

Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4File No.* SR - 2011 - * 34
Amendment No. (req. for Amendments *)Proposed Rule Change by Chicago Stock Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934Initial * Amendment * Withdrawal Section 19(b)(2) * Section 19(b)(3)(A) * Section 19(b)(3)(B) *

Rule

Pilot Extension of Time Period
for Commission Action * Date Expires * 19b-4(f)(1) 19b-4(f)(4)
 19b-4(f)(2) 19b-4(f)(5)
 19b-4(f)(3) 19b-4(f)(6)Exhibit 2 Sent As Paper Document
Exhibit 3 Sent As Paper Document
Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

Change to add Interpretation and Policy .01 to Article 13, Rule 2 (Emergency Suspension) regarding the suspension of a Participant's trading privileges on the Exchange.

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 * David Last Name * Whitcomb
Title * General Counsel
E-mail * dwhitcomb@chx.com
Telephone * (312) 663-2628 Fax (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 12/16/2011

By James Ongena
(Name *)Associate General Counsel
(Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

INVALID

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

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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 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 add Interpretation and Policy .01 to Article 13, Rule 2 (Emergency Suspension) regarding the suspension of a Participant’s trading privileges 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 13.**Suspension—Reinstatement**

* * *

Rule 2. Emergency Suspension

(a) – (b) Unchanged.

(c) Any appeal from a decision of the Chief [Executive] Regulatory Officer shall be made pursuant to the procedures set out in Article 15.

• • • Interpretations and Policies:

.01 Any Officer of the Exchange designated by the Chief Regulatory Officer may suspend the trading privileges of a Participant on the Exchange’s facilities pursuant to the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

provisions of this Rule if a Qualified Clearing Agency refuses to act to clear and settle the trades of that Participant. The Chief Regulatory Officer must approve any such suspensions within two (2) days of the action. If the Chief Regulatory Officer does not approve the action taken, the suspension shall be immediately lifted as of the time of his or her decision or after the expiration of two days, whichever is earlier.

* * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of Self-Regulatory Organization

This proposal was approved by the Exchange's Board of Directors on December 15, 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 add Interpretation and Policy .01 to Article 13, Rule 2 (Emergency Suspension) thereunder ("Rule 2") regarding the suspension of a Participant's trading privileges on the Exchange. Currently, this Rule authorizes the Exchange's Chief Regulatory Officer ("CRO") to suspend a Participant's membership with the Exchange or place other limitations on its activities if various circumstances occur, such as insolvency, failure to perform its contracts or obligations, expulsion or suspension by another self-regulatory organization or where it reasonably appears that the Participant is violating and will continue to violate any provision of the Rules of the Exchange or the federal securities laws (or rules promulgated thereunder). The Exchange proposes to permit any Officer of the Exchange designated by the CRO to suspend the trading privileges of a Participant on the Exchange's facilities pursuant to the provisions

of Rule 2 if a Qualified Clearing Agency refuses to act to clear and settle the trades of that Participant. The CRO must approve any such suspensions within two (2) days of the action. If the Chief Regulatory Officer does not approve the action taken, the suspension shall be immediately lifted as of the time of his or her decision or after the expiration of two days, whichever is earlier. Suspensions pursuant to these provisions, including the appeal thereof, would otherwise be governed by the provisions of Article 13, Rule 2.

The recent actions taken with respect to MF Global, Inc. (“MF Global”) illustrate the need for a limited expansion of the emergency suspension authority of Rule 2 in the situation where the Qualified Clearing Agency is considering whether to continue to act for a Participant in the clearance and settlement of trades.³ On October 31, 2011, there were public news reports that MF Global was in financial difficulties and might be insolvent. On that day, NSCC stated that it would continue to honor the transactions of MF Global presented to it for clearance and settlement. After the close of trading that day, however, NSCC stated that it would cease to act for MF Global and the Exchange’s CRO suspended the trading privileges of the firm pursuant to Article 13, Rule 2 effective November 1, 2011.⁴

While this situation was adequately addressed under the current rule structure, the Exchange is concerned that there may be situations in which the CRO may be unavailable to issue the suspension order if NSCC signals its intention to cease to act for a CHX Participant. This concern is particularly true if the Qualified Clearing Agency were to

³ Currently, there is only one Qualified Clearing Agency, the National Securities Clearing Corp. (“NSCC”), for cash equities securities.

⁴ See, CHX Market Regulation Department Information Memorandum MR-11-19 (Nov. 1, 2011), available on CHX public website, <http://www.chx.com>. See also, NSCC Notice A#7314, Re: MF Global, Inc. (Nov. 1, 2011), available on its public website at http://www.dtcc.com/downloads/legal/imp_notices/2011/nscc/a7314.pdf.

cease to act on an intraday basis.⁵ The Exchange therefore proposes that any Officer of the Exchange designated by the CRO may suspend the trading privileges on the Exchange of a Participant in the limited circumstance in which a Qualified Clearing Agency refuses to act to clear and settle the trades of that Participant. The proposal requires that the CRO approve this action within two (2) days. Any such suspensions of trading privileges would be otherwise governed by the provisions of Rule 2.

The Exchange also proposes to eliminate a reference to the Chief Executive Officer in Section (c) of Rule 2 and replace it with a reference to the CRO regarding appeals of suspensions under Rule 2. Before it was amended in 2006, emergency suspensions were authorized by the Chief Executive Officer.⁶ The Exchange believes that the continued reference to the Chief Executive Officer in Rule 2(c) represents a simple oversight in the 2006 amendments and seeks to correct it as part of this proposal.

(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

⁵ Historically, NSCC has normally ceased to act for one of its Participants only after the close of trading. The Exchange understands, however, that NSCC reserves the right to act on an intraday basis if necessary and appropriate.

⁶ See, Securities Exchange Act Release No. 54437 (Sept. 13, 2006), 71 FR 55037 (Sept. 20, 2006) (SR-CHX-2005-06).

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

protect investors and the public interest by allowing CHX to amend its rules to permit any Officer of the Exchange designated by the Chief Regulatory Officer to suspend the trading privileges of a Participant on the Exchange's facilities if a Qualified Clearing Agency refuses to act to clear and settle the trades of that Participant. The Exchange believes that this measure serves the public interest by giving the CHX more flexibility to prevent the execution of trades on our facilities which could not ultimately be cleared and settled if the Qualified Clearing Agency refuses to act.

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 Approval 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-2011-34)

Self-Regulatory Organizations; Chicago Stock Exchange, Incorporated; Notice of Filing Proposed Rule Change to add Interpretation and Policy .01 to Article 13, Rule 2 (Emergency Suspension) regarding the suspension of a Participant's trading privileges on the Exchange.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹, and Rule 19b-4² thereunder, notice is hereby given that on December 16, 2011, the Chicago Stock Exchange, Inc. ("CHX" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the CHX. 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

CHX proposes to add Interpretation and Policy .01 to Article 13, Rule 2 (Emergency Suspension) regarding the suspension of a Participant's trading privileges on the Exchange. The text of this proposed rule change is available on the Exchange's Web site at (www.chx.com) and in the Commission's Public Reference Room.

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

In its filing with the Commission, the CHX included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received regarding the proposal. The text of these statements may be examined at the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

places specified in Item IV below. The CHX has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange proposes to add Interpretation and Policy .01 to Article 13, Rule 2 (Emergency Suspension) thereunder ("Rule 2") regarding the suspension of a Participant's trading privileges on the Exchange. Currently, this Rule authorizes the Exchange's Chief Regulatory Officer ("CRO") to suspend a Participant's membership with the Exchange or place other limitations on its activities if various circumstances occur, such as insolvency, failure to perform its contracts or obligations, expulsion or suspension by another self-regulatory organization or where it reasonably appears that the Participant is violating and will continue to violate any provision of the Rules of the Exchange or the federal securities laws (or rules promulgated thereunder). The Exchange proposes to permit any Officer of the Exchange designated by the CRO to suspend the trading privileges of a Participant on the Exchange's facilities pursuant to the provisions of Rule 2 if a Qualified Clearing Agency refuses to act to clear and settle the trades of that Participant. The CRO must approve any such suspensions within two (2) days of the action. If the Chief Regulatory Officer does not approve the action taken, the suspension shall be immediately lifted as of the time of his or her decision or after the expiration of two days, whichever is earlier. Suspensions pursuant to these provisions, including the appeal thereof, would otherwise be governed by the provisions of Article 13, Rule 2.

The recent actions taken with respect to MF Global, Inc. (“MF Global”) illustrate the need for a limited expansion of the emergency suspension authority of Rule 2 in the situation where the Qualified Clearing Agency is considering whether to continue to act for a Participant in the clearance and settlement of trades.³ On October 31, 2011, there were public news reports that MF Global was in financial difficulties and might be insolvent. On that day, NSCC stated that it would continue to honor the transactions of MF Global presented to it for clearance and settlement. After the close of trading that day, however, NSCC stated that it would cease to act for MF Global and the Exchange’s CRO suspended the trading privileges of the firm pursuant to Article 13, Rule 2 effective November 1, 2011.⁴

While this situation was adequately addressed under the current rule structure, the Exchange is concerned that there may be situations in which the CRO may be unavailable to issue the suspension order if NSCC signals its intention to cease to act for a CHX Participant. This concern is particularly true if the Qualified Clearing Agency were to cease to act on an intraday basis.⁵ The Exchange therefore proposes that any Officer of the Exchange designated by the CRO may suspend the trading privileges on the Exchange of a Participant in the limited circumstance in which a Qualified Clearing

³ Currently, there is only one Qualified Clearing Agency, the National Securities Clearing Corp. (“NSCC”), for cash equities securities.

⁴ See, CHX Market Regulation Department Information Memorandum MR-11-19 (Nov. 1, 2011), available on CHX public website, <http://www.chx.com>. See also, NSCC Notice A#7314, Re: MF Global, Inc. (Nov. 1, 2011), available on its public website at http://www.dtcc.com/downloads/legal/imp_notices/2011/nsc/a7314.pdf.

⁵ Historically, NSCC has normally ceased to act for one of its Participants only after the close of trading. The Exchange understands, however, that NSCC reserves the right to act on an intraday basis if necessary and appropriate.

Agency refuses to act to clear and settle the trades of that Participant. The proposal requires that the CRO approve this action within two (2) days. Any such suspensions of trading privileges would be otherwise governed by the provisions of Rule 2.

The Exchange also proposes to eliminate a reference to the Chief Executive Officer in Section (c) of Rule 2 and replace it with a reference to the CRO regarding appeals of suspensions under Rule 2. Before it was amended in 2006, emergency suspensions were authorized by the Chief Executive Officer.⁶ The Exchange believes that the continued reference to the Chief Executive Officer in Rule 2(c) represents a simple oversight in the 2006 amendments and seeks to correct it as part of this proposal.

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 any Officer of the Exchange designated by the Chief Regulatory Officer to suspend the trading privileges of a Participant on the Exchange's facilities if a Qualified Clearing Agency refuses to act to clear and settle the trades of that Participant. The Exchange believes that this measure serves the public interest by giving the CHX more flexibility to

⁶ See, Securities Exchange Act Release No. 54437 (Sept. 13, 2006), 71 FR 55037 (Sept. 20, 2006) (SR-CHX-2005-06).

⁷ 15 U.S.C. 78f(b).

prevent the execution of trades on our facilities which could not ultimately be cleared and settled if the Qualified Clearing Agency refuses to act.

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:

⁸ 15 U.S.C. 78f(b)(5).

- 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-2011-34 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-2011-34. 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-

2011-34 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).