

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="16"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2011"/> - * <input type="text" value="21"/> 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 *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/>	19b-4(f)(1)	<input type="checkbox"/>
<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	19b-4(f)(2)	<input type="checkbox"/>
			<input type="checkbox"/>	19b-4(f)(3)	<input type="checkbox"/>
				19b-4(f)(4)	<input type="checkbox"/>
				19b-4(f)(5)	<input type="checkbox"/>
				19b-4(f)(6)	<input type="checkbox"/>

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 * Last Name *
 Title *
 E-mail *
 Telephone * Fax

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

Add Remove View

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

Add Remove View

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 Information1. 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 (“Act”)¹ and Rule 19b-4 thereunder,² proposes to amend Article 20, Rule 9 (Cancellation of Transactions) and Interpretation and Policy .01 thereunder regarding the cancellation of the stock leg of stock-option transactions done on the Exchange.

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 set out below: New text is underlined and deletions are [bracketed].

RULES OF CHICAGO STOCK EXCHANGE, INC.

* * *

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

* * *

Rule 9. Cancellation of Transactions

(a) A transaction made in demonstrable error and cancelled by both parties may be unwound, subject to the approval of the Exchange.

[• • • *Interpretations and Policies:*]

[.01] (b) *Cancellation of stock-option orders.* [(a.)] (1) Unless otherwise expressly permitted by the Exchange's rules, a trade representing the execution of the stock leg of a

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

stock-option order may be cancelled at the request of [any] all Participants that are parties [is a party] to that trade if (i) market conditions in any of the non-Exchange market(s) prevent the execution of the option leg(s) at the price agreed upon by the parties to the options leg, or (ii) the options leg(s) is cancelled by the exchange on which it was executed.

[(b)] (2) For purposes of this Rule [Interpretation], a "stock-option order" is an order to buy or sell a stated number of units of an underlying or a related security coupled with either (i) the purchase or sale of option contract(s) on the opposite side of the market representing either the same number of units of the underlying or related security or the number of units of the underlying security necessary to create a delta-neutral or delta-hedged position or (ii) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price, expiration date and each representing the same number of units of stock as, and on the opposite side of the market from, the underlying or related security portion of the order.

[(c)] (3) The Participant acting as broker on the trade must maintain records sufficient to establish that market conditions in a non-Exchange market prevented the execution of the option leg(s) or that the option leg(s) was cancelled by the exchange on which it was executed.

[(d)] (4) The Participant acting as broker on the trade must identify each stock-option order, [and must] notify the parties to the order that the order may be cancelled as permitted above, and identify the reason that the trade was cancelled.

[(e)] (5) Failure to comply with the provisions of this section [Interpretation and Policy .01(d)] shall be considered conduct inconsistent with just and equitable principles of trade and a violation of Article 9, Rule 2.

[(f)] (6) [This Interpretation cannot become operative until a special trade indicator to identify these transactions has been implemented.] Any transactions cancelled pursuant to the provisions of this section must be identified by a special trade indicator.

* * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of Self-Regulatory Organization

This proposal was approved by the Exchange's 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

The Exchange proposes to amend CHX Article 20, Rule 9 (Cancellation of Transactions) and Interpretation and Policy .01 thereunder in order to expand the circumstances in which the stock leg of a combination stock-option order may be cancelled and make related modifications. Currently, under Interpretation and Policy .01, the stock leg of stock-option order can be cancelled only if market conditions in the options exchange prevented the execution of the options leg at the price agreed upon by the parties to the options transaction. We propose to move the text of the current Interpretation and Policy .01 to a separate section of Rule 9, since the Exchange believes that the requirements of that Interpretation and Policy constitute an independent basis for the cancellation of transactions, rather than act as an interpretation of the general provisions of current Rule 9.³

Through this filing, the Exchange proposes to expand the circumstances in which transactions executed on the CHX's facilities may be cancelled pursuant to provisions applicable only to combination stock-option orders to include situations in which the options leg is executed, but subsequently cancelled by the options exchange pursuant to their rules. In such circumstances, the cancellation of the stock leg at the request of the

³ The Exchange proposes to renumber the text of existing Rule 9 as subsection (a) to that rule, while Interpretation and Policy .01 (with the modification proposed herein) will become section (b) of Rule 9.

parties thereto is substantially similar to situations when the options trade is not executed at all. Otherwise, the parties would be left with an unwanted stock position, which was a hedge on or otherwise a component of the now-cancelled options transaction.⁴ The expansion of the authority to cancel transactions would permit a CHX Participant to cancel the unwanted stock leg of a stock-option order if the options trade was cancelled without having to resort to the open market to liquidate the stock leg.

The Exchange also proposes to require that any proposed cancellation of a transaction involving a stock-option order be made by or on behalf of all Participants to the transaction, rather than by any Participant. The Exchange believes that requiring all Participants to consent to the transaction will help prevent the possible abuse of the cancellation provisions by a single party acting unilaterally. The CHX understands that the ultimate parties to the cash equities transaction are the same parties to the equity options transaction, so any cancellation of the Exchange transaction will not have an impact on other market participants.⁵ A special trade indicator will be reported by the Exchange to the Consolidated Tape in order that the parties and other market participants

⁴ As noted in note 5 to the Commission's notice of filing of the Exchange's proposed addition of the stock-option cancellation interpretation, "the stock leg of a stock-option order is always presented to the CHX participant with an identified buyer and seller who have agreed to the terms of the trade. Both buyer and seller are aware of the possibility that the stock leg of a stock-option order may be cancelled on the CHX if the corresponding options leg is cancelled on an options market. Because both the buyer and seller are identified when the stock leg is presented to the CHX, there is no possibility that another CHX member's order could be matched against a stock-option order. Accordingly, there is no risk that an investor's order could be involuntarily cancelled without notice to the investor. . . ." Securities Exchange Rel. No. 34-54185 (July 20, 2006), 71 FR 42693 (July 27, 2006) (SR-CHX-2005-34).

⁵ In some instances, the parties to the options transactions may not be Exchange Participants. The orders of such firms would be executed on the Exchange in the name of its clearing firm, which must be an Exchange Participant. The clearing firm would then allocate the transaction to the options firm.

are aware that the transaction may be cancelled by the parties if the requirements of the rule are satisfied.

Finally, proposed Rule 9(b)(3) requires Participants acting as the broker in trades cancelled pursuant to proposed Rule 9(b)(1)(ii) to maintain records sufficient to establish that the options leg was in fact cancelled by the options exchange on which it was executed. Proposed Rule 9(b)(4) requires, among other things, that the Participant acting as broker on the trade identify the reason that the trade was cancelled. The Exchange will use such records to verify that the requirements imposed by the proposed rule changes have been met, and would treat the failure to properly document such cancellations as a rule violation subject to disciplinary treatment under Article 12 of the Exchange's rules.⁶

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general,⁷ and furthers the objectives of Section 6(b)(5) in particular,⁸ 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 by allowing CHX to amend its rules to permit the cancellation of previously executed stock trades which are a component of a combination stock-option order when the options exchange cancels the options leg of the transaction. By allowing the cancellation of the stock leg of a combination stock-option order when

⁶ The Exchange represents that it will implement surveillance procedures reasonably designed to detect possible violations of these provisions simultaneous with the approval of the proposed rule changes.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

the parties desire that result, the proposed changes will assist in the efficient processing of such transactions. The cancellation of the stock leg in such circumstances should also result in lower fees to Exchange order senders, since they would otherwise have to pay additional transaction fees to execute an offsetting trade. Since the cancellation of a trade pursuant to the proposed rule changes eliminates the need for the parties to execute and report an offsetting trade, the proposal should bolster the integrity of the publicly disseminated trade reporting information by removing the need for duplicative trade reports. The “double counting” of the initial trade and a reported reversal of that trade could give an inaccurate impression of the amount of shares actually changing hands in the marketplace. Since the cancellation would only impact the parties to the options transaction, the proposed amendments would not impact other market participants which submit orders to the CHX’s facilities for execution. Finally, permitting the cancellation of the stock leg when the options trade has been cancelled should reduce the credit risk to the parties involved in the transaction. Failure to cancel or offset the stock leg would leave the parties with an unwanted stock position, which was a hedge on or otherwise a component of the now-cancelled options transaction.

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)

Not applicable

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

Not applicable

9. Exhibits

Exhibit 1: The Completed Notice of the Proposed Rule Change for publication in the Federal Register.

Exhibits 2-5: Not applicable.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-____; File No. SR-CHX-2011-21)

Self-Regulatory Organizations; Chicago Stock Exchange, Incorporated; Notice of Filing to Amend Article 20, Rule 9 (Cancellation of Transactions) and Interpretation and Policy .01 Thereunder Regarding the Cancellation of the Stock Leg of Stock-Option Transactions Done on the Exchange.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on July 26, 2011, the Chicago Stock Exchange, Incorporated (“Exchange” or “CHX”) 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. 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 Exchange proposes to amend Article 20, Rule 9 (Cancellation of Transactions) and Interpretation and Policy .01 thereunder regarding the cancellation of the stock leg of stock-option transactions done on the Exchange. The text of this proposed rule change is available on the Exchange’s website at (www.chx.com), at the Exchange’s Office of the Secretary 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 change and discussed any comments it received regarding the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

proposal. The text of these statements may be examined at the places specified in Item IV below. The CHX has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

1. Purpose

The Exchange proposes to amend CHX Article 20, Rule 9 (Cancellation of Transactions) and Interpretation and Policy .01 thereunder in order to expand the circumstances in which the stock leg of a combination stock-option order may be cancelled and make related modifications. Currently, under Interpretation and Policy .01, the stock leg of stock-option order can be cancelled only if market conditions in the options exchange prevented the execution of the options leg at the price agreed upon by the parties to the options transaction. We propose to move the text of the current Interpretation and Policy .01 to a separate section of Rule 9, since the Exchange believes that the requirements of that Interpretation and Policy constitute an independent basis for the cancellation of transactions, rather than act as an interpretation of the general provisions of current Rule 9.³

Through this filing, the Exchange proposes to expand the circumstances in which transactions executed on the CHX's facilities may be cancelled pursuant to provisions applicable only to combination stock-option orders to include situations in which the options leg is executed, but subsequently cancelled by the options exchange pursuant to their rules. In such circumstances, the cancellation of the stock leg at the request of the parties thereto is substantially similar to situations when the options trade is not executed at all. Otherwise, the

³ The Exchange proposes to renumber the text of existing Rule 9 as subsection (a) to that rule, while Interpretation and Policy .01 (with the modification proposed herein) will become section (b) of Rule 9.

parties would be left with an unwanted stock position, which was a hedge on or otherwise a component of the now-cancelled options transaction.⁴ The expansion of the authority to cancel transactions would permit a CHX Participant to cancel the unwanted stock leg of a stock-option order if the options trade was cancelled without having to resort to the open market to liquidate the stock leg.

The Exchange also proposes to require that any proposed cancellation of a transaction involving a stock-option order be made by or on behalf of all Participants to the transaction, rather than by any Participant. The Exchange believes that requiring all Participants to consent to the transaction will help prevent the possible abuse of the cancellation provisions by a single party acting unilaterally. The CHX understands that the ultimate parties to the cash equities transaction are the same parties to the equity options transaction, so any cancellation of the Exchange transaction will not have an impact on other market participants.⁵ A special trade indicator will be reported by the Exchange to the Consolidated Tape in order that the parties and other market participants are aware that the transaction may be cancelled by the parties if the requirements of the rule are satisfied.

⁴ As noted in note 5 to the Commission's notice of filing of the Exchange's proposed addition of the stock-option cancellation interpretation, "the stock leg of a stock-option order is always presented to the CHX participant with an identified buyer and seller who have agreed to the terms of the trade. Both buyer and seller are aware of the possibility that the stock leg of a stock-option order may be cancelled on the CHX if the corresponding options leg is cancelled on an options market. Because both the buyer and seller are identified when the stock leg is presented to the CHX, there is no possibility that another CHX member's order could be matched against a stock-option order. Accordingly, there is no risk that an investor's order could be involuntarily cancelled without notice to the investor. . . ." Securities Exchange Rel. No. 34-54185 (July 20, 2006), 71 FR 42693 (July 27, 2006) (SR-CHX-2005-34).

⁵ In some instances, the parties to the options transactions may not be Exchange Participants. The orders of such firms would be executed on the Exchange in the name of its clearing firm, which must be an Exchange Participant. The clearing firm would then allocate the transaction to the options firm.

Finally, proposed Rule 9(b)(3) requires Participants acting as the broker in trades cancelled pursuant to proposed Rule 9(b)(1)(ii) to maintain records sufficient to establish that the options leg was in fact cancelled by the options exchange on which it was executed. Proposed Rule 9(b)(4) requires, among other things, that the Participant acting as broker on the trade identify the reason that the trade was cancelled. The Exchange will use such records to verify that the requirements imposed by the proposed rule changes have been met, and would treat the failure to properly document such cancellations as a rule violation subject to disciplinary treatment under Article 12 of the Exchange's rules.⁶

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general,⁷ and furthers the objectives of Section 6(b)(5) in particular,⁸ 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 by allowing CHX to amend its rules to permit the cancellation of previously executed stock trades which are a component of a combination stock-option order when the options exchange cancels the options leg of the transaction. By allowing the cancellation of the stock leg of a combination stock-option order when the parties desire that result, the proposed changes will assist in the efficient processing of such transactions. The cancellation of the stock leg in such circumstances should also result in lower fees to Exchange order senders, since they would

⁶ The Exchange represents that it will implement surveillance procedures reasonably designed to detect possible violations of these provisions simultaneous with the approval of the proposed rule changes.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

otherwise have to pay additional transaction fees to execute an offsetting trade. Since the cancellation of a trade pursuant to the proposed rule changes eliminates the need for the parties to execute and report an offsetting trade, the proposal should bolster the integrity of the publicly disseminated trade reporting information by removing the need for duplicative trade reports. The “double counting” of the initial trade and a reported reversal of that trade could give an inaccurate impression of the amount of shares actually changing hands in the marketplace. Since the cancellation would only impact the parties to the options transaction, the proposed amendments would not impact other market participants which submit orders to the CHX’s facilities for execution. Finally, permitting the cancellation of the stock leg when the options trade has been cancelled should reduce the credit risk to the parties involved in the transaction. Failure to cancel or offset the stock leg would leave the parties with an unwanted stock position, which was a hedge on or otherwise a component of the now-cancelled options transaction.

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.

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

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Changes and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-CHX-2011-21 on the subject line.

Paper Comments:

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

All submissions should refer to File No. SR-CHX-2011-21. 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-2011-21 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.⁹

Elizabeth M. Murphy
Secretary

⁹ 17 CFR 200.30-3(a)(12).