

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55811; File No. SR-CHX-2007-08)

May 24, 2007

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Approving Proposed Rule Change to Expand its Price Manipulation Rule to Address Additional Instances of Improper Behavior

On March 21, 2007, the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² to amend its rule relating to price manipulation. The proposed rule change was published for comment in the Federal Register on April 20, 2007.³ The Commission received no comments on the proposal. This order approves the proposed rule change.

I. Description of the Proposal

The Exchange seeks to amend its rule relating to price manipulation to address two separate instances of improper activity: (1) manipulative conduct consisting of a single event (in addition to a series of events, as the current rule contemplates) and (2) manipulation based upon the entry of orders as opposed to that based solely upon the entry of trades. The proposal would also expand the rule to address conduct by persons associated with a participant firm, in addition to the firm’s partners, directors, officers and registered employees.

II. Discussion

After careful review, the Commission finds that CHX’s proposal to amend its rule relating to price manipulation is consistent with the requirements of the Act and the rules and

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 55625 (April 12, 2007), 72 FR 19998.

regulations thereunder applicable to a national securities exchange⁴ and, in particular, the requirements of Section 6 of the Act⁵ and the rules and regulations thereunder. The Commission believes that these changes would appropriately establish that improper price manipulation could occur upon the entry of orders at successively higher or lower prices, not just upon the execution of trades at successively higher or lower prices. Additionally, the Commission believes that these changes would appropriately establish that improper price manipulation could occur with a single trade or order at a price higher or lower than the market.

⁴ 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).

⁵ 15 U.S.C. 78f.

III. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁶ that the proposed rule change (SR-CHX-2007-08) be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Florence E. Harmon
Deputy Secretary

⁶ 15 U.S.C. 78s(b)(2).

⁷ 17 CFR 200.30-3(a)(12).