



Qualifications and Instructions for Participant Applicants to the Chicago Stock Exchange, Inc.

Thank you for your interest in the Chicago Stock Exchange, Inc. (“CHX” or the “Exchange”). If you have questions regarding the Exchange or any Trading Permit requirements please call the Participant Services Department at (312) 663-2252.

A. Qualifications (CHX Rules, Article 3, Rule 1)

1. Participant Firms

- a. A CHX participant firm can be a Corporation, a Partnership, or a Limited Liability Company.
- b. The Exchange requires that the primary purpose of every Participant shall be the transaction of business as a broker or dealer in securities.
- c. The active principals of a participant firm shall have adequate experience in and knowledge of the securities business to comply with the rules and policies of the Exchange and to properly serve the public.

2. Individual Participants

- a. Individual participants may function either as a CHX Institutional Broker Representative or a CHX Market Maker Trader.
- b. Individual applicants for Trading Permits shall have a liquid net worth of not less than \$10,000.
- c. An individual participant who is a sole proprietor may not transact business with the public.

3. Requirements Applicable to All Participants and Participant Firms

- a. As a prerequisite for obtaining a CHX Trading Permit, an individual participant or participant firm must be registered as a broker/dealer with the Securities and Exchange Commission (“SEC”).
- b. If not already registered with the SEC, this registration process can take 30 calendar days or longer.

- c. If an applicant is not registered with the SEC, CHX approval will be granted conditionally, however, assignment of a trading permit cannot proceed until the SEC's "conditional approval" for registration is confirmed by the CHX.
- d. Each participant or participant firm is subject to Rule 15c3-1 ("Net Capital Rule") promulgated pursuant to the Securities Exchange Act of 1934, and shall comply with the capital requirements prescribed therein.

B. Instructions for Applicants

The CHX requires certain specific information in order to process an application. The following checklist is provided to assist you in collecting and organizing the required documents and information. Please also refer to the Application Form Index in Section Two to access the corresponding forms.

1. Documentation Required of All Applicants

- a. Cover Letter describing in detail how and what the permit will be used for, signed by a principal officer, general partner, or managing member of the firm.
- b. Application for Registration, completed and signed by an authorized signer as a noted on the form.
- c. Form BD – Uniform Application for Broker Dealer Registration.
 - 1. If applicant is not registered as a broker/dealer with the SEC, complete and submit one (1) originally signed, currently dated and notarized copy of Form BD to CHX Staff. Submit another original to the Central Registration Depository ("CRD") to register as a broker/dealer with the SEC.
 - 2. If applicant is a registered broker/dealer, an executed copy of the current completed Form BD must be submitted to the CHX.

NOTE: All registered broker/dealers are reminded that once they become CHX participants, an amended Form BD must be filed with the CRD and the CHX
- d. Executed and notarized copy of Statement of Financial Condition attached to a Balance Sheet.
- e. Copies of FOCUS II or IIA Reports for the most recent six month period. If not required to file FOCUS because the applicant is a newly registered broker-dealer, please include a statement to that effect.

- f. Copy of the most recent Confidential Certified Annual Audit Report prepared by the firm's independent public accountant or, if not required to have an audit or an audit is not available, please include a statement to that effect.
- g. An executed and notarized copy of either an Information Form for a Partnership, Corporation or Limited Liability Company, or an Information Form for a Sole Proprietor.
- h. A completed form titled "Designation of Recipient for Service of Notice of Commission Proceeding."
- i. Names and Amounts of Subordinated Lenders, if any.
- j. Form U4 – Uniform Application for Securities Industry for the following individuals:
 - 1. All general partners, members or principal officers shown on Schedule A and B of Form BD and others as defined in CHX Rules, Article 6, Rule 2 are required to complete, execute and submit a Form U4.
 - 2. All persons acting as CHX Institutional Broker Representatives and CHX Market Maker Traders are also required to complete, execute and submit a Form U4.

2. Additional Required Documents for Corporations

- a. Copy of Articles or Certificate of Incorporation and all current amendments hereto, certified by the Corporate Secretary.
- b. Copy of By-Laws and all current amendments thereto, certified by the Corporate Secretary.
- c. Copy of the Corporate Resolution authorizing the company's registration with the CHX, which is certified by the Corporate Secretary.

3. Additional Required Document for Partnerships

- a. Original executed copy or a certified copy of Partnership Agreement and all amendments thereto.

NOTE: If CHX is the Designated Examining Authority ("DEA"), the Partnership Agreement must include a provision prohibiting Capital Contribution withdrawals for the first year after the contribution was made, and only after six month's notification to the CHX thereafter, without special approval from CHX. See CHX Rules, Article 3, Rule 6(b) for the exact language which must be contained in the Partnership Agreement.

4. **Additional Required Document for Limited Liability Companies**

- a. Articles of Organization or Certificate of Formation.
- b. Original executed copy or certified copy of Operating Agreement.

NOTE: If CHX is the Designated Examining Authority (“DEA”), the Operating Agreement must include a provision prohibiting Capital Contribution withdrawals for the first year after the contribution was made, and only after six month’s notification to the CHX thereafter, without special approval from CHX. See CHX Rules, Article 3, Rule 6(b) for the exact language which must be contained in the Operating Agreement.

5. **Additional Required Document for CHX Market Makers ONLY**

- a. A completed CHX Market Maker Authorization Application Form.

6. **Additional Required Documents for Applicants Designated to the CHX ONLY**

- a. A copy of the applicant’s Written Supervisory Procedures (“WSP”) and WSP Checklist.

NOTE: Please refer to the CHX Information Memorandum MR-05-24 pertaining to Supervisory Systems (December 27, 2005). See, in Section 2, the “Written Supervisory Procedures Review Checklist Guideline.”

7. **Additional Required Document for Applicants Designated to another Self-Regulatory Organization**

- a. A certified copy of applicant’s Membership Agreement with the other Self-Regulatory Organization.

8. **Additional Requirement for Applicants Currently Designated to another Self-Regulatory Organization**

- a. A copy of the letter sent to the applicant’s Designated Examining Authority (“DEA”), granting the DEA permission to provide any information that may be requested by the CHX, pursuant to their application for a CHX trading permit. The letter should include the name, address, telephone number and email address of the firm’s contact person at the DEA.

C. Registration Examinations

- 1. There are separate examination requirements for CHX Institutional Broker Representatives and CHX Market Maker Traders. Arrangements to take an examination may be made by contacting the CHX Examination Area. See Section Three, Telephone Contact List for IBR/MMT Examinations.

2. The Exchange may require the successful completion of a training course or an examination, or both, in connection with the registration of Participants and persons associated with Participants, and may charge fees for such registration and examination. See CHX Rules, Article 6, Rule 3 and Rule 3A.
3. Persons Registered in Special Capacities
 - a. **CHX Institutional Broker Representative Exam**
Applicants seeking to register as a CHX Institutional Broker Representative (IBR) must successfully complete the Institutional Broker Representative Exam.
 - b. **CHX Market Maker Exam**
Prior to the Exchange approving a Participant's request to qualify as a CHX Market Maker Trader (MMT), such Participant must successfully complete the Market Maker Exam.

D. Next Steps

1. **Trading Accounts**
Upon approval of the Application for Registration, and if applicable, approval of the CHX Market Maker Authorization Application, business unit and trading account symbols will be established in the CHX and National Securities Clearing Corporation ("NSCC") systems, effective upon the agreed upon first trade date.
2. **Technical Requirements and Connectivity to CHX**
For information about technical and connectivity requirements, refer to the "Technical Documents" found in Section Three, Additional Information, and contact "Connectivity Services." See Section Three, CHX Telephone Contact List.
3. **Fingerprinting**
Section 17(f)(2) of the Exchange Act, and SEC Rule 17f-2 promulgated thereunder, require fingerprinting of securities industry personnel. CHX Participants are responsible for ensuring compliance with the fingerprinting requirements for all of their associated persons, whether or not they have access to Exchange facilities.

E. Clearing Arrangements

All participants must have the ability to clear and settle transactions. This can be accomplished in one of two ways.

1. **As a direct participant of Depository Trust & Clearing Corp. (DTCC)/National Securities Clearing Corporation (NSCC)**
 - a. The firm must meet DTCC/NSCC's requirements and become accepted as a participant of DTCC/NSCC.
 - b. Direct clearing arrangements must be made with DTCC/NSCC.

- c. In order to be in a position to clear your transactions on CHX you must have assigned a numeric account symbol from DTCC/NSCC and an Alpha symbol from the CHX.
 - d. A CHX Alpha Account Symbol can be obtained by calling the CHX Member Services Department at (312) 663-2238.
 - e. Once a clearing number is received from DTCC/NSCC, the CHX Participant Services Department must be advised to update CHX's trading systems before trading can commence.
 - f. Trading may commence after the CHX Alpha symbol and the DTCC/NSCC account number have been established and entered into the CHX trading systems.
2. **Through the services of a clearing broker which is a direct participant of DTCC/NSCC and CHX**
- a. The Participant firm applicant must select a clearing broker providing clearing services for other broker/dealers.
 - b. The CHX Member Services Department will assign an Alpha Symbol for use on the CHX.
 - c. The clearing broker must arrange with DTCC/NSCC to establish a sub-account number for your account. This sub-account number is needed in addition to the alpha account symbol assigned by the CHX.
 - d. Once a clearing account number is received from DTCC/NSCC, the CHX Participant Services Department must be advised to update the CHX Systems before trading can commence.
 - e. Trading may commence after the CHX alpha symbol and the DTCC/NSCC sub-account number have been established and entered into the CHX trading systems. Participants for which CHX is the DEA shall submit to the Exchange for its approval, all clearing agreements between the participant and any other clearing broker/dealer.