

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53676; File No. SR-CHX-2006-08)

April 18, 2006

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Granting Approval of Proposed Rule Change and Amendment No. 1 Thereto Relating to Specialist Participant Fees and Credits

On February 27, 2006, the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) 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 proposed rule change to amend its Participant Fee Schedule to confirm that, retroactive to January 1, 2006, specialist fixed fees would not be assessed to a specialist firm with respect to securities that are temporarily assigned.³ On March 2, 2006, CHX filed Amendment No. 1 to the proposed rule change.⁴ The proposed rule change, as amended, was published for comment in the Federal Register on March 14, 2006.⁵ The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

Under the Exchange’s rules, the Committee on Specialist Assignment and Evaluation (“CSAE”) is responsible for appointing participant firms to act as specialists on the Exchange.⁶ From time to time, the CSAE may make a temporary assignment of one or more securities to a

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ On February 27, 2006, the Exchange filed with the Commission a proposed rule change to amend its Participant Fee Schedule to confirm that, effective immediately, specialist fixed fees would not be assessed to a specialist firm with respect to securities that are temporarily assigned. See Securities Exchange Act Release No. 53429 (March 6, 2006), 71 FR 13197 (March 14, 2006).

⁴ In Amendment No. 1, the Exchange revised the proposal’s rule text to clarify its meaning.

⁵ See Securities Exchange Act Release No. 53433 (March 7, 2006), 71 FR 13196.

⁶ See Article IV, Rule 6.

specialist firm.⁷ Temporary assignments may be made, for example, when one specialist firm has requested and been granted the opportunity to deregister in one or more of its securities before the formal posting and assignment process has been completed.⁸ Through this proposed rule change, as amended, the Exchange seeks to confirm, retroactive to January 1, 2006, that, when a firm has been appointed to act as specialist in a security on a temporary basis, the firm will not be charged the specialist fixed fees otherwise associated with the trading of that security.

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of Section 6 of the Act,⁹ and the rules and regulations thereunder applicable to a national securities exchange.¹⁰ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(4) of the Act,¹¹ which requires that the Exchange's rules provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities. The Commission believes that the suspension, retroactive to January 1, 2006, of the specialist fixed fees for specialist firms who accepted a temporary assignment of securities is appropriate because it creates an incentive for a specialist

⁷ See Article XXX, Rule 1.

⁸ The Exchange represents that when a security is to be assigned or reassigned, the Exchange notifies specialist firms of the assignment opportunity and invites applications for the security. See Article XXX, Rule 1, Interpretation and Policy .01, Section II. The Exchange further represents that if more than one firm seeks the assignment, the CSAE holds meetings with the firms to review their demonstrated ability, experience, financial responsibility and other factors that are relevant to the CSAE's assignment decision. See Article XXX, Rule 1, Interpretation and Policy .01, Section II and Section III. The Exchange represents that depending upon the number of firms applying for a security and the availability of committee members and specialist firm representatives, this process could take several weeks to complete. An interim temporary assignment allows a security to continue to be traded by a specialist firm, while the process is completed.

⁹ 15 U.S.C. 78f(b).

¹⁰ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹¹ 15 U.S.C. 78f(b)(5).

firm to act as specialist on a temporary basis pending completion of the Exchange's formal process for assigning securities to a specialist.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹² that the proposed rule change (SR-CHX-2006-08), as amended, is approved.

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

Nancy M. Morris
Secretary

¹² 15 U.S.C. 78s(b)(2).

¹³ 17 CFR 200.30-3(a)(12).