchange or the Nasdaq Stock Market (including the Nasdaq [SmallCap] Capital Market).

\* \* \*