



DIVISION OF  
MARKET REGULATION

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

August 23, 2005

VIA FACSIMILE AND U.S. MAIL.

Ellen J. Neely, Esq.  
President & General Counsel  
The Chicago Stock Exchange, Incorporated  
One Financial Place  
440 S. LaSalle Street  
Chicago, IL 60605-1070

Re: Display of Rounded Prices in Public Quotes

Dear Ms. Neely:

In your letter dated August 16, 2005, on behalf of the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange"), you requested that the Commission extend an exemption from Rules 11Ac1-1, 11Ac1-2, and 11Ac1-4 under the Securities Exchange Act of 1934 initially granted by the Commission in 2001.<sup>1</sup> This exemption would permit CHX, its members, and the vendors that disseminate CHX quotation information to display their quotations for Nasdaq National Market securities in rounded, penny increments without a rounding identifier while trading in sub-penny increments. The Commission reinstated and extended the exemption on July 1, 2005.<sup>2</sup> You have requested that the Commission extend the exemption until the

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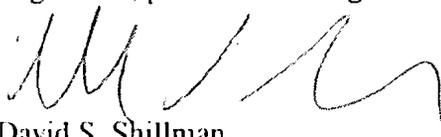
<sup>1</sup> See Letter from Annette L. Nazareth, Director, Division of Market Regulation, Securities and Exchange Commission, to Paul O'Kelly, Chief Operating Officer, CHX, dated April 6, 2001 ("Initial Exemption Letter").

<sup>2</sup> See Letter from Annette L. Nazareth, Director, Division, Commission, to Ellen J. Neely, President and General Counsel, CHX, dated July 1, 2005 (extending relief through August 29, 2005, the effective date of Rule 612 of Regulation NMS) ("July 2005 Letter"); see also Letter from Annette L. Nazareth, Director, Division, Commission, to Paul O'Kelly, Chief Operating Officer, CHX, dated July 5, 2001 (extending the relief through November 5, 2001); Letter from Annette L. Nazareth, Director, Division, Commission, to Paul O'Kelly, Chief Operating Officer, CHX, dated November 2, 2001 (extending relief through January 14, 2002); Letter from Robert L.D. Colby, Deputy Director, Division, Commission, to Paul O'Kelly, Chief Operating Officer, CHX, dated April 11, 2002 (extending relief through September 30, 2002); Letter from Robert L.D. Colby, Deputy Director, Division, Commission, to Paul O'Kelly, Chief Operating Officer, CHX, dated September 30, 2002 (extending relief through January 31, 2003); Letter from Robert L.D. Colby, Deputy Director, Division, Commission, to Paul O'Kelly, Chief Operating Officer, CHX, dated January 31, 2003 (extending relief through May 31,

compliance date of Rule 612 of Regulation NMS.<sup>3</sup>

Based on the representations in your letter, the Commission finds that the requested exemption 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 Commission hereby grants an extension of the exemption until January 31, 2006, the compliance date for Rule 612 of Regulation NMS.<sup>4</sup> This exemption is expressly contingent upon CHX's continuing compliance with the conditions stated in the Initial Exemption Letter. The Commission does not intend to grant additional extensions of this exemption beyond the compliance date for Rule 612.

For the Commission, by the Division of Market  
Regulation, pursuant to delegated authority,<sup>5</sup>



David S. Shillman  
Associate Director

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2003); Letter from Robert L.D. Colby, Deputy Director, Division, Commission, to Paul O'Kelly, Chief Operating Officer, CHX, dated May 30, 2003 (extending relief through December 1, 2003); Letter from Robert L.D. Colby, Deputy Director, Division, Commission, to Ellen J. Neely, Senior Vice President and General Counsel, CHX, dated December 1, 2003 (extending relief through June 30, 2004); Letter from David S. Shillman, Associate Director, Division, Commission, to Ellen J. Neely, Senior Vice President and General Counsel, CHX, dated July 15, 2004 (extending relief through June 30, 2005).

<sup>3</sup> See Securities Exchange Act Release No. 52196 (August 2, 2005) 70 FR 45529 (August 8, 2005) (extending the compliance date of Rule 612).

<sup>4</sup> In the June 2005 Letter, the Commission granted an extension of the exemption until August 29, 2005, the effective date for Rule 612. Rule 612 of Regulation NMS prohibits market participants from displaying, ranking, or accepting quotations in NMS stocks that are priced in an increment of less than \$0.01 per share, unless the price of the quotation is less than \$1.00. If the price of the quotation is less than \$1.00, the minimum increment is \$0.0001. 17 CFR 242.612. See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005). In the June 2005 Letter, the Commission also stated that, in light of the implementation of Rule 612, the Commission did not intend to grant additional extensions of this exemption. While the effective date of Rule 612 remains August 29, 2005, the Commission has extended the compliance date for Rule 612 to January 31, 2006. See Securities Exchange Act Release No. 52196 (August 2, 2005) 70 FR 45529 (August 8, 2005).

<sup>5</sup> 17 CFR 200.30-3(a)(28), 200.30-3(a)(36), and 200.30-3(a)(61).

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