



Ellen J. Neely
President & General Counsel

June 27, 2005

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

Ms. Annette L. Nazareth
Director
Division of Market Regulation
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Ms. Nazareth:

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 June 30, 2005.¹

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 – and because the Exchange believes that its request is consistent with the public interest,

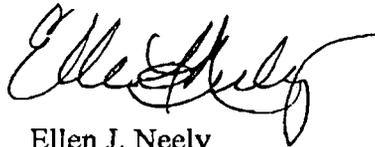
¹ See Letters from Annette L. Nazareth dated April 6, 2001 (extending the relief through July 9, 2001), July 5, 2001 (extending the relief through November 5, 2001) and November 2, 2001 (extending the relief through January 14, 2002); letters from Robert L.D. Colby dated April 11, 2002 (extending the 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); and letter from David S. Shillman dated July 15, 2004 (extending the relief through June 30, 2005).

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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 the effective date of Rule 612 under the Exchange Act. The Exchange understands that any decision by the Commission to approve exemptions to the subpenny requirements set out in Rule 612 could impact the relief it is seeking. Specifically, if the Commission grants exemptive relief to allow national securities exchanges, national securities associations, alternative trading systems, vendors, brokers and dealers to display, rank or accept bids, offers or orders in specific securities, such as exchange-traded funds, in subpenny increments, the exemptive relief that the Exchange has received would be superseded and the Exchange, like others, would be required to display bids, offers and orders in those securities in subpenny increments.

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:548.LTR