Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Implement a Tiered Fee Schedule

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 January 4, 2010, 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 Act\(^3\) 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


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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 January 4, 2010, to provide for a tiered schedule of fees and rebates for Participants for trade executions of single-sided orders in securities priced over $1 in the event that certain volume thresholds are achieved. The volume thresholds are based on the Participant’s Average Daily Volume (“ADV”), which is determined, with respect to a given Participant, by the number of shares such Participant has executed as a liquidity provider in any and all trading sessions on average per trading day (excluding partial trading days) across all tapes on the trading facilities of the CHX (excluding all cross transactions) for the calendar month in which the executions occurred.

According to this proposal, a Participant entering a single-sided (i.e., not a cross order type) order in Tape A and C securities would be charged a fee of $0.003/share when removing liquidity from the Matching System if its monthly ADV (as defined above) is 500,000 shares or less. Such Participants would also receive a rebate of $0.0026/share when they provided liquidity to the Matching System. Participants which had a monthly ADV of greater than 500,000 up to and including 5,000,000 shares would be charged a fee of $0.0029 when removing
liquidity. Participants falling into this category would also receive a rebate of $0.0028/share when providing liquidity to the Matching System. Finally, Participants which had a monthly ADV of greater than 5,000,000 shares would pay a fee of $0.0028 when removing liquidity from the Matching System and a rebate of $0.003 when they provided liquidity.

For Tape B securities, a Participant entering a single-sided (i.e., not a cross order type) order would be charged a fee of $0.003/share when removing liquidity from the Matching System if its monthly ADV is 500,000 shares or less. Such Participants would also receive a rebate of $0.0028/share when they provided liquidity to the Matching System. Participants which had a monthly ADV of greater than 500,000 up to and including 5,000,000 shares would be charged a fee of $0.0029 when removing liquidity. Participants falling into this category would also receive a rebate of $0.003/share when providing liquidity to the Matching System. Finally, Participants which had a monthly ADV greater than 5,000,000 shares would pay a fee of $0.0028 when removing liquidity from the Matching System and a rebate of $0.0032 when they provided liquidity.

Under this program, Participants which, on a net basis, provide Tape A and C securities would pay fees at lower volume levels but, as their monthly ADV increases, this rate structure will ultimately invert. Through this mechanism, the Exchange seeks to maximize revenue at lower volume levels while incenting all Participants to provide greater liquidity to the Matching System. Furthermore, the Exchange believes that the increased rebate will help attract additional orders to be displayed and executed on our trading facilities. The Exchange notes that a number of other exchanges have tiered fee schedules which offer different rates depending on the monthly ADV of liquidity-providing executions on their facilities, and our proposed fee structure
The Exchange believes that the implementation of a tiered fee schedule may incent firms to display their orders on our trading facility and increase the volume of securities traded here.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(4) of the Act in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members. Among other things, the change to the fee schedule would provide incentives to Participants to increase the amount of liquidity provided on our trading facilities, which may contribute to an increase in trading volume on the Exchange and in the income derived therefrom.

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 that is not necessary or appropriate in furtherance of the purposes of the Act.

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

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19(b)(3)(A)(ii) of the Act\(^8\) and Rule 19b-4(f)(2) thereunder.\(^9\) 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-2010-01 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-2010-01. 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

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-2010-01 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.10

Florence E. Harmon
Deputy Secretary