SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-64644; File No. SR-CHX-2011-11)

June 10, 2011

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Add a Rule Concerning the CHX Book Feed

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 2, 2011, 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 and II below, which Items have been prepared by the Exchange. CHX has filed this proposal pursuant to Exchange Act Rule 19b-4(f)(6)\(^3\) which is 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

CHX proposes to add Article 4, Rule 1 (Book Feed) to include an explicit description of the Exchange’s Book Feed information service. The text of this proposed rule change is available on the Exchange’s website at (www.chx.com) and in the Commission’s Public Reference Room.

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 CHX included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV

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below. The CHX 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

The Exchange makes information about display-eligible orders sent to and trades executed on the Exchange available to Participants and other interested persons via its Book Feed Service. The purpose of making this information available is to increase the transparency of orders and trading activity on the Exchange. The Book Feed service became effective pursuant to a rule filing made with the Commission in 2007, but the service was not described in the Exchange’s rules. In order to remove any potential ambiguity about the nature of the Exchange’s technology and communications offerings, we are now proposing to add language to our rules describing the Book Feed. The Book Feed service has not changed in any material respect. Use of the Book Feed service by any Exchange Participant is entirely optional and is not required to direct orders to our Matching System for execution or display.

New Article 4, Rule 1 governs the provision by the Exchange of its Book Feed data service. The CHX Book Feed distributes data regarding orders received and trades executed by the Matching System, our trading facility. The Book Feed service supplements the market data provided by the Exchange through the industry-mandated Securities Information Processors or SIPs (currently Nasdaq and SIAC). The SIPs collect market data from each trading center, consolidate it into a unified transmission, and disseminate it to market participants, including market data vendors.

5 See e-mail, dated June 2, 2011, from David C. Whitcomb, Jr., General Counsel and Chief Regulatory Officer, CHX, to Christopher W. Chow, Special Counsel, Commission.
The CHX Book Feed is intended to augment the market data provided by the SIPs by providing additional detail about orders resident in the Exchange’s Matching System. Unlike SIP data, quotations distributed via the Book Feed are not aggregated at a particular price point. Instead, each individual order is separately represented in the Book Feed, even if there are multiple orders at the same price and on the same side of the market. Moreover, the Book Feed provides information for all displayed orders resident in the Matching System, including odd lots and orders inferior to our top of book.6 The Book Feed data includes basic information about each order, including the size and price of the order; whether it was an order to buy or sell; its time of receipt; and the identity of the participant firm that submitted the order.7 The Book Feed also provides for the transmission of last sale data through the Book Feed in a manner which is substantially similar to that provided through the SIPs.8 Proposed Rule 1 of Article 4 authorizes the Exchange to provide Book Feed data to a recipient which has entered into a Book Feed Subscriber agreement with the Exchange and in a form acceptable to the Exchange.9 No market participant is required to subscribe to the Book Feed service. The Exchange believes that some market participants will be interested in receiving our Book Feed transmission since it provides

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6 Undisplayed orders and the undisplayed portions of reserve size orders are not be disseminated through the Book Feed; however, any odd lot orders (which are not expressly identified as “undisplayed”) are disseminated through the Book Feed.

7 A participant firm can choose, either on a firm-wide or order-by-order basis, to have its identity kept confidential in the order information that is distributed in the Book Feed.

8 The Book Feed includes transaction data for all trades executed in the Matching System, including odd lot transactions, while the SIP last sale transmissions may not include data on odd lot executions.

9 The Exchange makes the Book Feed available to any person or entity which signs our subscriber agreement. It is not necessary to be an Exchange Participant to be eligible to receive the Book Feed.
additional information about the orders residing in the Matching System beyond what is available from the SIPS.\textsuperscript{10}

Any charges for the Exchange’s Book Feed service would be specified in our Schedule of Fees and Assessments. Currently, the Fee Schedule provides that the Book Feed shall be available free of charge to subscribers.\textsuperscript{11} Rule 603(a)(2) for Regulation NMS requires trading centers to distribute market data “on terms that are not unreasonably discriminatory.”\textsuperscript{12} The policy of the Exchange is to require that all Book Feed recipients execute a subscriber agreement. This requirement applies equally to all recipients and therefore the Exchange believes that its proposal satisfies Rule 603(a)(2) for Regulation NMS.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act\textsuperscript{13} in general, and furthers the objectives of Section 6(b)(1) of the Act\textsuperscript{14} in particular, in that it allows the Exchange to be organized and have the capacity to be able to carry out the purposes of the Act and to comply, and (subject to any rule or order of the Commission pursuant to section 17(d) or 19(g)(2) of the Act) to enforce compliance by its members and persons associated with such members, with the provisions of the Act, the rules and regulations

\textsuperscript{10} Within the Exchange’s systems, the data that is disseminated as part of the Book Feed leaves the Matching System immediately following the best bids, offers and last sales that are being sent to the SIPS. The Exchange would not use any technology that is designed to make the Book Feed data available from the Matching System earlier than the best bids, offers and last sales are available to the SIPS.

\textsuperscript{11} The Exchange does not currently plan to charge a fee for the distribution of this data, but may choose to do so in the future. Any decision to charge a fee for the Book Feed data would be reflected in a filing submitted to the Commission as required by Rule 19b-4 of the Act.

\textsuperscript{12} 17 CFR 603(a)(2).

\textsuperscript{13} 15 U.S.C. 78f.

\textsuperscript{14} 15 U.S.C. 78ff(b)(1).
thereunder, and the rules of the exchange. As noted above, the Book Feed service was previously described in a filing with the Commission in 2007.\textsuperscript{15} By adding a description of the nature of the Book Feed service to the Exchange’s rules, this proposal advances the purposes of the Exchange Act by providing added clarity about the nature and extent of certain services offered by the Exchange to its Participants, and thereby contributing to the ability of our members in complying with the requirements related to those services.

\textbf{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. As noted above, the Exchange believes that its Book Feed service will compete with the existing market data products issued by other exchanges and will assist the Exchange in attracting and retaining order flow. The Exchange further believes that the added transparency offered by the Book Feed service will benefit market participants looking to interact with orders residing in the Matching System or trying to determine the level of buying or selling interest in a security. The fact that the Exchange currently distributes market data for no charge also acts as a competitive force among market data products. As noted above, the Book Feed service is entirely optional and Participants are not required to subscribe to it in order to gain access to our marketplace.

\textbf{C. Self-Regulatory Organization’s Statement on Comments Regarding the Proposed Rule Change Received from Members, Participants or Others}

No written comments were either solicited or received.

\textbf{III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action}

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the

\textsuperscript{15} See note 4, \textit{supra}, and accompanying text.
Act\textsuperscript{16} and Rule 19b-4(f)(6)\textsuperscript{17} thereunder in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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-2011-11 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.

\textsuperscript{17} 17 CFR 240.19b-4(f)(6).
All submissions should refer to File Number SR-CHX-2011-11. 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 website (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 website viewing and printing in the Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will 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 Number SR-CHX-2011-11 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.\textsuperscript{18}

\begin{quote}
Cathy H. Ahn  
Deputy Secretary
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\textsuperscript{18} 17 CFR 200.30-3(a)(12).