

August 31, 2015

VIA ELECTRONIC MAIL

Mr. Robert W. Errett
Deputy Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. SR-CHX-2015-03; Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change to Implement CHX SNAPSM, an Intra-day and On-demand Auction Service

Dear Mr. Errett:

The Chicago Stock Exchange, Inc. (the “Exchange” or “CHX”) respectfully submits this comment letter in connection with the Securities and Exchange Commission’s (the “SEC” or “Commission”) solicitation of comments to the above-referenced rule filing (the “proposed rule filing”), through which the Exchange proposes to implement CHX SNAP, an intra-day and on-demand auction service.¹

On August 24, 2015, the Exchange filed partial amendment no. 1 to SR-CHX-2015-03, which modifies the proposed minimum size requirements for Start SNAP and SNAP Auction Only orders.

The Exchange is submitting this comment letter to SR-CHX-2015-03 to facilitate notice of partial amendment no. 1 to the public, a copy of which is herein attached.

The Exchange welcomes further dialogue with Commission staff and other market participants regarding the Exchange’s proposal.

Sincerely,



Albert J. Kim
VP and Associate General Counsel

¹ See Exchange Act Release No. 75346 (July 1, 2015), 80 FR 39172 (July 8, 2015) (SR-CHX-2015-03) (“Notice of Filing of Proposed Rule Change To Implement CHX SNAP”).

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 8 SECURITIES AND EXCHANGE COMMISSION File No.* SR - 2015 - * 03
 WASHINGTON, D.C. 20549
 Form 19b-4 Amendment No. (req. for Amendments *) 1

Filing by Chicago Stock Exchange
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<input type="checkbox"/> Initial *	<input checked="" type="checkbox"/> Amendment *	<input type="checkbox"/> Withdrawal	<input checked="" type="checkbox"/> Section 19(b)(2) *	<input type="checkbox"/> Section 19(b)(3)(A) *	<input type="checkbox"/> Section 19(b)(3)(B) *
			Rule		
<input type="checkbox"/> Pilot	<input type="checkbox"/> Extension of Time Period for Commission Action *	<input type="text"/> Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 <input type="checkbox"/> Section 806(e)(1) * <input type="checkbox"/> Section 806(e)(2) *	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 <input type="checkbox"/> Section 3C(b)(2) *
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
--------------------------------------------------------------	--------------------------------------------------------------

Description

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

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 action.

First Name * Last Name *
 Title *
 E-mail *
 Telephone * Fax

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.

(Title *)

Date
 By

(Name *)

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.

Persona Not Validated - 1440429634529,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

Add Remove View

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 *

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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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, security-based swap submission, or advance notice 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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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.

The Chicago Stock Exchange, Inc. (“CHX” or the “Exchange”) is filing this partial amendment no. 1 to SR-CHX-2015-03, which is a proposed rule change to implement CHX SNAPSM (Sub-second Non-displayed Auction Process), an intra-day and on-demand auction service, which was filed by the Exchange on June 22, 2015 (“initial filing”) and published for comment in the Federal Register on July 8, 2015.¹ On August 6, 2015, the Commission designated a longer period within which to take action on the initial filing, pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934 (“Act”).²

While the Securities and Exchange Commission has received no comment letters regarding the initial filing,³ the Exchange has received feedback from certain Participants⁴ indicating that the proposed tier-based minimum size requirements for Start SNAP orders and SNAP Auction Only Orders (“SNAP AOOs”) are counter-intuitive and would unnecessarily complicate the programming of their respective systems to automatically initiate and participate in SNAP Cycles. The Exchange now believes that the minimum size requirements for Start SNAP orders and SNAP AOOs can be simplified, while maintain the large minimum size requirements necessary to promote bulk executions.⁵ Thus, the Exchange now proposes to amend the initial filing to simplify

¹ See Securities Exchange Act Release No. 75346 (July 1, 2015), 80 FR 39172 (July 8, 2015) (SR-CHX-2015-03).

² 15 U.S.C. 78s(b)(1); see Securities Exchange Act Release No. 75630 (August 6, 2015).

³ See Securities Exchange Act Release No. 75630 (August 6, 2015).

⁴ See CHX Article 1, Rule 1(s).

⁵ See supra note 1.

the minimum size requirements for Start SNAP orders and SNAP AOOs, as described below.

With respect to Start SNAP orders, the Exchange proposes to replace the proposed tier-based minimum size requirement with a requirement that the Start SNAP order be for (1) at least 2,500 shares and have a minimum aggregate notional value of \$250,000 or (2) at least 20,000 shares with no minimum aggregate notional value requirement. The Exchange proposes to maintain the proposed exception for Start SNAP orders in Berkshire Hathaway, Inc. (“BRK-A”), which will remain 100 shares.

With respect to SNAP AOOs, the Exchange proposes to replace the proposed tier-based minimum size requirement with a requirement that a SNAP AOO be for (1) at least 250 shares and have a minimum aggregate notional value of \$25,000 based on its corresponding SNAP AOO Reference Price⁶ or (2) at least 2,000 shares with no minimum aggregate notional value requirement. The Exchange proposes to maintain the proposed exception for SNAP AOOs in BRK-A, which will remain 10 shares. The Exchange notes that unlike the amended proposed minimum size requirement for Start SNAP orders, the Exchange proposes to require the minimum aggregate notional value of the SNAP AOO be based on a corresponding SNAP AOO Reference Price in the subject security and not the limit price of the order itself.

As such, the Exchange proposes to partially amend the initial filing as follows:

1. On pages 11-12 of the initial filing (page 87 of the Exhibit 1), amend the following text (new language underlined and deletions bracketed):

⁶ As proposed, the SNAP AOO Reference Price is the last sale in the subject security that was not permitted to trade-through the National Best Bid and Offer (“NBBO”) at the time the last sale was executed. See supra note 1, proposed CHX Article 1, Rule 2(h)(3).

Proposed subparagraph (A)(i) provides that a limit order marked Start SNAP must be for (a) at least 2,500 shares and have a minimum aggregate notional value of \$250,000 or (b) at least 20,000 shares with no minimum aggregate notional value requirement[meet the following minimum size requirement attributed to its limit price]; provided, however, that certain issues specified below have special minimum size requirements:

[Limit Price		Minimum Size
From	To	
0.0001	0.9999	100,000
1.00	4.99	50,000
5.00	24.99	25,000
25.00	49.99	20,000
50.00	99.99	10,000
100.00	499.99	5,000
500.00	----	2,500]

2. On pages 16-18 of the initial filing (pages 91-93 of the Exhibit 1), amend the following text (new language underlined and deletions bracketed):

Moreover, all SNAP AOOs must be for (a) at least 250 shares and have a minimum aggregate notional value of \$25,000 based on[meet the below minimum size requirement at the time of original receipt associated with] its corresponding SNAP AOO Reference Price or (b) at least 2,000 shares with no minimum aggregate notional value requirement, provided, however, that certain issues specified below have special minimum size requirements.^(FN28)⁷ If there is no special minimum size requirement noted for a security, the SNAP AOO Reference Price shall be the last sale in the subject security that was not permitted to trade-through the NBBO at the time the last sale was executed.^(FN 29) If a SNAP AOO Reference Price cannot be determined (i.e., there is no last sale in the security), the SNAP AOO shall be cancelled. [The following represents the SNAP AOO Reference Prices and the corresponding minimum size requirement:

⁷ The Exchange does not propose to modify footnotes 28-31 of the initial rule filing and Exhibit 1.

SNAP AOO Reference Price		Minimum Size
From	To	
0.0001	0.9999	10,000
1.00	4.99	5,000
5.00	24.99	2,500
25.00	49.99	2,000
50.00	99.99	1,000
100.00	499.99	500
500.00	----	250]

Special Issues	Minimum Size
Berkshire Hathaway, Inc. (BRK-A) _(FN30)	10

In contrast to the minimum size requirement for limit orders marked Start SNAP, the Exchange proposes to[By] peg[ging] the SNAP AOO Reference Price to the last reported sale in the subject security, as opposed to the limit price of the SNAP AOO, because a SNAP AOO – Pegged order may not have a stated limit price, as described below[order senders are discouraged from submitting hypermarketable SNAP AOOs in order to qualify for a lower minimum size tier]. Moreover, the requirement that the last reported sale in the subject security not have been permitted to trade-through the NBBO at the time it was executed, such as Benchmark,_(FN31) would better reflect the actual market price of the subject security. For example, a SNAP AOO to buy 250 shares of security XYZ for \$100.00/share, which has a SNAP AOO Reference Price of \$99.50/share, would be rejected upon receipt because it only has an aggregate notional value of \$24,875.

3. On page 59 of the initial filing (page 134 of the Exhibit 1), amend the following text (new language underlined and deletions bracketed):

Under this Example 6, the sum of the minimum number of shares that could be executed within the Matching System (i.e., 28,100), plus all shares that are to be routed away (i.e., 1,000 shares), equals 29,100 shares, which is greater than the minimum size requirement that was necessary to trigger the instant SNAP Cycle (i.e., (a) at least 2,500 shares and minimum aggregate notional value of \$250,000 or (b) at least 20,000 shares with no

minimum aggregate notional value requirement[25,000 shares]). Thus, the minimum size condition is met and the SNAP Price will be \$10.02.

4. On page 157 of the Exhibit 5, replace the text of proposed Article 1, Rule 2(h)(1)(A)(i) with the following:

(i) Size. A limit order marked Start SNAP must be for (a) at least 2,500 shares and have a minimum aggregate notional value of \$250,000 or (b) at least 20,000 shares with no minimum aggregate notional value requirement; provided, however, that certain issues specified below have special minimum size requirements:

<u>Special Issues</u>	<u>Minimum Size</u>
<u>Berkshire Hathaway, Inc. (BRK-A)</u>	<u>100</u>

5. On pages 158-160 of the Exhibit 5, replace the text of proposed Article 1, Rule 2(h)(3) with the following:

(3) “SNAP Auction Only Orders” or “SNAP AOOs”: a limit order marked by, or handled as, one of the modifiers below, that is only executable during a SNAP Cycle, as described under Article 18, Rule 1(b). SNAP AOOs shall only be accepted from the beginning of the early session to five minutes prior to the end of the regular trading session. Upon receipt by the Exchange, all valid SNAP AOOs shall either be queued or immediately ranked on the SNAP CHX book, as described under Article 20, Rule 8(b)(2)(A).

A SNAP AOO must be for (a) at least 250 shares and have a minimum aggregate notional value of \$25,000 based on its corresponding SNAP AOO Reference Price or (b) at least 2,000 shares with no minimum aggregate notional value requirement; provided, however, that certain issues specified below have special minimum size requirements. If there is no special minimum size requirement noted for a security, the SNAP AOO Reference Price for the security shall be the last sale in the subject security that was not permitted to trade-through the National Best Bid and Offer (“NBBO”) at the time the last sale was executed. If a SNAP AOO Reference Price cannot be determined, the SNAP AOO shall be cancelled.

<u>Special Issues</u>	<u>Minimum Size</u>
<u>Berkshire Hathaway, Inc. (BRK-A)</u>	<u>10</u>

(A) “SNAP AOO - Day”: a limit order modifier that requires the order to only participate in the next SNAP Cycle for which it is eligible and

every SNAP Cycle thereafter for the remainder of the trading session until fully-executed or cancelled.

(B) “SNAP AOO - One And Done”: a limit order modifier that requires the order to only participate in the next SNAP Cycle for which it is eligible with any unexecuted remainder to be cancelled; provided, however, that if the SNAP Cycle in which the limit order marked SNAP AOO – One And Done was participating was aborted prior to the stage three Pricing and Satisfaction Period of the SNAP Cycle, the order shall be re-queued, pursuant to Article 20, Rule 8(b)(2)(A), and not cancelled.

(C) “SNAP AOO - Pegged”: a limit order modifier only available for orders marked SNAP AOO – Day or SNAP AOO - One And Done, that requires the order to be priced at the less aggressive of an optional limit price or mandatory offset price from the NBBO ascertained from the market snapshot taken pursuant to Article 18, Rule 1(b)(2)(E). An order sender that submits a limit order marked SNAP AOO - Pegged must specify one of the following pricing options:

(i) *Midpoint*. Priced at the midpoint of the NBBO or the locking price if the NBBO is locked. If the NBBO is crossed, the order shall not participate in the instant SNAP Cycle, even if there is an optional limit price indicated.

(ii) *Market*. A buy (sell) order shall be priced at, or a specified offset below or above, the NBO (NBB).

(iii) *Primary*. A buy (sell) order shall be priced at, or a specified offset below or above, the NBB (NBO).

All other representations in the initial filing remain as stated therein and no other changes are being made.