

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-52815; File No. SR-CHX-2005-31)

November 21, 2005

Self-Regulatory Organizations; Chicago Stock Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Participant Fees and Credits

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 October 24, 2005, the Chicago Stock Exchange, Inc. (“CHX” or “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. On November 7, 2005, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The Exchange filed the proposed rule change pursuant Section 19(b)(3)(A) of the Act<sup>4</sup> and Rule 19b-4(f)(2)<sup>5</sup> thereunder, which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, 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 Participant Fee Schedule (“Fee Schedule”) to modify the trading permit fee due the Exchange from a participant if the participant’s trading permit is cancelled intrayear and to establish a fee associated with a participant’s change of name or corporate form.

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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> Amendment No. 1 replaced the original filing in its entirety.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</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 Change

1. Purpose

The Exchange proposes to amend its Fee Schedule to modify the trading permit fee due the Exchange from a participant if the trading permit is cancelled intrayear and to establish a fee associated with a participant's change of name or corporate form. The provisions of the Fee Schedule relating to trading permits are relatively new provisions that were added when the Exchange demutualized on February 9, 2005 and issued trading permits upon demutualization and thereafter. Although from a financial perspective, the amount of the trading permit fee (\$6,000 per year) is equivalent to pre-demutualization member dues, in fact, trading permits operate much differently than seats on the Exchange. With very limited exceptions, a trading permit cannot be sold, leased, or transferred, and cannot be retained by a participant if the participant is not using the trading permit to trade on the Exchange.

As originally drafted, the Fee Schedule contemplated that each participant would be obligated to pay the entire \$6,000 annual trading permit fee, regardless of when the trading permit was cancelled during the year. The Exchange believes that it is appropriate to amend the Fee Schedule to provide for some fee relief for participants whose trading permits are cancelled intrayear. The Exchange also believes that it is necessary for the Exchange to have an adequate

basis on which to budget and project annual revenues. Accordingly, the Exchange is proposing a change that would provide for the participant to pay, upon intrayear cancellation, the lesser of \$2,000 or the then-outstanding balance of the annual fee. This compromise ensures that the Exchange can budget for at least \$2,000 in annual revenue per trading permit, while affording a participant a reduction in the annual trading permit fee if the permit is cancelled early in the year.

The Exchange also proposes to establish a \$200 fee per trading permit that a participant would be charged if the participant firm changed its name or its corporate form. This fee would be charged, for example, if a participant firm changed its name from “XYZ Corporation” to “XY Corporation” or if the participant firm changed its corporate form from a corporation to a limited liability company. Although trading permits generally are not transferable, the Exchange believes it would work a hardship on participants if they were required to obtain new trading permits (and to pay the permit fee on the existing permit, as described above) whenever participant firms changed names or corporate forms.

## 2. Statutory Basis

The Exchange believe that the proposed rule change is consistent with Section 6(b)(4) of the Act<sup>6</sup> in that it provides for the equitable allocation of reasonable dues, fees, and other charges among its members.

### B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change, as amended, would impose any burden on competition.

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

No written comments were either solicited or received.

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

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

The foregoing rule change, as amended, establishes or changes a due, fee, or other charge imposed by the Exchange and therefore has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and subparagraph (f)(2) of Rule 19b-4 thereunder.<sup>8</sup> At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate 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 purpose of the Act.<sup>9</sup>

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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](mailto:rule-comments@sec.gov). Please include File Number SR-CHX-2005-31 on the subject line.

#### Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-9303.

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

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

<sup>9</sup> For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change under Section 19(b)(3)(C) of the Act, the Commission considers that period to commence on November 7, 2005, the date the Exchange filed Amendment No. 1 to the proposed rule change. See 15 U.S.C. 78s(b)(3)(C).

All submissions should refer to File Number SR-CHX-2005-31. 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 change 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. Copies of such filing also will be available for inspection and copying at the principal offices 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 Number SR-CHX-2005-31 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

Jonathan G. Katz  
Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).