



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)**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

### **Form 19b-4 Information**

#### 1. Text of Proposed Rule Change

(a) The Chicago Stock Exchange, Incorporated (the “CHX” or the “Exchange”), pursuant to 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 Fees and Assessments (the “Fee Schedule”), effective September 1, 2011, to remove its tiered schedule of fees and rebates and lower or remove certain rebates.

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].

### **FEES AND ASSESSMENTS**

#### **A. – D. Unchanged**

#### **E. Transaction and Order Processing Fees**

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

##### **Regular Trading Session:**

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

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

	<b>Fee if liquidity is taken from the Matching System</b>	<b>Rebate if liquidity is provided to the Matching System</b>
Tape A & C issues priced \$1.00/share or more	\$0.003/share	[\$0.0025/share if the ADV is 1,000,000 shares or less. <sup>1</sup>  \$0.0027/share if the ADV is greater than 1,000,000 up to and including 5,000,000 shares.  \$0.0029/share if the ADV is greater than 5,000,000 shares.] <u>No rebate</u>
Tape B issues priced \$1.00/share or more	\$0.003/share	\$0.0022[6]/share [if the ADV is 1,000,000 shares or less.  \$0.0028/share if the ADV is greater than 1,000,000 up to and including 5,000,000 shares.  \$0.0031/share if the ADV is greater than 5,000,000 shares.]
Tape A, B & C issues priced less than \$1.00/share	0.30% of trade value	\$0.00009/share

[<sup>1</sup> “ADV” means, with respect to a Participant, the number of shares such Participant has executed as a liquidity provider in any and all trading sessions on average per trading day (excluding partial trading days) across all tapes on the trading facilities of the CHX (excluding all cross transactions) for the calendar month in which the executions occurred.]

**Early and Late Trading Sessions:**

	<b>Fee if liquidity is taken from the Matching System</b>	<b>Rebate if liquidity is provided to the Matching System</b>
Tape A, B & C issues priced \$1.00/share or more	\$0.003/share	\$0.0022/share
Tape A, B & C issues priced less than \$1.00/share	0.30% of trade value	\$0.00009/share

[Activity on days when the Regular Trading Session of the Exchange closes early 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. (Executions through an Institutional 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 \$0.0022[7]/share [in Tape A and C securities and \$0.0028/share] in Tape B securities priced \$1.00/share or more executed in the Regular Trading Session shall be paid to the Institutional Broker representing the Participant which originated the order [(regardless of the ADV attributable to either firm)];
- (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) No provide credit in Tape A, B and C securities priced less than \$1.00/share shall be paid to the Institutional 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.

\* \* \*

- (b) Not applicable.

(c) Not applicable.

2. Procedures of Self-Regulatory Organization

These changes to the Fee Schedule were approved on August 4, 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 proposes to amend its Schedule of Fees and Assessments (the "Fee Schedule"), effective September 1, 2011, to remove its tiered fee and rebate structure for Participants for trade executions of single-sided orders in securities priced over one dollar during the regular trading session and to lower or remove certain rebates. These fee changes are being proposed to simplify the Exchange's Fee Schedule and increase revenue to the Exchange.

In January, 2010, the Exchange introduced a tiered schedule of fees and rebates according to which the fee imposed on Participants for removing liquidity from the Matching System (the "take fee") or credit given to Participants which display orders in the Matching System which result in trade executions (the "provide credit") varied depending on the executing Participant's Average Daily Volume ("ADV").<sup>3</sup> A Participant's ADV is determined by the number of shares it has executed as a liquidity provider in any and all trading sessions on average per trading day (excluding partial trading days) across all tapes on the trading facilities of the CHX (excluding all cross transactions) for the calendar month in which the executions

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<sup>3</sup> Through its filing on January 4, 2010, the Exchange instituted a tiered fee and rebate structure based on a Participant's ADV. *See*, SR-CHX-2010-01, Exchange Act. Rel. No. 34-61322 (January 11, 2010), 75 Federal Register 2914 (Jan. 19, 2010).

occurred. Under this tiered schedule, there were three volume-based Tiers and the rate of applicable take fees and provide credits varied based upon the Tier into which a Participant falls.

In August, 2010, the Exchange altered its tiered Fee Schedule to delete those provisions which varied the take fee based upon the Participant's ADV and imposed a flat take fee of \$0.003/share across all Tapes.<sup>4</sup> The Exchange also reduced the provide credit for executions in Tape A & C securities from \$0.0026/share to \$0.0025/share for the lowest Tier of activity, from \$0.0028/share to \$0.0027/share in the middle Tier and from \$0.003/share to \$0.0029/share in the highest Tier. For Tape B securities, the provide credit was reduced from \$0.0028/share to \$0.0026/share in the lowest Tier, from \$0.003/share to \$0.0028/share in the middle Tier and from \$0.0032/share to \$0.0031/share in the highest Tier. The flat provide credit paid to CHX-registered Institutional Brokers when they represent agency orders which execute in the CHX Matching System in Tape B securities was also reduced from \$0.0032 to \$0.0031/share.

According to this proposal, the Exchange would delete those provisions of the Fee Schedule which vary the provide credit based upon the Participant's ADV. In its place, the Exchange proposes to remove the provide credit for executions in Tape A & C securities during the regular trading session and, for Tape B securities, the provide credit would be reduced to \$0.0022/share. The flat provide credit paid to CHX-registered Institutional Brokers when they represent agency orders which execute in the CHX Matching System would also be removed for Tape A & C securities and the credit in Tape B securities would be reduced from \$0.0027 to \$0.0022/share. The Exchange believes that this proposal will simplify its Fee Schedule and will result in increased revenue.

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<sup>4</sup> See, SR-CHX-2010-18, Exchange Act. Rel. No. 34-62650 (August 4, 2010), 75 Federal Register 48397 (August 10, 2010).

(b) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>5</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>6</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. Among other things, the removal of the Exchange's tiered fee and rebate structure will simplify the Fee Schedule by instituting reasonable rates that do not vary based upon a Participant's ADV and thereby equitably allocate fees among all Participants in a non-discriminatory manner. Additionally, the removal of the provide credit for executions in Tape A & C securities and the lowering of the provide credit in Tape B securities during the regular trading session, as well as for institutional broker transactions, will equitably allocate the same reasonable rebate rates among all 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.

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<sup>5</sup> 15 U.S.C. 78f.

<sup>6</sup> 15 U.S.C. 78f(b)(4)

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>7</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder<sup>8</sup> because it establishes or changes a due, fee or other charge applicable to the Exchange's members and non-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.

Exhibits 2-5: Not applicable.

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(A)(ii)

<sup>8</sup> 17 CFR 240.19b-4(f)(2)

## EXHIBIT 1

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-\_\_\_\_; File No. SR-CHX-2011-26]  
SELF-REGULATORY ORGANIZATIONS

**Proposed Change by Chicago Stock Exchange, Inc. to Remove its Tiered Schedule of Fees and Rebates and to Lower or Remove Certain Rebates.**

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 August 25, 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 Fees and Assessments (the “Fee Schedule”), effective September 1, 2011, to remove its tiered schedule of fees and rebates and lower or remove certain rebates. The text of this proposed rule change is available on the Exchange’s website at [http://www.chx.com/rules/proposed\\_rules.htm](http://www.chx.com/rules/proposed_rules.htm) and in the Commission’s Public Reference Room, 100 F Street, N.E., Washington, DC 20549.

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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).

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 proposes to amend its Schedule of Fees and Assessments (the "Fee Schedule"), effective September 1, 2011, to remove its tiered fee and rebate structure for Participants for trade executions of single-sided orders in securities priced over one dollar during the regular trading session and to lower or remove certain rebates. These fee changes are being proposed to simplify the Exchange's Fee Schedule and increase revenue to the Exchange.

In January, 2010, the Exchange introduced a tiered schedule of fees and rebates according to which the fee imposed on Participants for removing liquidity from the Matching System (the "take fee") or credit given to Participants which display orders in the Matching System which result in trade executions (the "provide credit") varied depending on the executing Participant's Average Daily Volume ("ADV").<sup>5</sup> A Participant's ADV is determined by the number of shares it has executed as a liquidity

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<sup>5</sup> Through its filing on January 4, 2010, the Exchange instituted a tiered fee and rebate structure based on a Participant's ADV. *See*, SR-CHX-2010-01, Exchange Act. Rel. No. 34-61322 (January 11, 2010), 75 Federal Register 2914 (Jan. 19, 2010).

provider in any and all trading sessions on average per trading day (excluding partial trading days) across all tapes on the trading facilities of the CHX (excluding all cross transactions) for the calendar month in which the executions occurred. Under this tiered schedule, there were three volume-based Tiers and the rate of applicable take fees and provide credits varied based upon the Tier into which a Participant falls.

In August, 2010, the Exchange altered its tiered Fee Schedule to delete those provisions which varied the take fee based upon the Participant's ADV and imposed a flat take fee of \$0.003/share across all Tapes.<sup>6</sup> The Exchange also reduced the provide credit for executions in Tape A & C securities from \$0.0026/share to \$0.0025/share for the lowest Tier of activity, from \$0.0028/share to \$0.0027/share in the middle Tier and from \$0.003/share to \$0.0029/share in the highest Tier. For Tape B securities, the provide credit was reduced from \$0.0028/share to \$0.0026/share in the lowest Tier, from \$0.003/share to \$0.0028/share in the middle Tier and from \$0.0032/share to \$0.0031/share in the highest Tier. The flat provide credit paid to CHX-registered Institutional Brokers when they represent agency orders which execute in the CHX Matching System in Tape B securities was also reduced from \$0.0032 to \$0.0031/share.

According to this proposal, the Exchange would delete those provisions of the Fee Schedule which vary the provide credit based upon the Participant's ADV. In its place, the Exchange proposes to remove the provide credit for executions in Tape A & C securities during the regular trading session and, for Tape B securities, the provide credit would be reduced to \$0.0022/share. The flat provide credit paid to CHX-registered Institutional Brokers when they represent agency orders which execute in the CHX

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<sup>6</sup> See, SR-CHX-2010-18, Exchange Act. Rel. No. 34-62650 (August 4, 2010), 75 Federal Register 48397 (August 10, 2010).

Matching System would also be removed for Tape A & C securities and the credit in Tape B securities would be reduced from \$0.0027 to \$0.0022/share. The Exchange believes that this proposal will simplify its Fee Schedule and will result in increased revenue.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>7</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>8</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. Among other things, the removal of the Exchange's tiered fee and rebate structure will simplify the Fee Schedule by instituting reasonable rates that do not vary based upon a Participant's ADV and thereby equitably allocate fees among all Participants in a non-discriminatory manner. Additionally, the removal of the provide credit for executions in Tape A & C securities and the lowering of the provide credit in Tape B securities during the regular trading session, as well as for institutional broker transactions, will equitably allocate the same reasonable rebate rates among all Participants.

### 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.

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<sup>7</sup> 15 U.S.C. 78f.

<sup>8</sup> 15 U.S.C. 78f(b)(4)

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 proposed rule change is to take effect pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>9</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder<sup>10</sup> because it establishes or changes a due, fee or other charge applicable to the Exchange's members and non-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.

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>9</sup> 15 U.S.C. 78s(b)(3)(A)(ii)

<sup>10</sup> 17 CFR 240.19b-4(f)(2)

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2011-26 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-2011-26. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule changes between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, 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-2011-26 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>11</sup>

Elizabeth M. Murphy  
Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).