

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-79822; File No. SR-CHX-2017-01)

January 18, 2017

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Modify the Examination Requirement for CHX Market Maker Authorized Traders

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 January 6, 2017 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 and II below, which Items have been prepared by the Exchange. 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 Rules of the Exchange (“CHX Rules”) to modify the examination requirement for CHX Market Maker Authorized Traders (“MMATs”). 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 [sic] and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CHX has prepared summaries, set forth in sections A, B and C below, of the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

1. Purpose

The Exchange proposes to amend CHX Rules to modify the examination requirement for CHX Market Maker Authorized Traders (“MMATs”). Specifically, the Exchange proposes to eliminate the requirement that prospective MMATs successfully complete the CHX Market Maker Authorized Trader Exam, which is an examination currently maintained and administered by the Exchange for prospective MMATs. In lieu of the CHX Market Maker Authorized Trader Exam, the Exchange proposes to require prospective MMATs to successfully complete the Series 57 Securities Trader Examination³ and any other training and/or certification programs as may be required the Exchange.

The Exchange notes that the proposed rule change would harmonize the Exchange’s MMAT examination requirement with the MMAT examination requirements of other national securities exchanges that require prospective MMATs (or equivalents) to successfully complete the Series 57 Securities Trader Examination.⁴

Background

³ A Representative (as defined under CHX Article 6, Rule 2(b)) that is engaged in securities trading activities, on either an agency or principal basis, for the Participant (as defined under CHX Article 1, Rule 1(s)) with which the Representative is associated, must register with the Exchange as a Securities Trader and pass the Series 57 Securities Trader Examination. See CHX Article 6, Rule 3(a)(1).

⁴ See, e.g., NYSE Arca Equities Rule 7.21(b)(2). Other markets do not explicitly recognize an MMAT registration category but require any person engaged in the purchase or sale of securities or other similar instruments for the account of a member organization, which would include market maker traders, to be registered as a Securities Trader and pass the Series 57 Securities Trader Examination. See e.g., paragraph .10 of the Supplementary Material under NYSE Rule 345; see also, e.g., NASDAQ PHLX Rule 613(f)(2).

Current Article 16, Rule 3(b) provides the registration requirements for MMATs. Thereunder, current paragraph (b)(2) provides that to be eligible for registration as an MMAT, a person must be registered with the Exchange as provided in Article 6 and complete any other training and/or certification programs as may be required. Moreover, current paragraph .01(b) of the Interpretations and Policies of Article 6, Rule 3 provides that prior to the Exchange approving a Participant's request to register an individual as an MMAT, such individual must successfully complete the Market Maker Authorized Trader Exam.

In order to further streamline and bring consistency to the qualification and registration requirements for MMATs (or equivalents) across different markets, the Exchange now proposes to eliminate the Market Maker Authorized Trader Exam and instead require prospective MMATs to successfully complete the Series 57 Securities Trader Examination in order to satisfy the Exchange's MMAT examination requirement. To this end, the Exchange proposes to delete current paragraph .01(b) of the Interpretations and Policies of Article 6, Rule 3 in its entirety and amend current Article 16, Rule 3(b)(2) to provide as follows:

To be eligible for registration as a MMAT, a person must successfully complete the Series 57 Securities Trader Examination and any other training and/or certification programs as may be required by the Exchange.

The Exchange does not propose to amend or modify any other requirements related to MMATs or Market Makers in general.

2. Statutory Basis

The Exchange believes that proposed rule change is consistent with Section 6(b) of the Act⁵ in general and Section 6(b)(5) of the Act⁶ in particular, which requires, among other things, that the Exchange's rules be designed to prevent fraudulent and manipulative acts and practices,

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest.

In particular, the Exchange believes that the proposed rule change will remove impediments to and perfect the mechanism of a free and open market and a national market system by promoting consistency and uniformity among different markets⁷ regarding the qualification and registration requirements for individuals engaged in market making activities. For those individuals that are engaged in market making activities across different markets, the proposed rule change will result in efficiencies with respect to such individuals' registration and compliance efforts.

B. Self-Regulatory Organization's Statement of 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. The Exchange believes that the proposed rule change will reduce the regulatory burden placed on market participants engaged in market making activities across different markets. The Exchange believes that the harmonization of the MMAT examination requirements across the various markets will reduce burdens on competition by removing impediments to participation in the national market system.

C. Self-Regulatory Organization's Statement on Comments Regarding the Proposed Rule Changes Received from Members, Participants or Others

No written comments were either solicited or received.

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

⁷ See supra note 4.

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act⁸ and Rule 19b-4(f)(6)(iii) thereunder.⁹ Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹⁰ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹¹

A proposed rule change filed under Rule 19b-4(f)(6)¹² normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹³ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. In this filing, the Exchange has asked that the Commission waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing so that it may become operative on January 9, 2017.

The Exchange notes that the proposal meets the required qualifications for effectiveness on filing under Section 19(b)(3)(A) of the Act¹⁴ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁵

⁸ 15 U.S.C. 78s(b)(3)(A)(iii).

⁹ 17 CFR 240.19b-4(f)(6).

¹⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

¹¹ In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement. 17 CFR 240.19b-4(f)(6).

¹² Id.

¹³ Id.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

As such, the Exchange has designated this rule filing as non-controversial under Section 19(b)(3)(A) of the Act¹⁶ and paragraph (f)(6) of Rule 19b-4 thereunder.¹⁷ Specifically, the Exchange notes that the waiver is appropriate as it would be unduly burdensome to prospective MMATs, especially those who have already passed the Series 57 Securities Trader Examination, to require them to take the CHX Market Maker Authorized Trader Exam weeks or days before the proposed rule change is to become operative. Moreover, based on the same reasons, waiver of the 30-day operative delay is consistent with the protection of investors and the public interest.

The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest while not imposing any significant burden on competition because it will make the Chx's qualification and registration requirements for MMATs consistent with the qualification requirements of the other markets. Therefore, the Commission hereby waives the 30-day operative delay and designates the proposed rule change to be operative on January 9, 2017.¹⁸

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 under Section 19(b)(2)(B) of the Act to determine whether the proposed rule should be approved or disapproved.

¹⁵ 17 CFR 240.19b-4.

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4.

¹⁸ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-CHX-2017-01 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-CHX-2017-01. 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 Web site (<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-2017-01 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.¹⁹

Eduardo A. Aleman
Assistant Secretary

¹⁹ 17 CFR 200.30-3(a)(12).