

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53493; File No. SR-CHX-2005-27)

March 16, 2006

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change and Amendment Nos. 1, 2 and 3 Relating to Amending Exchange Delisting Rules to Conform to Recent Amendments to Commission Rules Regarding Removal from Listing and Withdrawal from Registration

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 17, 2005, the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC or Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the Exchange. CHX filed Amendment No. 1 to the proposal on December 14, 2005.³ On February 17, 2006, CHX filed Amendment No. 2 to the proposal.⁴ On March 15, CHX filed Amendment No. 3 to the proposal.⁵ The Commission is

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, CHX made several changes to the proposed rule text of CHX Article XXVIII, Rule 4 to clarify the organization of the Rule; incorporate the requirement that issuers provide notice to the Exchange upon filing a Form 25; and clarify the effective dates for the old and the new CHX Rule 4.

⁴ In Amendment No. 2, CHX included new language to the proposed rule text of CHX Article XXVIII, Rule 4 relating to the timing of certain issuer obligations under SEC Rule 12d2-2 and made other grammatical corrections to the proposed rule text.

⁵ In Amendment No. 3, CHX included new language to the proposed rule text of CHX Article XXVIII, Rule 4 stating that if an issuer seeks to voluntarily withdraw its securities from listing and has either received notice from the Exchange that it is below the Exchange's continued listing policies and standards, or is aware that it is below such continued listing policies and standards even if it has not received such notice from the Exchange, the issuer must disclose that it is no longer eligible for continued listing (including the specific continued listing policies and standards that the issue is below) in: (i) its written notice to the Exchange of its determination to withdraw from listing required by Rule 12d2-2(c)(2)(ii) under the Act; and (ii) its public press release and website notice required by Rule 12d2-2(c)(2)(iii) under the Act.

publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Exchange proposes to amend the text of its rule relating to the delisting of securities (CHX Article XXVIII, Rule 4) to comply with the requirements of recently amended Rule 12d2-2 under the Act (“Commission Rule 12d2-2”) and to make a few non-substantive changes to clarify the organization of the Exchange’s Rule.

The text of the proposed rule change is below. Proposed new language is underlined; proposed deletions are in [brackets].

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ARTICLE XXVIII

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Listed Securities

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Removal of Securities

This version of the rule is effective through April 23, 2006

RULE 4. No change to text.

Removal of Securities

This version of the rule is effective on and after April 24, 2006

RULE 4. (a) Removal of Securities. The Board of Governors may remove securities from the list upon the recommendation of the Chief Executive Officer or upon application of the issuer. [In the absence of special circumstances a security considered by the Exchange to be eligible for continued listing will not be removed from the list upon application of the issuer, unless the

issuer files with the Exchange a certified copy of a resolution adopted by the board of directors of the issuer authorizing withdrawal from listing and registration.]

[Interpretations and Policies:]

(b) Notice provided by the issuer. In the absence of special circumstances, a security will not be removed from the list upon application of the issuer, unless the issuer files with the Exchange a certified copy of a resolution adopted by the board of directors of the issuer authorizing withdrawal from listing and registration.

Once an issuer has satisfied the requirement set out above, the issuer may voluntarily withdraw its securities from listing and registration on the Exchange if it complies with Exchange Act Rule 12d2-2(c), which requires that the issuer must (i) comply with all applicable state laws in effect in the state in which the issuer is incorporated; (ii) provide written notice to the Exchange (no fewer than 10 days before the issuer files an application on Form 25 with the Commission) of its determination to withdraw one or more of its securities from listing and registration on the Exchange; (iii) publish notice (contemporaneous with providing the written notice to the Exchange described in section (ii) above) of its intention to withdraw from listing and registration; and (iv) file Form 25 with the Commission, all as further described in Rule 12d2-2(c) itself. When the issuer notifies the Exchange of its intent to withdraw one or more of its securities from listing and registration on the Exchange, the Exchange shall provide public notice of that intent on the Exchange's website as required by Exchange Act Rule 12d2-2(c)(3). The issuer must file a copy of Form 25 with the Exchange immediately after submitting the form to the Commission. The issuer's securities shall be withdrawn from listing or registration on the Exchange on the effective date set out in Exchange Act Rule 12d2-2(d).

If an issuer seeks to voluntarily withdraw its securities from listing on the Exchange pursuant to this provision and has either received notice from the Exchange that it is below the Exchange's continued listing policies and standards, or is aware that it is below such continued listing policies and standards even if it has not received such notice from the Exchange, the issuer must disclose that it is no longer eligible for continued listing (including the specific continued listing policies and standards that the issue is below) in: (i) its written notice to the Exchange of its determination to withdraw from listing required by Rule 12d2-2(c)(2)(ii) under the Exchange Act and; (ii) its public press release and website notice required by Rule 12d2-2(c)(2)(iii) under the Exchange Act.

(c)[.01] Right to Hearing

An issuer whose securities the Exchange proposes to delist shall have the right to avail itself of a hearing.

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(d) Hearing. If the corporation's response to the notice includes a demand for hearing, the Chief Executive Officer shall appoint a Hearing examiner who will set a date for hearing. Failure of the issuer to appear at that hearing will be deemed consent to delisting.

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(e) Review. The corporation shall have fifteen days from the date of receipt of such ruling to file objection and demand a review thereof by the Executive Committee. Such review, unless the Executive Committee determines to permit the introduction of additional evidence, will consist solely of a review of the transcripts of the hearing.

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(f) Public Notice. When a final determination is made with respect to the delisting of one or more securities of an issuer, the Exchange's Secretary promptly shall provide public notice of that determination by issuing a press release and posting notice on the Exchange's website. This notice shall be disseminated no fewer than 10 days before the delisting becomes effective and must remain posted on the Exchange's website until the delisting is effective.

(g) Submission of Forms. Immediately after providing the notice described in paragraph (f) above, the Exchange shall file Form 25 with the Commission and provide a copy of that form to the issuer.

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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 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 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 Securities and Exchange Commission recently approved changes to Commission Rule 12d2-2, which were designed to streamline the process for delisting securities.⁶ As part of

⁶ See Securities Exchange Act Release No. 52029 (July 14, 2005), 70 FR 42456 (July 22, 2005).

these changes, national securities exchanges are required to ensure that their delisting rules conform to the new requirements of Commission Rule 12d2-2.⁷

The proposed rule changes included in this submission are designed to ensure that the Exchange's rules conform to Commission Rule 12d2-2's new requirements. As an initial matter, the changes confirm that the Exchange will provide public notice, on its website and through a press release, of any final Exchange determination to delist an issuer's securities.⁸ As noted in the proposed rule, this notice would be provided at least ten days before the delisting decision becomes effective and would remain on the Exchange's website until the decision is effective. The proposed rule change also confirms that the Exchange will file Form 25 with the Commission and provide a copy to the issuer.⁹ In other changes, the proposal describes, in general terms, the process that should be followed when an issuer seeks to voluntarily withdraw the listing or registration of a security on the Exchange, including the issuer's obligation to file Form 25 with the Commission (and to submit it to the Exchange) and the Exchange's obligation to provide public notice of an issuer's voluntary request to delist securities. The proposal also

⁷ See Commission Rule 12d2-2(b)(1), 17 CFR 240.12d2-2(b)(1). Under these new requirements, exchanges must have rules that, at a minimum, provide for: (a) notice to the issuer of the exchange's decision to delist its securities; (b) an opportunity for appeal to the exchange's board of directors, or to a committee designated by the board; and (c) specifically-defined public notice of the exchange's final delisting determination. CHX represents that its rules already comply with the requirements described in (a) and (b) and that its current proposal primarily is designed to incorporate the new public notice requirements associated with any final decision to delist an issuer's securities. See CHX Article XXVIII, Rule 4, Interpretation and Policy .01 (providing that notice of the Exchange's intent to delist a security (and of the decision following any hearing on the matter) must be served on the issuer; and that the issuer may appeal any delisting decision to the Exchange's Executive Committee, a committee appointed by the Board of Directors).

⁸ See CHX Article XXVIII, Rule 4(f).

⁹ Although the recent amendments to Commission Rule 12d2-2 do not require the Exchange to include this information in its rules, the Exchange believes that it is appropriate to do so to more fully set out the process for delisting securities.

makes other non-substantive changes (such as inserting headings and making the text part of the rule itself, rather than an interpretation to the rule) that are designed to make the rule easier to read.¹⁰

Finally, the Exchange proposes that if an issuer seeks to voluntarily withdraw its securities from listing on the Exchange and has either received notice from the Exchange that it is below the Exchange's continued listing policies and standards, or is aware that it is below such continued listing policies and standards even if it has not received such notice from the Exchange, the issuer must disclose that it is no longer eligible for continued listing (including the specific continued listing policies and standards that the issue is below) in: (i) its written notice to the Exchange of its determination to withdraw from listing required by Commission Rule 12d2-2(c)(2)(ii); and (ii) its public press release and website notice required by Commission Rule 12d2-2(c)(2)(iii).¹¹

The Exchange believes that all of these changes are consistent with the requirements of Commission Rule 12d2-2 and provide guidance to issuers of the procedures that will be followed in the event of a voluntary or involuntary delisting of securities on the Exchange.

2. Statutory Basis

The Exchange believes that the basis under the Act for this proposed rule change is found in Section 6(b)(5),¹² in that the proposed rule change is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and

¹⁰ These changes also are not required by the recent amendments to Commission Rule 12d2-2.

¹¹ See also note 5, supra, discussing Amendment No. 3, submitted on March 15, 2006.

¹² 15 U.S.C. 78f(b)(5).

perfect the mechanisms of a free and open market and a national market system and, in general, to protect investors and the public interest.

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

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission shall:

- (a) by order approve such proposed rule change, or
- (b) institute proceedings to determine whether the proposed rule change should be

disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change 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-2005-27 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CHX-2005-27. 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 change 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 inspection and copying in the Commission's Public Reference Room. Copies of such 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 Number SR-CHX-2005-27 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Nancy M. Morris
Secretary

¹³ 17 CFR 200.30-3(a)(12).