

# The Chicago Stock Exchange

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David A. Herron  
Chief Executive Officer

November 14, 2003

Mr. Jonathan G. Katz  
Secretary  
U.S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-0609



**Re: Policy Statement: Business Continuity Planning for Trading Markets  
File No. S7-17-03**

Dear Mr. Katz:

The Chicago Stock Exchange, Incorporated (the "CHX" or the "Exchange") appreciates the opportunity to comment on the policy statement recently issued by the Securities and Exchange Commission (the "Commission") on business continuity planning for trading markets. The Exchange believes that the proposed guidance – and its goal of having systems in place that allow trading to resume, in all securities, on the business day following a widespread disruption to the markets – sets an achievable and important goal for the national market system.

The Exchange appreciates the Commission's implied recognition that there is not a one-size-fits-all business continuity plan that is appropriate for all markets. Some markets may believe it is necessary to develop fully functional, back-up trading floors that can be activated quickly if an emergency causes their original trading floors to close. Other markets, however, may have different plans to provide for the handling of customer orders in the event of a crisis.<sup>1</sup> The Exchange looks forward to working with the Commission staff in their efforts to ensure that appropriate plans are put in place at each market center.

The Exchange anticipates that the Commission will use a similarly flexible approach in determining the types of business continuity plans that should be developed by the nation's broker-dealers. Although the policy statement recognizes that broker-dealers will use their

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<sup>1</sup> As the Commission has recognized, the development of geographically diverse, competitive trading venues has enhanced the national market system's ability to rebound if a disruption occurs. Today, many securities are traded in multiple markets, making it possible to meet the Commission's target of putting plans in place that allow trading in those securities to resume quickly – in at least some venues – if other markets are not immediately able to open.

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business judgment in preparing for potential crises, the statement notes that broker-dealers should use the next-business day resumption goal as a benchmark for their planning efforts.<sup>2</sup> The Exchange respectfully suggests that the Commission should not use a one-size-fits-all approach for setting targets for the nation's broker-dealers. These entities should be permitted to develop business continuity strategies that are appropriate to their specific business models – taking into account, for example, the availability of other broker-dealers who could handle customer orders, the broker-dealer's own market share and many other variables.

Thank you for allowing the Exchange the opportunity to comment on the proposed policy statement. If you have any questions about this letter, please do not hesitate to call me.

Sincerely,

A handwritten signature in black ink, appearing to read 'DAH', followed by a horizontal line extending to the right.

David A. Herron

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<sup>2</sup> See Policy Statement, page 4.