

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="33"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2011"/> - * <input type="text" value="19"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Proposed Rule Change by   
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"/> Extension of Time Period for Commission Action * <input type="text"/> Date Expires * <input type="text"/>			Rule		
			<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, required when Initial is checked \*).

**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="David"/>	Last Name * <input type="text" value="Whitcomb"/>
Title * <input type="text" value="General Counsel and CRO"/>	
E-mail * <input type="text" value="dwhitcomb@chx.com"/>	
Telephone * <input type="text" value="(312) 663-2628"/>	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

By  Associate General Counsel  
(Name \*) (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.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information (required)**

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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 (required)**

Add Remove View

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 Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposes to amend its Schedule of Participant Fees and Assessments (the “Fee Schedule”), effective July 25, 2011, to amend its Fee Schedule to clarify the application of the Fee Schedule to certain transactions of, and services to, CHX Participants and make certain rate changes.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed change is set out below. New text is underlined and deletions are [bracketed].

\* \* \*

New text is underlined and deletions are [bracketed].

### **FEES AND ASSESSMENTS**

**A. Trading Permit Fees**

Unchanged

**B. SRO Fee**

Unchanged

**C. Registration Fees**

New Participant Firm registration	Unchanged
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<sup>1</sup> 15 U.S.C. 78s(b)(1)

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

Change in business form	Unchanged	
Off-Exchange traders	Unchanged	
[Processing Fees	Fingerprints	\$35
	Background checks	\$35
	Badge for access to CHX Facilities]	\$15

#### D. Matching System Port Charges

Unchanged

#### E. Transaction and Order Processing Fees

##### 1. Matching System single-sided order executions (one-sided orders of 100+ shares)

Regular Trading Session: Unchanged

Early and Late Trading Sessions: Unchanged

Activity on days when the Regular Trading Session of the Exchange closes early [are] is not counted when calculating a Participant Firm's average daily volume.

These fees are charged (and rebates paid) to the Participant that submits the order to the Matching System, with the following exceptions in connection with transactions that are subject to the agency fees set out in Section E.3.a. ([Agency e]Executions through an [i]Institutional [b]Broker Registered with the Exchange Under Article 17 (All Sessions)) below:

- (a) The liquidity taking fee shall not be charged to any institutional broker;
- (b) A provide credit of \$0.0027[9]/share in Tape A and C securities and \$0.0028[31]/share in Tape B securities priced \$1.00/share or more executed in the Regular Trading Session shall be paid to the [i]Institutional [b]Broker representing the Participant which originated the order (regardless of the ADV attributable to either firm); [and]
- (c) A provide credit of \$0.0022/share in Tape A, B and C securities priced \$1.00/share or more executed in Early or Late Trading Sessions shall be paid

to the Institutional Broker representing the Participant which originated the order (regardless of the ADV attributable to either firm); and

(d) [A] No provide credit[ of \$0.00009/share] in Tape A, B and C securities priced less than \$1.00/share shall be paid to the [i]Institutional [b]Broker representing the Participant which originated the order (regardless of the ADV attributable to either firm).

"Trade value" means a dollar amount equal to the price per share multiplied by the number of shares executed.

**2. Matching System crosses (two-sided orders of any number shares) (All Sessions)**

Tape A issues	No charge
Tape B issues	No charge
Tape C issues	No charge
[A cross in any issue (Tape A, B or C) where an institutional broker is trading on a proprietary basis	\$.0007/share, charged to the institutional broker on the shares that the institutional broker is trading on a proprietary basis]

[These] No fees apply to cross orders executed in the Matching System[, as well as to any orders executed by institutional brokers outside of the Matching System as permitted by CHX rules] and which are not submitted by an Institutional Broker which is registered under Article 17 of the Exchange's rules.

**3. [Agency e] Executions through an [i]Institutional [b]Broker Registered with the Exchange Under Article 17 (All Sessions)**

**a. Agency executions:**

Tape A issues	\$.003[5]/share, up to a maximum of \$100 per side
Tape B issues	\$.003[5]/share, up to a maximum of \$100 per side
Tape C issues	\$.003[25]/share, up to a maximum of \$100 per side
<u>Tape A, B &amp; C issues priced less than</u>	<u>No charge</u>

\$1.00/share

**b. Proprietary Executions:**

A cross in any issue (Tape A, B or C) where an Exchange-registered Institutional Broker is trading on a proprietary basis (including in its error account).

\$.0007/share, charged to the Exchange-registered Institutional Broker on the shares (including odd lots) that the Institutional Broker is trading on a proprietary basis. The non-Institutional Broker Participant on the other side of the cross transaction shall be assessed the fee set forth in Section E.3.a. of the Fee Schedule.

The[se] fees pursuant to Section 3.a. of the Fee Schedule are charged to the Participant Firm in which name the transaction is submitted for clearance and settlement [that executes an order] (including both single-sided and cross orders), other than orders submitted as an odd-lot order (which are assessed a fee pursuant to E.4.), through an Exchange-registered [i]Institutional [b]Broker (if the Institutional [b]Broker facilitates the execution of the order on the Exchange [or in another market]). If the [i]Institutional [b]Broker executes the order in the Matching System [or as otherwise permitted by CHX rules], the [i]Institutional [b]Broker (not its customer) will be assessed applicable Matching System fees (see (1) and (2) above).

The maximum charge of \$100 per side shall be computed for each Participant firm and separately for a Participant which is represented by more than one Institutional Broker Representative (as defined in Article 17, Rule 1 of the Exchange's rules).

**4. Odd-lot Matching System fee (single-sided orders of less than 100 shares) (All Sessions)**

Tape A issues	\$.0040/share
Tape B issues	\$.0040/share
Tape C issues	\$.0040/share

These fees are charged to the Participant that submits [the] an odd-lot order to the Matching System, whether electronically by the Participant or through an Institutional Broker. These fees do not apply to orders not entered into the Matching System as an odd-lot order, but which become odd lots due to partial executions.

**5. Fees assessed on the Exchange pursuant to Section 31 of Act (All Sessions)**

Unchanged

**6. [Matching System routing fees (All Sessions)] Reserved**

*[Effective April 1, 2007:]*

ETFs (Tape A or B) routed through ITS or any linkage plan that supersedes ITS	\$.0030/share (for executed orders routed to AMEX, BeX, CBSX, NYSE, Nasdaq, NSX, PHLX or NYSE Arca)
All other securities (Tape A or B) routed through ITS or any linkage plan that supersedes ITS	\$.0003/share (for executed orders routed to NYSE)
	\$.0030/share (for execute orders routed to AMEX, BeX, CBSX, Nasdaq, NSX, PHLX, or NYSE Arca)

These fees are assessed for routing from the Matching System to another market when the execution of an order would (a) improperly trade through another market; (b) improperly lock or cross another market; or (c) is requested as part of a cross with satisfy or outbound ISO. These fees are charged to the Participant that sends the order to the Matching System.]

**7. Trade processing fees (All Sessions)**

*[Effective November 1, 2007:]*

Tape A issues	\$.003[5]/share, up to a maximum of \$100 per side
Tape B issues	\$.003[5]/share, up to a maximum of \$100 per side
Tape C issues	\$.003[25]/share, up to a maximum of \$100 per side
<u>Tape A, B &amp; C issues priced less than \$1.00/share</u>	<u>No charge</u>

These fees are charged for cross transactions reported to clearing by the Exchange's systems that [are executed and reported to the tape (but not reported to clearing) by an institutional broker in an away market] originated with an Institutional Broker and were transmitted to and executed by another broker-dealer (which is not an Institutional Broker) in the over-the-counter market. [and are reported to clearing by the Exchange's systems.] The maximum charge of \$100 per side shall be computed for each Participant firm and separately for a Participant which is represented by more than one Institutional Broker Representative (as defined in Article 17, Rule 1 of the Exchange's rules).

**8. Order Cancellation Fee (Regular Trading Session only)**

Unchanged

**F. Credits**

**1. Reserved for future use**

**2. Institutional broker credits**

Total monthly fees owed by an Exchange-registered [i]Institutional [b]Broker to the Exchange will be reduced (and [i]Institutional [b]Brokers will be paid for any unused credits) by the application of a transaction fee credit [and a trade processing fee credit].

“Transaction fee credit” means (a) 4% per side of the transaction fees received by the Exchange each month for agency trades executed through the Exchange-registered [i]Institutional [b]Broker, which is paid to the originating broker, plus (b) 12% of the transaction fees received by the Exchange each month for agency trades executed through the [i]Institutional [b]Broker, which is paid to the broker of credit for the portion(s) of the transaction handled by the broker of credit.

"Originating broker" means the Exchange-registered [i]Institutional [b]Broker that executes a trade.

"Broker of credit" means the Exchange-registered [i]Institutional [b]Broker that acts as the broker for the ultimate Exchange clearing participant.

**3. Reserved**

**4. Credits Not Available if Exchange Bill Not Paid**

Unchanged

**G. Co-location Fees**

Unchanged

**H. Reserved for Future Use [Clearing Support Fees]**

[These fees are charged to Participant Firms for which the Exchange provides back-office clearing services.]

The minimum clearing support fee is \$600/month and the following fees will apply.

**1. Account Fees**

First master account fee	\$500/month
Add'l master account fee	\$300/account/month
Sub-account fee	\$100/account/month

**2. Activity Fees**

Beginning January 1, 2007, the clearing support fees will be as follows:

Firms that average, within a month, fewer than 2,500 tickets/day	Free
Firms that average, within a month, 2,500 tickets or more/day]	\$.02/ticket, cap of \$8,000 per month

**I. Listing Fees**

Unchanged

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

Unchanged

**L. Supplies[, Rulebooks] and Reports**

- |                |                      |   |
|----------------|----------------------|---|
| 1.             | Trading forms        | Rebilled based on usage   |
| [2.            | CCH Rulebook         | Rebilled per subscription]  |
| [3.            | Brokerplex reports   | \$50/month fee to provide reports of Participant Firm activity by trader] |
| <u>2.</u> [4.] | Trade and order data | Rebilled at cost  |

**M. Receipt of Orders Through CHX Connect**

Unchanged

**N. CHX Book Feed**

Unchanged

**O. Late Fees**

Unchanged

**P. Aggregation of Activity of Affiliated Participants**

Unchanged

**MRVP Fine Schedule**

Unchanged

\* \* \*

(b) Not applicable.

(c) Not applicable.

2. Procedures of Self-Regulatory Organization

This change to the Fee Schedule was approved by the CHX Board of Directors on June 28, 2011.

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

(a) Purpose

Through this filing, the Exchange is proposing to amend its Schedule of Fees and Assessments (“Fee Schedule”) to clarify the application of the Fee Schedule to various transactions consummated on or through the Exchange and to certain services provided by the Exchange to its Participants. The proposed changes accurately describe the manner in which the Exchange has and will continue to apply the Fee Schedule to such transactions and services.

Currently, the Fee Schedule provides for Processing Fees for fingerprinting, background checks and the provision of access badges by the Exchange.<sup>3</sup> The Exchange no longer provides either fingerprinting or background checking services for current or prospective CHX Participants, and we no longer wish to impose a fee for access badges. Therefore, the Exchange proposes to eliminate the fees for these services.

The Exchange is also clarifying the application of Section E.1. (Matching System single-sided order executions (one-sided orders of 100+ shares)) of the Fee Schedule to note that the Average Daily Volume (“ADV”) calculations performed by the Exchange to determine the amount of provide credit paid to a Participant are not being performed when the Regular Trading Session closes early.<sup>4</sup> Trade volume on days on which the Late Trading Sessions close early, however, would continue to be counted towards the ADV calculation. In addition, we are eliminating the provide credit paid to Exchange-registered Institutional Brokers (“Institutional Brokers”) in transactions in securities priced less than one dollar. As noted in the discussion of the changes to Section E.3. of the Fee Schedule, *supra*, we are proposing to eliminate the charge in transactions in securities priced less than one dollar to Participants which submit orders

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<sup>3</sup> Section C. (Registration Fees) of the Fee Schedule.

<sup>4</sup> The Exchange proposes to change the phrase “single order executions” in the caption to Section E.1, to “single-sided order executions” to clarify that this section does not apply to cross orders.

through an Institutional Broker. It would not be economically feasible for the Exchange to continue to pay a provide credit to Institutional Brokers in transactions in which the Exchange does not earn any transaction revenue. Finally, the provide credit paid to Institutional Brokers in transactions in securities at or above one dollar during the Regular Trading Session is being reduced to \$0.0027/share in Tape A and C securities and \$0.0028/share in Tape B securities from \$0.0029/share. This reduction reflects the lower amount of revenue generated in such transactions due to the rate changes for agency executions submitted through an Institutional Broker.<sup>5</sup> The Exchange is also lowering the rate of the provide credit paid to Institutional Brokers representing the Participant which originated the order (regardless of the ADV attributable to either firm) for trades executed in the Early and Late Trading Sessions to \$0.0022/share in Tape A, B and C securities priced \$1.00/share.

The Exchange believes that it would be beneficial to clarify the application of the Fee Schedule to certain cross transactions by modifying the text of Section E.2. (Matching System crosses (All Sessions)) of the Fee Schedule. The Exchange proposes to move the reference to proprietary trades by an Institutional Broker from Section E.2. to Section E.3. (Executions through an Institutional Broker Registered with the Exchange Under Article 17 (All Sessions)). The Exchange believes that Section E.2. is properly construed to apply solely to cross transactions entered directly by a Participant firm to the Matching System by electronic means, and without the involvement of an Institutional Broker. Unlike transactions (including cross trades) handled by an Institutional Broker, cross transactions entered directly into the Matching System by a CHX Participant and executed there are not assessed any charge. The removal of

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<sup>5</sup> These rate changes are discussed *infra* as part of the modifications to Section E.3. of the Fee Schedule.

the language regarding proprietary cross trades executed by an Institutional Broker from this section should help to eliminate any potential ambiguity on this treatment. To reinforce this point, we are adding a clause to the last sentence in this section which states that these provisions do not apply to cross orders submitted by an Institutional Broker registered with the Exchange.<sup>6</sup>

The Exchange is modifying Section E.3. of the Fee Schedule to clarify the proper application of the Fee Schedule to transactions handled by an Institutional Broker. We propose to move the charge relating to proprietary crosses of an Institutional Broker formerly reflected in Section E.2 to new Section E.3.b. (Proprietary Executions). The new language clarifies that the fee assessed to the Institutional Broker of \$.0007/share also applies to any odd lot component of the cross trade. The new text also explicitly provides that the Participant on the other side of the transaction is to be assessed the fee normally assessed to a Participant whose order is handled by an Institutional Broker, as set forth in proposed new Section E.3.a. of the Fee Schedule. Current Section E.3. has been renumbered as Proposed Section E.3.a. Proposed Section E.3.a. sets forth a revised fee rate of \$.003/share for all trades (regardless of whether the security is a Tape A, B or C security) handled through an Institutional Broker.<sup>7</sup> The revised text makes explicit that the fees pursuant to both Section 3.a. of the Fee Schedule are charged to the Participant Firm in which name the transaction is submitted for clearance and settlement (including both single-sided and cross orders) through an Institutional Broker. The Exchange proposes to add text excluding odd-lot orders from these provisions, as those orders are assessed the Odd Lot fee

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<sup>6</sup> Throughout the proposal, the Exchange proposes to modify references to “institutional brokers” to clarify that such references are limited to Institutional Brokers registered with the Exchange pursuant to Article 17 of our rules, and not to institutional brokers as colloquially referred to in the securities industry.

<sup>7</sup> The revised fee rate conforms to the proscriptions of the Reg NMS Rule 610 (the “Access Rule”).

pursuant to Section E.4. (Odd-lot Matching System fee (single-sided orders of less than 100 shares) (All Sessions)) of the Fee Schedule. The Exchange also proposes to eliminate the reference to trades executed by an Institutional Broker “in another market,” since the Exchange does not impose the transaction fee under Section E.3. for non-CHX executions. The Exchange further proposes to clarify that the maximum charge per side shall be computed for each Participant firm on a side (buy or sell) of a execution and separately for a Participant which is represented by more than one Institutional Broker Representative (as defined in Article 17, Rule 1 of the Exchange’s rules). Finally, the Exchange proposes to add a provision setting the fees at zero for Institutional Broker-handled transactions in securities priced under \$1.

The Exchange proposes to modify the text of Section E.4. of the Fee Schedule relating to transactions in odd lots. The proposed new language would clarify that the odd lot fees apply to orders submitted to the Matching System (whether electronically by the Participant or through an Institutional Broker) as an odd-lot order. The revised text reflects CHX’s current practice of not applying odd lot fees to orders not entered into the Matching System as an odd-lot order, but which become odd lots due to partial executions. Transactions in odd-lot remainders would be charged the fee rate set forth in Section E.1. of the Fee Schedule.

The Exchange is proposing to delete Section E.6. of the Fee Schedule relating to Matching System routing fees, since the CHX does not currently offer automated routing services. This Section will be reserved for future use in the event that the Exchange decides to offer such services, or for other purposes.

The Exchange is proposing certain changes to the trade processing fees to clarify that such fees are charged to CHX Participants for cross transactions that are executed in the over-the-counter (“OTC”) marketplace and are reported to clearing by the Exchange's systems,

pursuant to Section E.7. (Trade Processing Fees) of the Fee Schedule. The Exchange is also modifying the types of transactions subject to the Trade Processing Fee to eliminate transaction executed directly in the OTC marketplace by an Institutional Broker and in its place substitute executed cross trades which originated with an Institutional Broker and were transmitted to and executed by another broker-dealer (which is not an Institutional Broker) in the OTC marketplace and which were submitted to clearing by the Exchange's systems.<sup>8</sup> This amendment reflects ongoing discussions between the Exchange and the staff of the Commission regarding limitations on the ability of Institutional Brokers to directly execute trades in the OTC marketplace. The Exchange also proposes to modify the current fee rate and maximum charge for trade processing fees to conform to the rates charged for transactions submitted through an Institutional Broker pursuant to Section E.3. of the Fee Schedule. In such transactions, the Exchange currently charges \$.0035/share, up to a maximum of \$100 per side for Tape A and B securities, and \$.0025/share, up to a maximum of \$100 per side for Tape C securities. By this proposal, we would change these rates to \$.003/share, up to a maximum of \$100 per side for all securities. We are also proposing to define "per side" in the same manner as in Section E.3. These changes would maintain the current state under which the fees charged pursuant to Sections E.3. and E.7. are identical.

The Exchange is proposing to eliminate the Clearing Support Fees currently set forth in Section H of the Fee Schedule. The CHX no longer performs the services described in Section H and has no present intention of doing so in the future. The elimination of these fees would clarify to CHX Participants that the Exchange does not provide clearing support services.

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<sup>8</sup> In such transactions, the third-party broker-dealer would report the transaction to the appropriate Trade Reporting Facility, and provide an execution report to the Institutional Broker,

Finally, the Exchange proposes to eliminate the fees for CCH Rulebooks (which the Exchange no longer provides to Participants) and monthly Brokerplex reports (which the Exchange will provide at no cost) pursuant to Section L.2. and 3. (Supplies and Reports), respectively.

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>10</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange is proposing to eliminate certain fees in their entirety which would reduce the financial obligation of Participants to the CHX. The fees to be eliminated include certain processing fees for fingerprints, background checks and badges (Section C of the Fee Schedule), Matching System routing fees (Section E.6. of the Fee Schedule), Clearing Support Fees (Section H of the Fee Schedule), and fees for rulebooks and certain reports (Section L of the Fee Schedule). In Section E.1., the Exchange is reducing the provide credit paid to Institutional Brokers in Regular Trading Hours session transaction from \$0.0029/share in Tape A and C securities to \$0.0027/share and from transaction from \$0.0031/share in Tape B securities to \$0.0028/share. In this same Section, the Exchange is further proposing a provide credit be paid to Institutional Brokers of \$0.0022/share in securities priced greater than \$1.00/share for trades in the Early and Late Trading Sessions. The Exchange also proposes that no provide credit shall

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which in turn would enter the information into the Exchange's systems for submission to clearing.

<sup>9</sup> 15 U.S.C. 78f.

<sup>10</sup> 15 U.S.C. 78f(b)(4)

be paid to Institutional Brokers in transactions in securities priced less than \$1.00/share. The Exchange believes that the reduction in provide credits paid to Institutional Brokers for trades during the Regular Trading Session, as well as the elimination of the provide credit paid to Institutional Brokers in transactions in all trading sessions in securities priced less than \$1.00, are appropriate because they will enable the Exchange to retain a greater amount of the revenue associated with such transactions, which in turn will assist the CHX in funding its internal operations including the oversight of Institutional Brokers. The Exchange further believes that the rate changes in Section E.1. as to the Early and Late Trading Sessions are appropriate because the proposed rates corresponds to the provide credit generally paid to Participants for trades in the Early and Late Trading Sessions.

The Exchange believes that the rate changes for CHX-executed transactions entered through an Institutional Broker are fair and appropriate (Section E.3. of the Fee Schedule). The Exchange hopes that these rate changes will help it attract additional order flow to the Exchange, as well as be consistent with the limitations on fees charged by exchanges for access to quotations as set forth in Rule 610(c) of Regulation NMS. The Exchange is making parallel changes to the Trade Processing Fees set forth in Section E.7. of the Fee Schedule charged in connection with the submission to clearing by the CHX of non-Exchange trades handled by an Institutional Broker in order to maintain the current level of parity in such fees with the fees charged pursuant to Section E.3. of the Fee Schedule. The Exchange is also adding to the types of transactions subject to the Trade Processing Fee any executed trades submitted to Clearing by the Exchange's systems which originated with an Institutional Broker and were transmitted to and executed by another broker-dealer in the over-the-counter market. This addition reflects ongoing discussions between the Exchange and the staff of the Commission regarding limitations

on the ability of Institutional Brokers to directly execute trades in the over-the-counter marketplace.

The Exchange further believes that the proposed rule change is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(1) of the Act in particular, in that it allows the Exchange to be organized and have the capacity to be able to carry out the purposes of the Act and to comply, and (subject to any rule or order of the Commission pursuant to section 17(d) or 19(g)(2) of the Act) to enforce compliance by its members and persons associated with such members, with the provisions of the Act, the rules and regulations thereunder, and the rules of the exchange. The proposed clarifying changes to the Fee Schedule would establish the fees as they were approved by the Exchange and would contribute to the ability of its Participants to comply with the provisions of the Fee Schedule by clarifying to such Participants the basis upon which the Exchange charges for various of its fees and services. The proposed clarifying changes include the following: (1) the limitation of Section E.1. to single-sided orders (2) that the Average Daily Trading volume calculation for purposes of applying the tiered rate schedule of Section E.1. does not include days when the Regular Trading Session closes early; (3) that the phrase “institutional broker” be capitalized to reflect the intention to limit it to Institutional Brokers registered with the CHX pursuant to Article 17 of our rules; (4) that the provisions of Section E.2. apply only to crosses executed in the Matching System and which were not entered through an Institutional Broker; (5) the manner in which the CHX imposes fees on Institutional Brokers for proprietary trades executed in the Matching System; (6) the manner in which the CHX imposes fees on Participants for Exchange transactions entered through an Institutional Broker; (7) the application of the \$100 maximum charge in the transactions noted in (6); and (8) the imposition of fees on odd-lot orders.

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)

The proposed rule change is to take effect pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>11</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder<sup>12</sup> because it establishes or changes a due, fee or other charge applicable to the Exchange's members, which renders the proposed rule change effective upon filing.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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.

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.

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<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(ii)

<sup>12</sup> 17 CFR 240.19b-4(f)(2)

Exhibits 2-5: Not applicable.

## EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-\_\_\_\_; File No. SR-CHX-2011-19]  
SELF-REGULATORY ORGANIZATIONS

**Proposed Change by Chicago Stock Exchange, Inc. to Amend its Fee Schedule to Clarify the Application of the Fee Schedule to Certain Transactions of, and Services to, CHX Participants and Make Certain Rate Changes**

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 20, 2011, 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 Exchange. CHX has filed the proposal pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. 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 Assessments (the “Fee Schedule”), effective July 25, 2011, to amend its Fee Schedule to clarify the application of the Fee Schedule to certain transactions of, and services to, CHX Participants and make certain rate changes. The text of this proposed rule change is

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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)(2).

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, N.E., 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 is proposing to amend its Schedule of Fees and Assessments ("Fee Schedule") to clarify the application of the Fee Schedule to various transactions consummated on or through the Exchange and to certain services provided by the Exchange to its Participants. The proposed changes accurately describe the manner in which the Exchange has and will continue to apply the Fee Schedule to such transactions and services.

Currently, the Fee Schedule provides for Processing Fees for fingerprinting, background checks and the provision of access badges by the Exchange.<sup>5</sup> The Exchange no longer provides either fingerprinting or background checking services for current or

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<sup>5</sup> Section C. (Registration Fees) of the Fee Schedule.

prospective CHX Participants, and we no longer wish to impose a fee for access badges. Therefore, the Exchange proposes to eliminate the fees for these services.

The Exchange is also clarifying the application of Section E.1. (Matching System single-sided order executions (one-sided orders of 100+ shares)) of the Fee Schedule to note that the Average Daily Volume (“ADV”) calculations performed by the Exchange to determine the amount of provide credit paid to a Participant are not being performed when the Regular Trading Session closes early.<sup>6</sup> Trade volume on days on which the Late Trading Sessions close early, however, would continue to be counted towards the ADV calculation. In addition, we are eliminating the provide credit paid to Exchange-registered Institutional Brokers (“Institutional Brokers”) in transactions in securities priced less than one dollar. As noted in the discussion of the changes to Section E.3. of the Fee Schedule, *supra*, we are proposing to eliminate the charge in transactions in securities priced less than one dollar to Participants which submit orders through an Institutional Broker. It would not be economically feasible for the Exchange to continue to pay a provide credit to Institutional Brokers in transactions in which the Exchange does not earn any transaction revenue. Finally, the provide credit paid to Institutional Brokers in transactions in securities at or above one dollar during the Regular Trading Session is being reduced to \$0.0027/share in Tape A and C securities and \$0.0028/share in Tape B securities from \$0.0029/share. This reduction reflects the lower amount of revenue generated in such transactions due to the rate changes for agency executions

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<sup>6</sup> The Exchange proposes to change the phrase “single order executions” in the caption to Section E.1, to “single-sided order executions” to clarify that this section does not apply to cross orders.

submitted through an Institutional Broker.<sup>7</sup> The Exchange is also lowering the rate of the provide credit paid to Institutional Brokers representing the Participant which originated the order (regardless of the ADV attributable to either firm) for trades executed in the Early and Late Trading Sessions to \$0.0022/share in Tape A, B and C securities priced \$1.00/share.

The Exchange believes that it would be beneficial to clarify the application of the Fee Schedule to certain cross transactions by modifying the text of Section E.2. (Matching System crosses (All Sessions)) of the Fee Schedule. The Exchange proposes to move the reference to proprietary trades by an Institutional Broker from Section E.2. to Section E.3. (Executions through an Institutional Broker Registered with the Exchange Under Article 17 (All Sessions)). The Exchange believes that Section E.2. is properly construed to apply solely to cross transactions entered directly by a Participant firm to the Matching System by electronic means, and without the involvement of an Institutional Broker. Unlike transactions (including cross trades) handled by an Institutional Broker, cross transactions entered directly into the Matching System by a CHX Participant and executed there are not assessed any charge. The removal of the language regarding proprietary cross trades executed by an Institutional Broker from this section should help to eliminate any potential ambiguity on this treatment. To reinforce this point, we are adding a clause to the last sentence in this section which states that these provisions do

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<sup>7</sup> These rate changes are discussed *infra* as part of the modifications to Section E.3. of the Fee Schedule.

not apply to cross orders submitted by an Institutional Broker registered with the Exchange.<sup>8</sup>

The Exchange is modifying Section E.3. of the Fee Schedule to clarify the proper application of the Fee Schedule to transactions handled by an Institutional Broker. We propose to move the charge relating to proprietary crosses of an Institutional Broker formerly reflected in Section E.2 to new Section E.3.b. (Proprietary Executions). The new language clarifies that the fee assessed to the Institutional Broker of \$.0007/share also applies to any odd lot component of the cross trade. The new text also explicitly provides that the Participant on the other side of the transaction is to be assessed the fee normally assessed to a Participant whose order is handled by an Institutional Broker, as set forth in proposed new Section E.3.a. of the Fee Schedule. Current Section E.3. has been renumbered as Proposed Section E.3.a. Proposed Section E.3.a. sets forth a revised fee rate of \$.003/share for all trades (regardless of whether the security is a Tape A, B or C security) handled through an Institutional Broker.<sup>9</sup> The revised text makes explicit that the fees pursuant to both Section 3.a. of the Fee Schedule are charged to the Participant Firm in which name the transaction is submitted for clearance and settlement (including both single-sided and cross orders) through an Institutional Broker. The Exchange proposes to add text excluding odd-lot orders from these provisions, as those orders are assessed the Odd Lot fee pursuant to Section E.4. (Odd-lot Matching System fee (single-

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<sup>8</sup> Throughout the proposal, the Exchange proposes to modify references to “institutional brokers” to clarify that such references are limited to Institutional Brokers registered with the Exchange pursuant to Article 17 of our rules, and not to institutional brokers as colloquially referred to in the securities industry.

<sup>9</sup> The revised fee rate conforms to the proscriptions of the Reg NMS Rule 610 (the “Access Rule”).

sided orders of less than 100 shares) (All Sessions)) of the Fee Schedule. The Exchange also proposes to eliminate the reference to trades executed by an Institutional Broker “in another market,” since the Exchange does not impose the transaction fee under Section E.3. for non-CHX executions. The Exchange further proposes to clarify that the maximum charge per side shall be computed for each Participant firm on a side (buy or sell) of a execution and separately for a Participant which is represented by more than one Institutional Broker Representative (as defined in Article 17, Rule 1 of the Exchange’s rules). Finally, the Exchange proposes to add a provision setting the fees at zero for Institutional Broker-handled transactions in securities priced under \$1.

The Exchange proposes to modify the text of Section E.4. of the Fee Schedule relating to transactions in odd lots. The proposed new language would clarify that the odd lot fees apply to orders submitted to the Matching System (whether electronically by the Participant or through an Institutional Broker) as an odd-lot order. The revised text reflects CHX’s current practice of not applying odd lot fees to orders not entered into the Matching System as an odd-lot order, but which become odd lots due to partial executions. Transactions in odd-lot remainders would be charged the fee rate set forth in Section E.1. of the Fee Schedule.

The Exchange is proposing to delete Section E.6. of the Fee Schedule relating to Matching System routing fees, since the CHX does not currently offer automated routing services. This Section will be reserved for future use in the event that the Exchange decides to offer such services, or for other purposes.

The Exchange is proposing certain changes to the trade processing fees to clarify that such fees are charged to CHX Participants for cross transactions that are executed in

the over-the-counter (“OTC”) marketplace and are reported to clearing by the Exchange's systems, pursuant to Section E.7. (Trade Processing Fees) of the Fee Schedule. The Exchange is also modifying the types of transactions subject to the Trade Processing Fee to eliminate transaction executed directly in the OTC marketplace by an Institutional Broker and in its place substitute executed cross trades which originated with an Institutional Broker and were transmitted to and executed by another broker-dealer (which is not an Institutional Broker) in the OTC marketplace and which were submitted to clearing by the Exchange's systems.<sup>10</sup> This amendment reflects ongoing discussions between the Exchange and the staff of the Commission regarding limitations on the ability of Institutional Brokers to directly execute trades in the OTC marketplace. The Exchange also proposes to modify the current fee rate and maximum charge for trade processing fees to conform to the rates charged for transactions submitted through an Institutional Broker pursuant to Section E.3. of the Fee Schedule. In such transactions, the Exchange currently charges \$.0035/share, up to a maximum of \$100 per side for Tape A and B securities, and \$.0025/share, up to a maximum of \$100 per side for Tape C securities. By this proposal, we would change these rates to \$.003/share, up to a maximum of \$100 per side for all securities. We are also proposing to define “per side” in the same manner as in Section E.3. These changes would maintain the current state under which the fees charged pursuant to Sections E.3. and E.7. are identical.

The Exchange is proposing to eliminate the Clearing Support Fees currently set forth in Section H of the Fee Schedule. The CHX no longer performs the services

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<sup>10</sup> In such transactions, the third-party broker-dealer would report the transaction to the appropriate Trade Reporting Facility, and provide an execution report to the Institutional Broker, which in turn would enter the information into the Exchange's systems for submission to clearing.

described in Section H and has no present intention of doing so in the future. The elimination of these fees would clarify to CHX Participants that the Exchange does not provide clearing support services.

Finally, the Exchange proposes to eliminate the fees for CCH Rulebooks (which the Exchange no longer provides to Participants) and monthly Brokerplex reports (which the Exchange will provide at no cost) pursuant to Section L.2. and 3. (Supplies and Reports), respectively.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>11</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>12</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls. The Exchange is proposing to eliminate certain fees in their entirety which would reduce the financial obligation of Participants to the CHX. The fees to be eliminated include certain processing fees for fingerprints, background checks and badges (Section C of the Fee Schedule), Matching System routing fees (Section E.6. of the Fee Schedule), Clearing Support Fees (Section H of the Fee Schedule), and fees for rulebooks and certain reports (Section L of the Fee Schedule). In Section E.1., the Exchange is reducing the provide credit paid to Institutional Brokers in Regular Trading Hours session transaction from \$0.0029/share in Tape A and C securities to \$0.0027/share and from transaction from \$0.0031/share in Tape B securities to \$0.0028/share. In this same Section, the Exchange is further proposing a provide

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<sup>11</sup> 15 U.S.C. 78f.

<sup>12</sup> 15 U.S.C. 78f(b)(4)

credit be paid to Institutional Brokers of \$0.0022/share in securities priced greater than \$1.00/share for trades in the Early and Late Trading Sessions. The Exchange also proposes that no provide credit shall be paid to Institutional Brokers in transactions in securities priced less than \$1.00/share. The Exchange believes that the reduction in provide credits paid to Institutional Brokers for trades during the Regular Trading Session, as well as the elimination of the provide credit paid to Institutional Brokers in transactions in all trading sessions in securities priced less than \$1.00, are appropriate because they will enable the Exchange to retain a greater amount of the revenue associated with such transactions, which in turn will assist the CHX in funding its internal operations including the oversight of Institutional Brokers. The Exchange further believes that the rate changes in Section E.1. as to the Early and Late Trading Sessions are appropriate because the proposed rates corresponds to the provide credit generally paid to Participants for trades in the Early and Late Trading Sessions.

The Exchange believes that the rate changes for CHX-executed transactions entered through an Institutional Broker are fair and appropriate (Section E.3. of the Fee Schedule). The Exchange hopes that these rate changes will help it attract additional order flow to the Exchange, as well as be consistent with the limitations on fees charged by exchanges for access to quotations as set forth in Rule 610(c) of Regulation NMS. The Exchange is making parallel changes to the Trade Processing Fees set forth in Section E.7. of the Fee Schedule charged in connection with the submission to clearing by the CHX of non-Exchange trades handled by an Institutional Broker in order to maintain the current level of parity in such fees with the fees charged pursuant to Section E.3. of the Fee Schedule. The Exchange is also adding to the types of transactions

subject to the Trade Processing Fee any executed trades submitted to Clearing by the Exchange's systems which originated with an Institutional Broker and were transmitted to and executed by another broker-dealer in the over-the-counter market. This addition reflects ongoing discussions between the Exchange and the staff of the Commission regarding limitations on the ability of Institutional Brokers to directly execute trades in the over-the-counter marketplace.

The Exchange further believes that the proposed rule change is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(1) of the Act in particular, in that it allows the Exchange to be organized and have the capacity to be able to carry out the purposes of the Act and to comply, and (subject to any rule or order of the Commission pursuant to section 17(d) or 19(g)(2) of the Act) to enforce compliance by its members and persons associated with such members, with the provisions of the Act, the rules and regulations thereunder, and the rules of the exchange. The proposed clarifying changes to the Fee Schedule would establish the fees as they were approved by the Exchange and would contribute to the ability of its Participants to comply with the provisions of the Fee Schedule by clarifying to such Participants the basis upon which the Exchange charges for various of its fees and services. The proposed clarifying changes include the following: (1) the limitation of Section E.1. to single-sided orders (2) that the Average Daily Trading volume calculation for purposes of applying the tiered rate schedule of Section E.1. does not include days when the Regular Trading Session closes early; (3) that the phrase "institutional broker" be capitalized to reflect the intention to limit it to Institutional Brokers registered with the CHX pursuant to Article 17 of our rules; (4) that the provisions of Section E.2. apply only to crosses

executed in the Matching System and which were not entered through an Institutional Broker; (5) the manner in which the CHX imposes fees on Institutional Brokers for proprietary trades executed in the Matching System; (6) the manner in which the CHX imposes fees on Participants for Exchange transactions entered through an Institutional Broker; (7) the application of the \$100 maximum charge in the transactions noted in (6); and (8) the imposition of fees on odd-lot orders.

B. Self-Regulatory Organization's Statement on 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.

C. Self-Regulatory Organization's Statement on Comments Regarding the Proposed Rule Changes Received from Members, Participants or Others

No written comments were 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)(ii) of the Act<sup>13</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder<sup>14</sup> because it establishes or changes a due, fee or other charge applicable to the Exchange's members, which renders the proposed rule change effective upon filing.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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.

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A)(ii)

<sup>14</sup> 17 CFR 240.19b-4(f)(2)

#### 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-2011-19 on the subject line.

##### Paper Comments:

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

All submissions should refer to File No. SR-CHX-2011-19. 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, N.E.,

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-2011-19 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

Elizabeth M. Murphy  
Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).