

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-60259; File No. SR-CHX-2009-08)

July 7, 2009

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Reallocation of Credits Paid to Institutional Brokers

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 29, 2009, the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. CHX filed the proposal pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The CHX proposes to amend its Schedule of Participant Fees and Assessments (the “Fee Schedule”), effective July 1, 2009, to change the manner in which CHX-registered Institutional Brokers are paid a credit based upon (1) Transaction Fees generated by Agency orders executed by them on the Exchange’s trading facilities and (2) Trade Processing Fees generated by transactions executed on another trading center, but submitted to clearing via the Exchange’s systems. The text of this proposed rule change is available on the Exchange’s website at

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(2).

http://www.chx.com/rules/proposed_rules.htm and in the Commission's Public Reference Room, 100 F Street, N.E., Washington, DC 20549.

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 Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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

Through this filing, the Exchange would amend its Fee Schedule, effective July 1, 2009, to change the manner in which CHX-registered Institutional Brokers are paid credits based on both Transaction Fees generated by Agency orders executed by them on the Exchange's trading facilities and on Trade Processing Fees generated by orders executed on away markets, but submitted to clearing by them via the Exchange's systems.

CHX-registered Institutional Brokers are paid a Credit which is based upon a percentage of the fees derived from transactions handled by them for other Exchange Participants.⁵ Pursuant to this filing, the Fee Schedule would be amended to reduce the overall Credit paid to Institutional Brokers ("Credit") from 18% to 16% of the Fees charged to Participants in transactions in which the Institutional Brokers are involved in either the execution or clearance thereof. The amended Fee Schedule would also alter the manner in which such credits are

⁵ These fees are set forth in Sections E.3. (Agency executions through an institutional broker) and E.7. (Trade Processing Fees) of the Fee Schedule.

distributed to Institutional Brokers involved in such transactions. Currently, the Institutional Broker representing the ultimate clearing participant in transactions executed on the Exchange receives the full Credit. For transactions executed on another trading center and reported to clearing via the Exchange's systems, however, the Credit is divided between the Originating Broker (defined as the Institutional Broker which executed the trade) and the Broker of Credit (defined as the Institutional Broker that acted as the broker for the ultimate Exchange clearing participant).

Under the proposed changes, the Fee Schedule would be modified to harmonize the allocation of Credits paid to Institutional Brokers derived from Transaction Fees with those paid based upon Trade Processing Fees. In each case, the Credits would be divided between the Originating Broker and the Broker of Credit and would be paid at the same rates.⁶ Pursuant to the revised Fee Schedule, the Broker of Credit would receive three-quarters (3/4) of the total Credit paid to Institutional Brokers in the relevant transactions, or 12%. The Originating Broker would receive the remaining 4% of the Credit for the initial execution of the trade, whether on our trading facilities or in an away market. An Institutional Broker could act as both the Originating Broker and the Broker of Credit in any given transaction, in which case it would earn Credits in both capacities.

The Exchange believes that the harmonization of the manner of payment and rates for Transaction Fee Credits with those for Trade Processing Fee Credits is sensible and will serve to eliminate potential confusion concerning the nature and amount of Credits paid in Institutional Broker-handled transactions. Moreover, the transactions handled by Institutional Brokers frequently are complicated and involve numerous counterparties. Originating Brokers typically

⁶ In order to accommodate this change, the definition of "Originating Broker" would be modified to delete the reference to executions "on an away market."

retain additional clerical and operational staff to process and reconcile all of the terms of and parties to these transactions. The payment of a portion of the Credit to the Originating Broker recognizes the additional costs borne by them and the Exchange hopes that it will also incent Institutional Brokers to execute additional fee-generating orders.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act⁷ in general, and furthers the objectives of Section 6(b)(4) of the Act⁸ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members. The Exchange believes that the proposed changes to the allocation of Institutional Broker credits is fair and reasonable in that it provides for additional compensation to Originating Brokers in circumstances where they did not previously receive any portion of the Credit. While the overall amount of Credits is being reduced for transactions consummated on our trading facilities, this reduction is offset by an increase in the amount of Credits paid based upon away market trades.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition.

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

No written comments were either solicited or received.

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

The foregoing proposed rule change is effective upon filing pursuant to Section

⁷ 15 U.S.C. 78f.

⁸ 15 U.S.C. 78f(b)(4).

19(b)(3)(A)(ii) of the Act⁹ and Rule 19b-4(f)(2) thereunder.¹⁰ At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 Number SR-CHX-2009-08 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CHX-2009-08. 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

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

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, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. 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 No. SR-CHX-2009-08 and should be submitted on or before [insert date 21 days from date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Elizabeth M. Murphy
Secretary

¹¹ 17 CFR 200.30-3(a)(12).