

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-73814; File No. SR-CHX-2014-19)

December 11, 2014

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Applicability of Certain Fees and Credits Provided under the Fee Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4² thereunder, notice is hereby given that on December 4, 2014, the Chicago Stock Exchange, Inc. (“CHX” or the “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 self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

CHX proposes to amend the applicability of certain fees and credits provided under the Fee Schedule of the CHX (“Fee Schedule”) and to clarify other provisions throughout the Fee Schedule. The text of this proposed rule change is available on the Exchange’s Web site at www.chx.com and in the Commission’s Public Reference Room.

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 on the proposed rule change. The text of these statements may be examined at the places specified in

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 expand the scope of Section E.1 of the Fee Schedule to include executions resulting from single-sided orders for securities that trade in Round Lots of less than 100 shares.³ Moreover, the Exchange proposes to amend various provisions throughout the Fee Schedule for clarification and stylistic consistency. Aside from the proposed amendment of the scope of Section E.1, the Exchange does not propose to substantively modify any other fees, assessments, credits or rebates.

Proposed Elimination of Obsolete “Effective” and “Operative” Dates and Capitalization of Defined Terms

Initially, the Exchange proposes certain non-substantive global amendments to the Fee Schedule. Specifically, the Exchange proposes to delete references to obsolete “effective” and “operative” dates throughout the Fee Schedule, specifically found under:

- Sections B through E;
- Section J;
- Section L; and
- Sections O and P.

Similarly, the Exchange also proposes to eliminate obsolete language under Section D stating that “no monthly charges will be assessed under this section D. for CHX’s Equinix NY4 data center location under April 1, 2012.”

³ CHX Article 1, Rule 2(f)(3) defines “Round Lot” as “an order of 100 shares, unless otherwise determined by the Committee on Exchange Procedure.”

Moreover, the Exchange proposes to capitalize the terms “Institutional Broker,” “Odd Lot,” “Round Lot” and “Clearing Participant” throughout the Fee Schedule as they are defined terms under CHX Rules.⁴ In addition, the Exchange proposes to delete the hyphen in between certain references to Odd Lots because the term, as defined under CHX Rules, does not contain a hyphen.⁵ Specifically, the Exchange proposes to amend Section E.1(a), which includes a reference to Institutional Brokers; Sections E.3 and E.4, which include references to Odd Lots; Section E.8(a), which includes a reference to Round Lot; and Section F.2, which includes references to Institutional Broker and Clearing Participant.

Amended Section E.1

Section E.1 provides liquidity removing fees and liquidity providing credits for executions resulting from “one-sided orders of 100+ shares,” which describes a Round Lot or more for all but a handful of securities currently traded on the Exchange.⁶ Thus, the Exchange does not currently apply Section E.1 fees and credits to executions resulting from orders in securities that trade in Round Lots of less than 100 shares. Instead, such executions are currently assessed fees pursuant to Section E.4, which apply to executions resulting from orders submitted as Odd Lots.⁷

In the interest of clarity and consistency, the Exchange proposes to expand the scope of Section E.1 to apply to executions “resulting from orders submitted as at least a Round Lot,”

⁴ See CHX Article 1, Rule 1(n) defining “Institutional Broker;” see also CHX Article 1, Rule 1(ee) defining “Clearing Participant;” see also CHX Article 1, Rule 2(f)(3) defining “Round Lot;” see also CHX Article 1, Rule 2(f)(2) defining “Odd Lot.”

⁵ See CHX Article 1, Rule 2(f)(2).

⁶ As of the date of this filing, the Exchange permits the trading of ten securities in Round Lots of less than 100 shares, none of which have a primary listing on the Exchange. The Round Lot size for a security is determined by the Exchange and is identical to the round lot size set by the primary listing market.

⁷ See supra note 5.

which would include securities that trade in Round Lots of less than 100 shares.⁸ To this end, the Exchange proposes to amend the headline to Section E.1 by deleting the phrase “single-sided order” and replacing the phrase “(one-sided orders of 100+ shares)” with the phrase “resulting from single-sided orders submitted as at least a Round Lot.” Incidentally, the proposed headline clarifies that the Section E.1 fees and credits are assessed based on the size of the contra-side orders executed and not the size of the execution itself.⁹ The proposed amended headline would state as follows:

Matching System executions resulting from single-sided orders submitted as at least a Round Lot

Moreover, the Exchange proposes the following clarifying and stylistic amendments to Section E.1:

- In the first full paragraph under Section E.1:
 - replace the phrase “rebates paid” with “credits attributed” to be consistent with the term “liquidity providing credit” utilized in the fees and credits chart;
 - delete “(Executions through an Institutional Broker Registered with the Exchange Under Article 17 (All Sessions)),” as the Exchange proposes to amend the headline to Section E.3, as discussed below; and

⁸ See supra note 3; see also supra note 6.

⁹ For example, where there is an execution between an incoming buy order submitted as an Odd Lot and a resting sell order submitted as a Round Lot, the buy side will be assessed fees pursuant to Section E.4 and the sell side will be given a credit pursuant to Section E.1.

- replace citation to “Section E.3.a.” with “Section E.3(a)” to be consistent with the existing taxonomical structure of the Fee Schedule, as described below in the proposed amendments to Section E.3.

Amended Section E.2 – E.5 and E.7

The Exchange proposes to make additional clarifying and stylistic amendments to Section E. The Exchange proposes the following amendments to E.2:

- Amend the headline to Section E.2 to be stylistically consistent with the proposed amended headline to Section E.1 and to replace the term “All Sessions” with the more descriptive “all trading sessions,” which is a phrase currently used under the fees and credits chart of Section E.1. Thus, the proposed amended headline would state as follows:

Matching System executions resulting from two-sided orders
(cross orders) of any number of shares (all trading sessions)¹⁰

The Exchange proposes the following amendments to Section E.3:

- Amend the headline to be stylistically consistent with the proposed amended headlines to Sections E.1 and E.2. Thus, the proposed amended headline would state as follows:

Matching System executions resulting from orders submitted by
Institutional Brokers registered with the Exchange under Article
17 (all trading sessions)

- In the second to last paragraph under Section E.3:

¹⁰ CHX Article 1, Rule 2(a)(2) defines “cross order,” in pertinent part, as “ an order to buy and sell the same security at a specific price better than the best bid and offer displayed in the Matching System and which would not constitute a trade-through under Reg NMS (including all applicable exceptions and exemptions).”

- insert the term “Section” before “E.4.,” as the current citation is to Section E.4, and delete the period after “E.4”; and
- replace “see (1) and (2) above” with the more accurate “see Sections E.1 and E.2 above.”
- Replace paragraph “a.” and “b.” with “(a)” and “(b),” respectively, to be consistent with the existing taxonomical structure of the Fee Schedule, which utilizes parentheses to denote all subparagraphs under the first paragraph denoted by an Arabic numeral. Thus, the Exchange also proposes to amend Section E.3(b) to replace a citation to “Section E.3.a.” with “Section E.3(a).”
- Under Section E.3(a), insert the number “0” in front of the period within “\$.003/share” and after “3” and insert the term “fee” after “\$.003/share,” so as to state “\$0.0030/share fee.”
- Under Section E.3(b), insert the number “0” in front of the period within “\$.0007/share” and after “7” and insert the term “fee” after “\$.0007/share,” so as to state “\$0.00070/share fee.”

The Exchange proposes the following amendments to Section E.4:

- Amend the headline to Section E.4 to be stylistically consistent with the proposed amended headlines to Sections E.1-3. Thus, the proposed amended headline would state as follows:

Matching System executions resulting from single-sided orders
submitted as Odd Lots (all trading sessions)

- Insert the number “0” in front of the period within “\$.0040/share” and insert the term “fee” after “\$.0040/share,” so as to read “\$0.0040/share fee.”

The Exchange proposes to amend the headline to Section E.5 to replace “All Sessions” with the more descriptive and consistent “all trading sessions.”

The Exchange proposes the following amendments to Section E.7:

- Amend the headline to replace the term “All Sessions” with the more descriptive and consistent “all trading sessions.”
- Insert the number “0” in front of the period within “\$.003/share” and after “3” and insert the term “fee” after “\$.003/share,” so as to read “\$0.0030/share fee.”

Amended Section F

The Exchange proposes the following clarifying and stylistic amendments to Section F:

- Under Section F.2, delete the period placed after reference to “Section E.7” to be consistent with the current taxonomical and related citation structure of the Fee Schedule.
- Under Section F.4, amend obsolete citations to various credits that are no longer offered by the Exchange. Currently, the only credits available pursuant to Section F are the Institutional Broker credits, described under current Section F.2. Thus, the Exchange proposes to replace all citations to specific paragraphs under Section F with citations to “Section F.2” only.¹¹

Operative Date

The Exchange proposes to make all changes proposed herein operative January 2, 2015.

Participants will be notified of the proposed changes pursuant to a Legal Notice that will be issued immediately after this proposed rule change is filed.

¹¹ Aside from the Institutional Broker credits under Section F.2, Section F.4 does not apply to any other credits, fee caps or rebates offered by the Exchange.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act¹² in general, and furthers the objectives of Sections 6(b)(1)¹³ and (b)(4)¹⁴ of the Act, in particular. Specifically, the proposed amended Section E.1 will continue to apply equally to all Participants that submit single-sided orders to the Matching System, in furtherance of Sections 6(b)(4), as the proposed rule provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using its facilities. Moreover, the Exchange believes that the proposed amended Section E.1 simplifies the Fee Schedule by applying to executions resulting from all Round Lot orders, as opposed to merely those that result from orders for 100 or more shares, and the other amendments to the Fee Schedule would provide clarity and stylistic consistency to the Fee Schedule, both in furtherance of Section 6(b)(1), as the proposed rule would better enable the Exchange to be so organized as to have the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance by its Participants with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Given that the proposed amendment to Section E.1 would impact an extremely small number of securities traded on the Exchange and the proposed clarifying and stylistic amendments do not substantively modify the Fee Schedule, the proposed rule change would have no burden on

¹² 15 U.S.C. 78f.

¹³ 15 U.S.C. 78f(b)(1).

¹⁴ 15 U.S.C. 78f(b)(4).

competition. To the contrary, the Exchange believes that the proposed rule change would promote competition by widening the scope of executions that would be subject to lower fees and eligible for credits and providing additional clarity to the Fee Schedule.

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.

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁵ and subparagraph(f)(2) of Rule 19b-4 thereunder¹⁶ because it establishes or changes a due, fee or other charge imposed by the Exchange.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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 purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁶ 17 CFR 240.19b-4(f)(2).

<http://www.sec.gov/rules/sro.shtml>); or

- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-CHX-2014-19 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File No. SR-CHX-2014-19. 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 website (<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 changes 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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office 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 No. SR-CHX-2014-19 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Kevin M. O'Neill
Deputy Secretary

¹⁷ 17 CFR 200.30-3(a)(12).