

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54100; File No. SR-CHX-2006-13)

July 5, 2006

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Approving Proposed Rule Change Relating to Participant Fees and Credits

On April 24, 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 (“Fee Schedule”) to reduce, retroactively to March 1, 2006, the assignment fees charged to specialist firms seeking the right to trade securities, when the securities are assigned in competition with other firms. The proposed rule change was published for comment in the Federal Register on June 1, 2006.³ The Commission received no comments regarding the proposal.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and in particular, with Section 6(b)(4) of the Act,⁴ which requires that the rules of the Exchange provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities.⁵ The proposed retroactive fee reduction was filed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 53868 (May 25, 2006), 71 FR 31242.

⁴ 15 U.S.C. 78f(b)(4).

⁵ In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition and capital formation. See 15 U.S.C. 78c(f).

simultaneously with, and is identical to, a fee reduction applied by the Exchange prospectively as of April 24, 2006.⁶ That fee reduction was based on the Exchange's belief that the right to trade securities as an Exchange specialist has only a short-term benefit, in view of an Exchange proposal pending with the Commission to implement a new trading model that does not involve the use of specialists to handle customer orders.⁷ The Exchange believes that it is appropriate to apply the fee reduction retroactively to specialist assignments made in the period beginning March 1, 2006, a time when, the Exchange states, its management began talking with specialist firms about the reasons for, and possibility of, this type of fee reduction. The Commission believes such reduction is consistent with the Act.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-CHX-2006-13) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Nancy M. Morris
Secretary

⁶ See Securities Exchange Act Release No. 53781 (May 10, 2006), 71 FR 28727 (May 17, 2006) (notice and immediate effectiveness of SR-CHX-2006-12).

⁷ See SR-CHX-2006-05.

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).