

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-71954; File No. SR-CHX-2014-03)

April 16, 2014

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Approving a Proposed Rule Change to Amend the Bylaws of the Exchange Relating to the Nomination and Election of the Vice Chairman

I. Introduction

On February 28, 2014, Chicago Stock Exchange, Inc. (“Exchange” or “CHX”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposal to amend Article II, Section 5 of the Bylaws of the Exchange (“Bylaws”) to change the method by which the Vice Chairman is nominated and elected. The proposed rule change was published for comment in the Federal Register on March 14, 2014.³ The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposed Rule Change⁴

Article II, Section 5(a) of the Bylaws governs the election of the Vice Chairman⁵ of the Board of Directors (“Board”). It provides, among other things, that Participant Directors⁶ shall

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 71675 (March 10, 2014), 79 FR 14550 (March 14, 2014) (“Notice”).

⁴ A more detailed description of the proposal is contained in the Notice. See id.

⁵ Article II, Section 5(b) of the Bylaws states that the Vice Chairman “shall perform the functions of the Chairman in his absence or inability to act.” The Vice Chairman may appoint members of certain committees and nominate persons to fill vacancies on the Board of Directors of the Exchange, among other authority.

⁶ Article II, Section 2(b) of the Bylaws defines a Participant Director as “a director who is a Participant or an officer, managing member or partner of an entity that is a Participant.”

elect the Vice Chairman by majority vote from among the Participant Directors. By the proposed rule change, the Exchange is amending this Bylaws provision to: (1) eliminate the requirement that the Vice Chairman be a Participant Director; (2) provide that the Chairman nominate the Vice Chairman; and (3) provide that the Vice Chairman be elected by a majority vote of the Board of Directors. The Exchange also proposes to require that the Chairman provide the name of the nominee for Vice Chairman to the Board no less than five business days before the election vote.

III. Discussion and Commission Findings

After careful review, the Commission finds that the Exchange's proposal is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.⁷ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(1) of the Act,⁸ which requires that a national securities exchange be organized and have the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance by its members and persons associated with its members, with of the Act, the rules and regulations thereunder, and the Exchange's own rules. Proposed Article II, Section 5(a) of the Bylaws allows the Exchange to select its Vice Chairman from a larger pool of individuals, which may – and which CHX states will – “result in the position being held by the most able and willing candidate.”⁹

A Participant is “any individual, corporation, partnership or other entity that holds a permit issued by the Corporation to trade securities on the market operated by the Corporation.”

⁷ In approving the proposed rule change, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78f(b)(1).

⁹ See Notice, supra note 3, 79 FR at 14550. The Commission notes that the Exchange's proposal makes no change to the composition provision of Article II, Section 2(b) of the

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-CHX-2014-03) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

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Deputy Secretary

Bylaws, which requires a certain proportion of Public and Participant Directors on the Board.

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).