

The Chicago Stock Exchange

Ellen J. Neely

President and General Counsel

August 16, 2005

**BY FACSIMILE TRANSMISSION
(202) 772-9273**

Mr. Robert L.D. Colby
Deputy Director
Division of Market Regulation
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Mr. Colby:

Through a letter dated April 6, 2001, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") requested that the Securities and Exchange Commission grant an exemption from Rules 11Ac1-1, 11Ac1-2 and 11Ac1-4 to permit CHX members to display their quotes for Nasdaq/NM securities in penny increments while trading in subpenny increments. This request was premised on similar no-action relief granted in 1997 to the Nasdaq Stock Market Inc., which allowed Nasdaq market makers to publicly disseminate bids and offers rounded to the narrowest applicable quotation increment used by Nasdaq systems, even though those market makers might actually be quoting and trading in increments smaller than the ones that were publicly reported. The Commission granted the Exchange's request for exemptive relief on a temporary basis; that relief has been renewed over time, most recently through August 29, 2005, the effective date of Rule 612 of Regulation NMS.¹

Although the Exchange's trading volume in Nasdaq/NM securities has decreased since 2001, certain of the Exchange's order-sending firms still occasionally send orders to the Exchange expressed in subpennies. Because the Exchange believes that it would be at a competitive disadvantage to other markets if it were unable to accept these orders

¹ See Letters from Annette L. Nazareth dated April 6, 2001 (the "initial exemption letter") (granting the relief through July 9, 2001), July 5, 2001 (extending the relief through November 5, 2001) and November 2, 2001 (extending the relief through January 14, 2002), letters from Robert L.D. Colby dated April 11, 2002 (extending the relief through September 30, 2002), September 30, 2002 (extending the relief through January 31, 2003), January 31, 2003 (extending the relief through May 31, 2003), May 30, 2003 (extending the relief through December 1, 2003); and December 1, 2003 (extending the relief through June 30, 2004); letter from David S. Shillman dated July 15, 2004 (extending the relief through June 30, 2005); and letter from Annette L. Nazareth dated July 1, 2005 (extending the relief through August 29, 2005, the effective date of Rule 612).

Chicago Stock Exchange, Incorporated

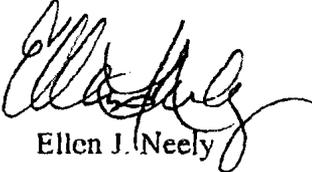
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– and because the Exchange believes that its request is consistent with the public interest, the protection of investors and the removal of impediments to and perfection of the mechanism of a national market system – the Exchange respectfully requests that the Commission extend the current exemptive relief until January 31, 2006, the recently-announced compliance date of Rule 612 under the Exchange Act.² In seeking this exemptive relief, the Exchange agrees that it will continue to comply with same conditions set out in the Commission's initial exemption letter.

If you have any questions concerning this letter, please contact me at (312) 663-2496.

Sincerely,



Ellen J. Neely

cc: Mr. Michael J. Gaw (by facsimile, 202/772-9273)

EJN 556 LTR

² See Release No. 34-52196 (August 2, 2005)(announcing that, although the effective date for Regulation NMS remains August 29, 2005, the compliance date for Rule 612 of Regulation NMS has been extended to January 31, 2006).