

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-69319; File No. SR-CHX-2013-08)

April 5, 2013

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt and Amend Exchange Rules in Connection with Limit Up-Limit Down Plan

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 28, 2013, 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. 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 amend Article 20, Rule 2 and to adopt Article 20, Rule 2A to implement the Limit Up-Limit Down requirements as detailed in the Regulation NMS Plan to Address Extraordinary Market Volatility (the “Limit Up-Limit Down Plan,” “LULD Plan,” or the “Plan”), which was submitted to and approved, on a one-year pilot basis, by the Securities and Exchange Commission (the “Commission”) pursuant to Rule 608 of Regulation NMS under the Act. The Exchange also proposes to amend Article 1, Rule 2; Article 20, Rule 4; and Article 20, Rule 8 to comport the CHX Only Price Sliding Processes with the proposed Limit Up-Limit Down Price Sliding (“LULD Price Sliding”) functionality and amend Article 16, Rule 8 and Article 20, Rule 10 to update various citations affected by this proposed rule change. The text of

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<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

this proposed rule change is available on the Exchange's Web site at [www.chx.com](http://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 on the proposed rule change. The text of these statements may be examined at the places specified in Item IV 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 proposes to amend Article 20, Rule 2 and adopt Article 20, Rule 2A ("Limit Up-Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility") to implement the Limit Up-Limit Down Plan,<sup>3</sup> as approved by the Commission on a one-year pilot basis.<sup>4</sup> Moreover, the Exchange proposes to amend Article 1, Rule 2; Article 20, Rule 4; and Article 20, Rule 8 to comport the CHX Only Price Sliding Processes with the proposed LULD Price Sliding functionality and to amend Article 16, Rule 8

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<sup>3</sup> See Letter from Janet McGinness, Senior Vice President, Legal and Corporate Secretary, NYSE Euronext, to Elizabeth M. Murphy, Secretary, Commission, dated May 24, 2012.

<sup>4</sup> See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (File No. 4-631) (Order Approving, on a Pilot Basis, the National Market System Plan To Address Extraordinary Market Volatility by BATS Exchange, Inc., BATS Y-Exchange, Inc., Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The Nasdaq Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE MKT LLC, and NYSE Arca, Inc).

and Article 20, Rule 10 to update various citations affected by the proposed rule change. Among other things, proposed Rule 2A will gradually phase out the current single-stock circuit breaker under CHX Article 20, Rule 2(d) and (e), which will be modified and incorporated as proposed Article 20, Rule 2A(c)(1) and (b)(2), as discussed below.

Since May 6, 2010, when the markets experienced excessive volatility in an abbreviated time period (i.e., the “flash crash”), the exchanges and FINRA (the “Participants”) have implemented market-wide measures designed to restore investor confidence by reducing the potential for excessive market volatility. Among the measures adopted include the trading halts in all stocks triggered by extraordinary market volatility,<sup>5</sup> pilot plans for stock-by-stock trading pauses<sup>6</sup> and related changes to the clearly erroneous execution rules<sup>7</sup> and more stringent market maker quoting requirements.<sup>8</sup>

On April 5, 2011, the Participants filed the Limit Up-Limit Down Plan,<sup>9</sup> amendments to which were subsequently filed on May 24, 2012<sup>10</sup> and January 17, 2013.<sup>11</sup> On May 31, 2012, the Commission approved the Plan, as amended, on a one-year pilot basis.<sup>12</sup> As proposed, the Plan is

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<sup>5</sup> See CHX Article 20, Rule 2.

<sup>6</sup> Id.

<sup>7</sup> See CHX Article 20, Rule 10.

<sup>8</sup> See CHX Article 16, Rule 8(a)(2).

<sup>9</sup> See Letter from Janet McGinness, Senior Vice President, Legal and Corporate Secretary, NYSE Euronext, to Elizabeth M. Murphy, Secretary, Commission, dated April 5, 2011.

<sup>10</sup> See Letter from Janet McGinness, Senior Vice President, Legal and Corporate Secretary, NYSE Euronext, to Elizabeth M. Murphy, Secretary, Commission, dated May 24, 2012.

<sup>11</sup> See Letter from Janet McGinness, Senior Vice President, Legal and Corporate Secretary, NYSE Euronext, to Elizabeth M. Murphy, Secretary, Commission, dated January 17, 2013.

<sup>12</sup> See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (File No. 4-631) (Order Approving, on a Pilot Basis, the National Market System Plan To Address Extraordinary Market Volatility by BATS Exchange, Inc., BATS Y-

designed to prevent trades in individual NMS stocks from occurring outside specified Price Bands.<sup>13</sup> As detailed below, the requirements of the Plan are coupled with Trading Pauses to accommodate more fundamental price moves, as opposed to erroneous trades or momentary gaps in liquidity. All trading centers in NMS Stocks, including both those operated by Participants and those operated by members of Participants, are required to establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the requirements specified in the Plan.<sup>14</sup> As set forth in more detail in the Plan, Price Bands consisting of a Lower Price Band and an Upper Price Band for each NMS Stock are calculated by the Processors.<sup>15</sup> When the National Best Bid (Offer) is below (above) the Lower (Upper) Price Band, the Processors shall disseminate such National Best Bid (Offer) with an appropriate flag identifying it as not executable. When the National Best Bid (Offer) is equal to the Upper (Lower) Price Band, the Processors shall distribute such National Best Bid (Offer) with an appropriate flag identifying it as a Limit State Quotation.<sup>16</sup> All trading centers in NMS Stocks must maintain written policies and procedures that are reasonably designed to prevent the display of offers below the Lower Price Band and bids above the Upper Price Band for NMS Stocks. However, the Processor shall nevertheless display an offer (bid) below (above) the Lower (Upper) Price Band, but with a flag that it is non-executable. Such bids or offers shall not be included in the

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Exchange, Inc., Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The Nasdaq Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE MKT LLC, and NYSE Arca, Inc).

<sup>13</sup> Unless otherwise specified, capitalized terms used in this rule filing are based on the defined terms of the Plan.

<sup>14</sup> The Exchange is a Participant in the Plan.

<sup>15</sup> See Section (V)(A) of the Plan.

<sup>16</sup> See Section VI(A) of the Plan.

National Best Bid (“NBB”) or National Best Offer (“NBO” and together with the NBB, “NBBO”) calculations.<sup>17</sup>

Trading in a NMS Stock immediately enters a Limit State if the NBO (NBB) equals but does not cross the Lower (Upper) Price Band.<sup>18</sup> Trading for a NMS stock exits a Limit State if, within 15 seconds of entering the Limit State, all Limit State Quotations were executed or canceled in their entirety. If the market does not exit a Limit State within 15 seconds, then the Primary Listing Exchange would declare a five-minute trading pause pursuant to Section VII of the LULD Plan, which would be applicable to all markets trading the security.<sup>19</sup> In addition, the Plan defines a Straddle State as when the NBB (NBO) is below (above) the Lower (Upper) Price Band and the NMS Stock is not in a Limit State.

For example, assume the Lower Price Band for an NMS Stock is \$9.50 and the Upper Price Band is \$10.50, such NMS stock would be in a Straddle State if the NBB were below \$9.50 and therefore not executable and the NBO were above \$9.50 (including a NBO that could be above \$10.50). If an NMS Stock is in a Straddle State and trading in that stock deviates from normal trading characteristics, the Primary Listing Exchange may declare a trading pause for that NMS Stock.

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<sup>17</sup> See Section VI(A)(3) of the Plan.

<sup>18</sup> See Section VI(B)(1) of the Plan.

<sup>19</sup> The primary listing market would declare a trading pause in an NMS Stock; upon notification by the primary listing market, the Processor would disseminate this information to the public. No trades in that NMS Stock could occur during the trading pause, but all bids and offers may be displayed. See Section VII(A) of the Plan. As discussed below, however, upon declaring a Trading Pause, the Exchange proposes to cancel orders resting in the CHX book, as well as reject all incoming orders in the affected NMS stock during the Trading Pause.

Proposed Article 20, Rule 2A

Pursuant to the Plan, the Exchange is required to establish, maintain, and enforce written policies and procedures that are reasonably designed to comply with the Limit Up-Limit Down and Trading Pause requirements specified in the Plan. As such, the Exchange proposes that the following rules be operative April 8, 2013.

Proposed Article 20, Rule 2A(a)  
“Limit Up-Limit Down Requirements”

Proposed paragraph (a)(1)(A) states that “Plan” means the Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS under the Securities Exchange Act of 1934, Exhibit A to Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012), as it may be amended from time to time. Also, proposed paragraph (a)(1)(B) states that all capitalized terms not otherwise defined in this Rule shall have the meanings set forth in the Plan or Exchange rules, as applicable. Proposed paragraph (a)(2) states that the Exchange is a Participant in, and subject to the applicable requirements of, the Plan, which establishes procedures to address extraordinary volatility in NMS Stocks. Proposed paragraph (a)(3) states that member organizations shall comply with the applicable provisions of the Plan. The Exchange believes that this requirement will help ensure the compliance by its members with the provisions of the Plan as required pursuant to Section II(B) of the Plan.<sup>20</sup>

Proposed paragraph (a)(4) outlines how the Exchange will comply with the Plan’s requirement that the Exchange establish, maintain and enforce written policies and procedures that are reasonably designed to prevent (1) trades at prices that are below the Lower Price Band

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<sup>20</sup> See Section II(B) of the Plan.

or above the Upper Price Band for an NMS Stock<sup>21</sup> and (2) the display of offers below the Lower Price Band and bids above the Upper Price Band for an NMS Stock.<sup>22</sup>

Specifically, proposed subparagraph (A) states that the Matching System shall not execute any orders at prices that are below the Lower Price Band or above the Upper Price Band, unless such interest is specifically exempted under the Plan. Thereunder, proposed subparagraph (A)(i) states that “Limit” orders, as defined under current Article 1, Rule 2(p),<sup>23</sup> shall not be executed at a price above the Upper Price Band or below the Lower Price Band; proposed subparagraph (A)(ii) states that “Market” orders, as defined under Article 1, Rule 2(n),<sup>24</sup> may execute at the most aggressive permissible price at or within the Price Bands and that all Market orders are Immediate or Cancel and shall not be posted to the CHX book;<sup>25</sup> and proposed subparagraph (A)(iii) states that “Cross” orders, as defined under Article 1, Rule 2(e),<sup>26</sup> shall not

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<sup>21</sup> See Section VI(A)(1) of the Plan.

<sup>22</sup> See Section VI(A)(3) of the Plan.

<sup>23</sup> CHX Article 1, Rule 2(p) defines “Limit order” as “an order to buy or sell a specific amount of a security at a specific price or better if obtainable once the order has been submitted to the market.

<sup>24</sup> CHX Article 1, Rule 2(n) defines “IOC Market” as “a market order that is to be executed only during the Regular Trading Session, either in whole or in part, at or better than the Exchange’s BBO (including any reserve size or other undisplayed orders at or better than that price), with any unexecuted balance of the order to be immediately cancelled. IOC market orders shall not be accepted until (i) the primary market in a security has opened trading in that security or (ii) two senior officers of the Exchange have determined that it is appropriate for the Exchange to accept IOC market orders. For purposes of this rule, another exchange will be considered to have opened for trading in a security when the first trade in that security occurs in that market on or after 8:30 a.m.”

<sup>25</sup> The Matching System will only accept Market orders as IOC.

<sup>26</sup> CHX Article 1, Rule 2(e) defines “cross” as “an order to buy and sell the same security at a specific price better than the best bid and offer displayed in the Matching System and which would not constitute a trade-through under Reg NMS (including all applicable exceptions and exemptions). A cross order may represent interest of one or more Participants of the Exchange, but may only be executed in an increment permitted by Article 20, Rule 4(a)(7)(b).”

be executed at a price above the Upper Price Band or below the Lower Price Band. Moreover, proposed subparagraph (B) states that a buy (sell) order shall not be displayed at a price above (below) the Upper (Lower) Price Band and that such an order may be eligible for Limit Up-Limit Down Price Sliding (“LULD Price Sliding”), pursuant to proposed paragraph (b). Finally, proposed subparagraph (C) states that the Matching System shall not route buy (sell) interest to an away market displaying a sell (buy) quote that is above (below) the Upper (Lower) Price Band.

Proposed Article 20, Rule 2A(b)  
“LULD Price Sliding”

Proposed paragraph (b)(1) outlines the Exchange’s proposed Limit Up-Limit Down Price Sliding (“LULD Price Sliding”), the purpose of which is to provide CHX Participants a price sliding functionality for eligible incoming and resting limit orders to follow movements in the Price Bands, so as to promote liquidity by reducing the number of automatic cancellations. Specifically, proposed paragraph (b)(1) states that all fully-displayable incoming and resting limit orders shall be eligible for LULD Price Sliding and that an order sender may not opt-out of the proposed LULD Price Sliding for eligible orders. That is, the order sender may not instruct the Matching System to cancel orders that are eligible for the proposed LULD Price Sliding if the functionality is triggered.<sup>27</sup> In addition, since only fully-displayable limit orders are eligible for LULD Price Sliding, limit orders marked either “Reserve Size,” as defined under Article 1, Rule 2(dd)<sup>28</sup> or “Do Not Display,” as defined under Article 1, Rule 2(j)<sup>29</sup> shall not be eligible for

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<sup>27</sup> Notwithstanding, an order sender may cancel an order at any time after order entry and prior to order execution. Under certain circumstances, an order may be cancelled after order execution. See CHX Article 20, Rules 9 and 10.

<sup>28</sup> CHX Article 1, Rule 2(dd) defines “Reserve Size” as “an order that identifies a portion of the order that should be displayed and a portion of the order that should not be displayed, along with an instruction that the displayed portion should be refreshed to the original

the proposed LULD Price Sliding. Also, proposed paragraph (b)(1) provides that all eligible orders shall retain their original limit price and sequence number,<sup>30</sup> notwithstanding price sliding. The importance of this language is that, as discussed in detail below, LULD Price Sliding will continuously price slide orders up to its original limit price and that all price slid orders will be sorted for order execution priority based on original limit price, then time of order entry.

Thereunder, proposed subparagraph (A) states that an eligible incoming buy (sell) order that would be displayed at a price above (below) the Upper (Lower) Price Band shall be price slid to the Upper (Lower) Price Band, subject to proposed paragraph (b)(2). As discussed below, proposed paragraph (b)(2) outlines the interplay between LULD Price Sliding and the Exchange's other price sliding functionality, the CHX Only Price Sliding Processes, detailed under Article 1, Rule 2(y).<sup>31</sup> In addition, proposed subparagraph (A) clarifies that a cross order priced above the Upper Price Band or below the Lower Price Band shall be cancelled and that an ineligible incoming buy (sell) order (e.g. an undisplayed or partially displayed limit order) that would post at a price above (below) the Upper (Lower) Price Band shall also be cancelled.

Example 1. Assume that the Upper Price Band for security XYZ is \$10.50, the NBO for security XYZ is \$10.55 and there are no orders for security XYZ resting on the CHX book.

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display quantity (or the remaining number of shares, if less) whenever the displayed share size falls below a specified threshold.”

<sup>29</sup> CHX Article 1, Rule 2(j) defines “Do Not Display” as “an order that should only be executed or displayed within the Exchange's Matching System and should not be routed to another market. Any types of cross, IOC or FOK orders are deemed to have been received with a ‘do not route’ condition.”

<sup>30</sup> The CHX sequence number is a unique number assigned by the Matching System to every order upon initial order entry. Since the CHX Matching System can only receive one order at a time, each order will receive a unique sequence number and, consequently, it is impossible for two orders to have the same sequence number.

<sup>31</sup> The Exchange also proposes to amend the current CHX Only Price Sliding Processes to comport it with the proposed LULD Price Sliding, as propose Article 1, Rule 2(y), as discussed in detail below.

Assume that the Matching System then receives an incoming fully-displayable limit bid for security XYZ priced at \$10.53 (“Bid A”). Pursuant to proposed paragraph (b)(1), since Bid A is a limit order that is fully-displayable, it is eligible for LULD Price Sliding. Also, pursuant to proposed subparagraph (A), since Bid A would be displayed at a price above the Upper Price Band, Bid A will be price slid to the Upper Price Band at \$10.50. Bid A would thus be executable and displayed at \$10.50.

Proposed subparagraph (B) states that an eligible resting buy (sell) order that, at the time of entry, was displayed at a price at or below (above) the Upper (Lower) Price Band, but, due to movements in the Price Band, would now be displayed at a price above (below) the Upper (Lower) Price Band, shall be price slid to the Upper (Lower) Price Band, subject to proposed paragraph (b)(2). In addition, proposed subparagraph (B) clarifies that an ineligible resting buy (sell) order that, at the time of entry, was posted at a price at or below (above) the Upper (Lower) Price Band, but, due to movements in the Price Band, would now be posted at a price above (below) the Upper (Lower) Price Band, shall be cancelled.

Proposed subparagraph (C) states that an eligible price slid buy (sell) order shall be continuously price slid to follow bi-directional movements to the Upper (Lower) Price Band, so that the buy (sell) order is always displayed at the Upper (Lower) Price Band, subject to proposed paragraph (b)(2). However, a price slid order that could be displayed at a more aggressive price will never be price slid through its original limit price. Given that Price Bands may move quickly and frequently, the Exchange submits that a continuous LULD Price Sliding process is essential to avoiding excessive order cancellations and to ensure that orders are constantly being displayed at the most aggressive permissible price within the Price Bands, subject to Rule 610(d) of Regulation NMS and Rule 201 of Regulation SHO.

Example 2. Assume the same as Example 1 and that the Matching System receives an incoming fully-displayable limit bid at \$10.50 (“Bid B”). Thus, the CHX Book has two resting bids for security XYZ at \$10.50. Assume further that the Upper Price Band moves to \$10.49 and the NBO remains at \$10.55. Pursuant to proposed subparagraph (B), since Bid B, at the time of entry, was displayed at a price at the Upper Price Band, but, due to a movement in the Upper Price Band, would now be displayed at a price above the Upper (Lower) Price Band, Bid B will be price slid to the new Upper Price Band at \$10.49. In addition, pursuant to proposed subparagraph (C), Bid A would be price slid to \$10.49 as well since eligible price slid orders shall be continuously price slid to follow bi-directional movements to the Price Bands. Thus, both Bid A and Bid B would be executable and displayed at \$10.49.

Example 3. Assume the same as Example 2. Assume further that the Upper Price Band moves from \$10.49 to \$10.52 and the NBO remains at \$10.55. Pursuant to proposed subparagraph (C), Bid A would be price slid to \$10.52, since eligible price slid bids will be continuously price slid to follow changes to the Upper Price Band. However, pursuant to proposed subparagraph (C), Bid B would only be price slid to \$10.50, since an eligible order will never be price slid through its original limit price.

Examples 1 – 3 address scenarios where the Upper (Lower) Price Band is below (above) the NBO. If the NBO (NBB) is at or below (above) the Upper (Lower) Price Band, the applicability of any price sliding to any eligible incoming or resting orders would depend on their limit prices and whether or not such orders are also eligible for the CHX Only Price Sliding Processes.

Thus, proposed paragraph (b)(2) details the interplay between LULD Price Sliding and the CHX Only Price Sliding Processes, which is comprised of NMS Price Sliding and Short Sale

Price Sliding. Specifically, proposed paragraph (b)(2) begins by stating that any order eligible for the CHX Only Price Sliding Processes shall be eligible for LULD Price Sliding. This is because Article 1, Rule 2(y) provides that all fully-displayable limit orders marked “CHX Only” are eligible for the CHX Only Price Sliding Processes, whereas proposed paragraph (b)(1) states that all fully-displayable limit orders are eligible for LULD Price Sliding. Thus, an order eligible for LULD Price Sliding shall only be eligible for CHX Only Price Sliding if it is marked “CHX Only.”

Thereunder, proposed subparagraph (A) describes how orders that are dually eligible for LULD Price Sliding and the CHX Only Price Sliding Processes will be price slid, under certain market and order pricing conditions. Specifically, proposed subparagraph (A)(i) states that if a dually eligible order would be displayed at a price in violation of any combination of Rule 610(d) of Regulation NMS, Rule 201 of Regulation SHO or the Plan, the order shall be price slid to the most aggressive permissible prices, in compliance with Regulation NMS, Regulation SHO, and the Plan. Proposed subparagraph (A)(ii) states that if a dually eligible price slid resting order could be executable and/or displayed at a more aggressive price, the order shall be price slid to, and displayed at, the most aggressive permissible prices, in compliance with Regulation NMS, Regulation SHO, and the Plan. The value of the “most aggressive permissible prices” will depend on the pricing of the NBBO and the Price Bands, as shown below.

Example 4. Assume that the NBO for security XYZ is priced at \$10.00 and the Upper Price Band for security XYZ is priced at \$10.50. Assume further that the CHX book has no resting orders for security XYZ. Then assume that the Matching System receives three dually eligible incoming bids in quick succession for security XYZ (“Bids A, B and C”). Bid A is priced at \$10.00 and locks the NBO; Bid B is priced at \$10.01 and crosses the NBO; and Bid C

is priced at \$10.51 and is priced through the Upper Price Band. Pursuant to proposed subparagraph (A)(i), all three bids must be price slid to the “most aggressive permissible prices,” in compliance with Regulation NMS, Regulation SHO and the Plan. The only price sliding functionality that would result in price sliding that satisfies all three considerations is NMS Price Sliding. Thus, all three bids would be executable at the NBO priced at \$10.00 and displayed at one minimum price increment below the NBO at \$9.99.

Example 5. Assume the same as Example 4, except that the NBO moves to \$10.40 and the Upper Price Band remains at \$10.50. Since all three bids had been price slid away from their original limit prices, pursuant to proposed subparagraph (A)(ii), the change in the NBO would allow the bids to be price slid to, and displayed at, more aggressive permissible prices. Thus, Bid A would remain executable at \$10.00, but would now be displayed at \$10.00 since it has reached its original limit price; Bid B would be price slid to \$10.01 and displayed at \$10.01, since it has reached its original limit price; and Bid C would be price slid to \$10.40 and displayed at \$10.39. Similarly, if the NBO instead moved to \$10.51, Bids A and B would have been price slid to their original limit prices, whereas Bid C would have been price slid to the Upper Price Band. In such a scenario, Bid C priced at the Upper Price Band is its “most aggressive permissible price.” Alternatively, if the Upper Price Band moved away, but the NBO remained the same, all three bids would have remained at their respective prices, because the bids were already priced at their most aggressive permissible prices.

Proposed subparagraph (B) outlines what would happen to an order that is eligible for LULD Price Sliding, but not eligible for the CHX Only Price Sliding Processes (i.e. the order is a fully-displayable limit order not marked “CHX Only”), under certain market and pricing conditions. Specifically, proposed subparagraph (B)(i) provides that an incoming buy (sell) order

that is eligible for LULD Price Sliding only shall be rejected if it would be displayed at a price that locks or crosses the NBO (NBB) and the NBO (NBB) is at or below (above) the Upper (Lower) Price Band.

Example 6. Assume that the NBO for security XYZ is priced at \$10.45 and the Upper Price Band for security XYZ is priced at \$10.50. Assume further that the CHX book has no resting orders for security XYZ. Then assume that the Matching System first receives an incoming bid eligible for LULD Price Sliding only priced at \$10.46 (“Bid A”), then another incoming bid eligible for LULD Price Sliding only priced at \$10.52 (“Bid B”). Since Bid A and Bid B are not eligible for CHX Only Price Sliding Processes and the display of Bid A and Bid B would cross the NBO priced at \$10.45, pursuant to subparagraph (B)(i), both orders would be cancelled. Alternatively, if the NBO were priced at \$10.51, Bid A would have posted at its original limit price of \$10.46, whereas Bid B would have been price slid to the Upper Price Band, since the NBO was priced above the Upper Price Band, pursuant to proposed paragraph (b)(1)(A).

Proposed subparagraph (B)(ii) states that an order that is eligible for LULD Price Sliding only shall be cancelled if the price sliding of the resting order pursuant to LULD Price Sliding would result in a violation of either the prohibition against locked and crossed markets under Rule 610(d) of Regulation NMS or the short sale price test restriction under Rule 201 of Regulation SHO.

Example 7. Assume that the NBO for security XYZ is \$10.51 and the Upper Price Band is \$10.50. Assume that the CHX book has one resting order for security XYZ and it is a price slid bid at \$10.50, with an original limit price of \$10.52 (“Bid A”). Now assume that the Upper Price Band moves to \$10.52. If Bid A were to be price slid to \$10.52, pursuant to proposed

paragraph (b)(1)(C), Bid A would be displayed at a price that would cross the NBO at \$10.51, in violation of Rule 610(d) of Regulation NMS. Thus, since Bid A is not eligible for the CHX Only Price Sliding Processes, Bid A will be cancelled, pursuant to proposed subparagraph (B)(ii). Alternatively, if Bid A were eligible for NMS Price Sliding, Bid A would have remained displayed at \$10.50, but would have been executable at \$10.51, pursuant to proposed paragraph (b)(2)(A)(ii).

Proposed paragraph (b)(3) addresses the issue of order execution priority for orders that have been price slid pursuant to LULD Price Sliding. Specifically, proposed paragraph (b)(3) states that eligible orders subject to LULD Price Sliding will retain their time priority versus other orders based upon the time those orders were initially received by the Matching System. This language mirrors current CHX Article 1, Rule 2(y)(4), which establishes an identical requirement for orders subject to the CHX Only Price Sliding Processes.<sup>32</sup> In addition, the proposed paragraph further states that if an eligible order is price slid pursuant to LULD Price Sliding, it shall receive order execution priority pursuant to Article 20, Rule 8(a)(7). To this end, the Exchange also proposes to amend CHX Article 20, Rule 8(b)(7) to reflect that orders subject to the CHX Only Price Sliding Processes and/or the proposed LULD Price Sliding shall be subject to “Working Price Priority,” which establishes order execution priority of an order based first on its working price (i.e. most aggressive executable price), then time of original order entry

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<sup>32</sup> CHX Article 1, Rule 2(y)(4) states as follows:

Original Time Priority Retained. CHX Only orders subject to the Price Sliding Processes will retain their time priority versus other orders based upon the time those orders were initially received by the Matching System.

(i.e. sequence number).<sup>33</sup> The following examples illustrate how Working Price Priority would function.

Example 8. Assume that the NBB for security XYZ is \$9.50, the Lower Price Band for security XYZ is \$9.51 and the short sale price test restriction is not in effect for security XYZ. Assume further that the CHX book has no resting orders for security XYZ. Then assume that a fully-displayable CHX Only inbound limit offer for security XYZ priced at \$9.51, with a sequence number of 10 (“Offer A”), is received by the Matching System. Then assume that two additional fully-displayable CHX Only inbound limit offers for security XYZ priced at \$9.50 each, with sequence numbers of 20 (“Offer B”) and 30 (“Offer C”), respectively, are received by the Matching System. The order execution priority of the offers is as follows (roman numbers represent order execution priority):

(i):	10	A-Original Limit Price:	\$9.51	Work: \$9.51 <sup>34</sup>	Display: \$9.51
(ii):	20	B-Original Limit Price:	\$9.50	Work: \$9.51	Display: \$9.51
(iii):	30	C-Original Limit Price:	\$9.50	Work: \$9.51	Display: \$9.51

Offer A is not price slid because its limit price locks the Lower Price Band at \$9.51. In contrast, Offers B and C are price slid and displayed at \$9.51 because their limit prices at \$9.50 cross the Lower Price Band. Thus, Offer A receives order execution priority over Offers B and C because

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<sup>33</sup> See CHX Article 1, Rule 2(y); see also Securities Exchange Act Release No. 69075 (March 8, 2013), 78 FR 16311 (March 14, 2013) (SR-CHX-2013-07).

The term “Working Price Priority” best describes the current order execution priority scheme currently utilized by the CHX Only Price Sliding Processes, which the Exchange now proposes to apply to orders subject to LULD Price Sliding. As such, for ease of reference, the Exchange proposes to replace the term “ranked price” with the more accurate term “working price” in CHX Article 20, Rule 8(a)(7). In amending Rule 8(a)(7), the Exchange does not propose to substantively modify the order execution scheme currently utilized by the CHX Only Price Sliding Processes.

<sup>34</sup> In situations, such as Offer A, where an inbound order is posted to the CHX book without price sliding, the Working Price and Limit Price of the order will always be the same.

although Offers B and C have a superior limit price to Offer A, Offer A has a superior working price to Offers B and C. In turn, Offer B receives order execution priority over Offer C because although both are priced identically, Offer B has a superior sequence number to Offer C.

Example 9. Assume the same as Example 8. Now assume that the NBB remains at \$9.50, but the Lower Price Band moves from \$9.51 to \$9.49. At this point, the order execution priority of the offers is as follows:

- |        |    |                                |        |                            |                 |
|--------|----|--------------------------------|--------|----------------------------|-----------------|
| (i):   | 20 | <b>B-Original Limit Price:</b> | \$9.50 | Work: \$9.50               | Display: \$9.51 |
| (ii):  | 30 | <b>C-Original Limit Price:</b> | \$9.50 | Work: \$9.50               | Display: \$9.51 |
| (iii): | 10 | <b>A-Original Limit Price:</b> | \$9.51 | Work: \$9.51 <sup>35</sup> | Display: \$9.51 |

Pursuant to proposed Rule 2A(b)(2)(A)(ii), Offers B and C have been price slid to the NBB locking price of \$9.50 and remain displayed at \$9.51, which are the most aggressive permissible prices that Offers B and C could be executed and displayed in compliance with Regulation NMS, Regulation SHO, and the Plan. In contrast, Offer A remains executable and displayed at \$9.51, because an order will never be price slid through its original limit price. Thus, Offers B and C have jumped Offer A for order execution priority. Moreover, just as in Example 8, Offer B maintains priority over Offer C because Offer B has a superior sequence number to Offer C. If the Lower Price Band were to move back to \$9.51, Offer A would jump Offers B and C for order execution priority, which would result in order execution priority as detailed in Example 8.

Proposed Article 20, Rule 2A(c)  
“Trading Pauses”

Proposed paragraph (c) outlines the phase-in of the Plan<sup>36</sup> and the Exchange’s protocol for a Trading Pause in a NMS security. Specifically, proposed paragraph (c) begins by stating

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<sup>35</sup> In situations, such as Offer A, where an inbound order is posted to the CHX book without price sliding, the Working Price and Limit Price of the order will always be the same.

that securities shall remain subject to the requirements of proposed paragraphs (c)(1) and (c)(2) below until such securities become subject to the Plan. Moreover, once an NMS Stock is subject to the Plan, the security shall only be subject to a Trading Pause under the Plan consistent with proposed paragraphs (c)(3) and (c)(4) below. The Exchange believes this language is consistent with the Plan's requirements for the Exchange to establish, maintain, and enforce policies and procedures that are reasonably designed to comply with the Trading Pause requirements specified in the Plan.<sup>37</sup>

Proposed paragraphs (c)(3) states that a Trading Pause shall be commenced by the Exchange pursuant to the Plan.<sup>38</sup> Proposed subparagraph (A) provides that when a Trading Pause is declared, the Exchange shall cancel all orders in the NMS Stock subject to the Trading Pause resting in the CHX book. In addition, proposed subparagraph (B) provides that no trades in the NMS Stock subject to the Trading Pause shall be executed on the Exchange or any other trading center and the Matching System shall reject all incoming orders in the NMS Stock subject to the Trading Pause.

Proposed paragraph (c)(4) states after a Trading Pause, the Exchange shall attempt to reopen trading in the NMS Stock subject to the Trading Pause, pursuant to the Plan and to procedures adopted by the Exchange and communicated by notice to its Participants.<sup>39</sup> Proposed paragraph (c)(4) simply states that nothing in this proposed Rule 2A should be construed to limit

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<sup>36</sup> See Section VIII of the Plan.

<sup>37</sup> Id.

<sup>38</sup> The Exchange will develop written policies and procedures to determine when to declare a Trading Pause in the situation where the Exchange may declare a Trading Pause for a NMS Stock listed on the Exchange when (i) the NBB (NBO) is below (above) the Lower (Upper) Price Band and the NMS Stock is not in a Limit State; and (ii) trading in that NMS Stock deviates from normal trading characteristics. See Section VII(A)(1) of the Plan.

<sup>39</sup> See Section VII(B) and (C) of the Plan.

the ability of the Exchange to otherwise halt, suspend, or pause the trading in any stock or stocks traded on the Exchange pursuant to any other Exchange rule or policy. This language is nearly identical to current CHX Article 20, Rule 2(f), now proposed Rule 2(d).

Proposed Article 1, Rule 2(y)  
“CHX Only”

The Exchange proposed to amend Article 1, Rule 2(y), which defines the “CHX Only” order type and the corresponding CHX Only Price Sliding Processes, to modify the CHX Only order type only to the extent necessary to comport it with the Plan and the Exchange’s proposed LULD Price Sliding. As such, the Exchange proposes to make the amendments to Article 1, Rule 2(y) operative April 8, 2013, to coincide with the operative date for the Plan.

In 2011, the Exchange introduced the CHX Only order type, amended in 2013,<sup>40</sup> which is designed to encourage displayed liquidity on the Exchange and to reduce automatic cancellations by the Matching System.<sup>41</sup> The CHX Only order type is a limit order that is to be ranked and executed on the Exchange, without routing away to another trading center.<sup>42</sup> Order senders have the option to default all limit orders to “CHX Only” and therefore be subject to the CHX Only Price Sliding Processes. The CHX Only Price Sliding Processes is an order handling functionality comprised of NMS Price Sliding and Short Sale Price Sliding, to ensure compliance

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<sup>40</sup> See Securities Exchange Act Release No. 69075 (March 8, 2013), 78 FR 16311 (March 14, 2013) (SR-CHX-2013-07).

<sup>41</sup> Prior to the recent amendment, the CHX Only order type was originally adopted in 2011. See Securities Exchange Act Release No. 64319 (Apr. 21, 2011), 76 FR 23634 (Apr. 27, 2011) (SR-CHX-2011-04).

<sup>42</sup> The Exchange currently offers one order subtype (*i.e.* CHX Only) and two order modifiers (“Do Not Route,” under CHX Article 1, Rule 2(k) and “Post Only,” under CHX Article 20, Rule 4(b)(18)) that require order execution on the Exchange only. Of the three, only orders marked CHX Only are eligible for the CHX Only Price Sliding Processes. An order that is not marked CHX Only shall not be eligible for the CHX Only Price Sliding Processes.

with Rule 610(d) of Regulation NMS and Rule 201 of Regulation SHO. The CHX Only Price Sliding Processes are applied to all CHX Only orders that, at the time of order entry, would be in violation of Rule 610(d) of Regulation NMS and/or Rule 201 of Regulation SHO, if displayed or executed at the limit price. However, a CHX Only order that, at the time of order entry, could be displayed or executed in compliance with Regulation NMS and Rule 201 of Regulation SHO will not be subject to the CHX Only Price Sliding Processes and shall be displayed and executable without price sliding.

Currently, for those orders subject to the CHX Only Price Sliding Processes, the Matching System will reprice, re-rank and/or re-display certain CHX Only orders multiple times depending on changes to the NBBO (the repricing of CHX Only sell short orders subject to Rule 201 of Regulation SHO is dependent solely on declines to the NBB), so long as the order can be ranked and displayed in an increment consistent with the provisions of Rule 610(d) of Regulation NMS and Rule 201 of Regulation SHO, until the order is executed, cancelled or the original limit price is reached. Also, the CHX Only Price Sliding Processes are based on Protected Quotations<sup>43</sup> at equities exchanges other than the Exchange (Short Sale Price Sliding is based on the NBB) and all CHX Only limit orders subject to the CHX Only Price Sliding Processes shall maintain their original limit price and shall retain their time priority with respect to other orders based upon the time those orders were initially received by the Matching System. Finally, orders

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<sup>43</sup> Pursuant to Article 20, Rule 6(a)(1), the Exchange defines “Protected Quotation” as that term is defined under Rule 600(b) of Regulation NMS (17 CFR 242.600(b)), which states “protected quotation means a protected bid or a protected offer.” In turn, Rule 600(b)(57) of Regulation NMS (17 CFR 242.600(b)(57)) states, “protected bid or offer means a quotation in an NMS stock that: (i) is displayed by an automated trading center; (ii) is disseminated pursuant to an effective national market system plan; and (iii) is an automated quotation that is the best bid or best offer of a national securities exchange, the best bid or best offer of The Nasdaq Stock Market, Inc., or the best bid or best offer of a national securities association other than the best bid or best offer of the Nasdaq Stock Market, Inc.”

that have been price slid pursuant to the CHX Only Price Sliding Processes are prioritized for order execution by the price at which they are “ranked” (i.e. “working” price or “executable” price), then time of receipt (i.e. sequence number).

The Exchange now proposes to make the following amendments and/or additions to Rule 2(y). First, the Exchange proposes to add an additional sentence above paragraph (y)(1) that provides that CHX Only orders shall also be eligible for LULD Price Sliding, pursuant to proposed Article 20, Rule 2A(b)(2). As discussed above, pursuant to proposed Article 20, Rule 2A(b)(2), all limit orders marked CHX Only are eligible for LULD Price Sliding precisely because limit orders marked CHX Only will always be fully-displayable.

The Exchange proposes to amend paragraph (y)(1) to comport NMS Price Sliding with the Plan. Specifically, the Exchange proposes to add an additional sentence to proposed paragraph (y)(1)(A) that provides that if the NBB (NBO) is priced below (above) the Lower (Upper) Price Band, an incoming CHX Only sell (buy) order that, at the time of entry, would be displayed at a price below (above) the Lower (Upper) Price Band, shall be ranked and displayed at the Lower (Upper) Price Band, pursuant to proposed Article 20, Rule 2A(b)(2)(A)(i).

The Exchange also proposes to add similar language to paragraph (y)(1)(B). Specifically, the Exchange proposes to add an additional sentence to subparagraph (i) that provides that if the NBB (NBO) moves to a price below (above) the Lower (Upper) Price Band, the resting CHX Only sell (buy) order shall be re-ranked at the Lower (Upper) Price Band, pursuant to proposed Article 20, Rule 2A(b)(2)(A)(ii). In addition, the Exchange proposes to add an additional sentence to subparagraph (ii) that provides that if the NBB (NBO) moves to a price below (above) the Lower (Upper) Price Band, the resting CHX Only order shall be re-displayed at the Lower (Upper) Price Band, pursuant to Article 20, Rule 2A(b)(2)(A)(ii).

The Exchange further proposes to amend paragraph (y)(2) to comport Short Sale Price Sliding with the Plan. Specifically, the Exchange proposes to amend subparagraph (A) to provide that a CHX Only sell short order that, at the time of entry, could not be executed or displayed in compliance with Rule 201 of Regulation SHO will be repriced and displayed by the Matching System at the *greater* of one minimum price variation above the current NBB or the Lower Price Band, pursuant to Article 20, Rule 2A(b)(2)(A)(i). Similarly, the Exchange proposes to amend subparagraph (B) to provide that to reflect declines in the NBB and/or the Lower Price Band, the Matching System will continue to reprice and display a CHX Only sell short order subject to Rule 201 of Regulation SHO at the greater of the Permitted Price or the Lower Price Band, until the order is executed, cancelled or its original limit price is reached, pursuant to Article 20, Rule 2A(b)(2)(A)(ii). The purpose of these amendments are to ensure that in the instance where the Lower Price Band is above the NBB and the short sale price test restriction under Rule 201 of Regulation SHO is in effect, orders are not priced or price slid below the Lower Price Band.

The Exchange also proposes to amend paragraph (y)(2)(D) to provide that when a short sale price test restriction under Rule 201 of Regulation SHO is in effect, the Matching System may execute a CHX Only sell short order subject to Short Sale Price Sliding at a price below the Permitted Price if, at the time of initial display of the short sale order, the order was at a price above the then current NBB; provided, however, that the CHX Only sell short order is priced at or above the Lower Price Band at the time it is priced below the Permitted Price. The purpose of this amendment is to prohibit an order that may be executed pursuant to Rule 201(b)(1)(iii)(A) of Regulation SHO from executing at a price below the Lower Price Band.

Article 20, Rule 4(b)(18)  
“Post Only”

The Exchange proposes to amend Rule 4(b)(18), to comport the definition of “Post Only” with the Plan. Specifically, Rule 4(b)(18) defines “Post Only” as an order as one that is to be posted on the Exchange and not routed away to another trading center. Furthermore, a Post Only order will be immediately cancelled under two circumstances. First, a Post Only order that would remove liquidity from the CHX book will be immediately cancelled. Second, a Post Only order that, at the time of order entry, would lock or cross a Protected Quotation of an external market will be immediately cancelled; provided, however, that if the Post Only order is marked “CHX Only” and is eligible for the CHX Only Price Sliding Processes, pursuant to Article 1, Rule 2(y), the Post Only order that would lock or cross a Protected Quotation of an external market shall be subject to the CHX Only Price Sliding Processes and shall not be immediately cancelled.

In light of the Plan and LULD Price Sliding, the Exchange proposes to amend Rule 4(b)(18)(B) to provide that a Post Only order will be immediately cancelled when, at the time of order entry, the Post Only order would lock or cross a Protected Quotation of an external market; provided, however, that if the Post Only order is marked “CHX Only” and is eligible for the CHX Only Price Sliding Processes, pursuant to Article 1, Rule 2(y), the Post Only order that would lock or cross a Protected Quotation of an external market shall be subject to the CHX Only Price Sliding Processes or Limit Up-Limit Down Price Sliding, pursuant to Article 20, Rule 2A(b), whichever is applicable, and shall not be immediately cancelled.

Article 16, Rule 8  
Article 20, Rule 10  
Citation Updates

In light of this proposed rule change, current Article 20, Rule 2(e) will no longer exist. As discussed above, current Article 20, Rule 2(e) has been modified and incorporated into proposed

Article 20, Rule 2A as proposed Rule 2A(c)(1). Thus, the Exchange proposes to update all citations to the current Article 20, Rule 2(e) in the CHX rules, which are specifically found under Article 16, Rule 8 and Article 20, Rule 10.<sup>44</sup>

With respect to Article 16, Rule 8(a), the Exchange proposes to amend paragraphs (a)(2)(D) and (E) to update citations of current Rule 2 to both proposed Rule 2 and proposed Rule 2A; current Rule 2(e)(i) to proposed Rule 2A(c)(1)(A); current Rule 2(e)(ii) to proposed Rule 2A(c)(1)(B); and current Rule 2(e)(iii) to proposed Rule 2A(c)(1)(C).

With respect to Article 20, Rule 10, the Exchange proposes to amend paragraph (c)(1)-(3) to delete all citations to Article 20, Rule 2(e) and to replace them with references to “certain specified securities,” which are described in paragraph (c)(4). In turn, the Exchange proposes to amend paragraph (c)(4) to delete all citations to Article 20, Rule 2(e) and to replace them with the term “Subject Securities,” which the Exchange proposes to define as any securities included in the “S&P 500® Index, the Russell 1000® Index, as well as a pilot list of Exchange Traded Products.”<sup>45</sup>

## 2. Statutory Basis

The proposed rule change is consistent with Rule 608(c) of Regulation NMS,<sup>46</sup> which requires the Exchange, as a sponsor and participant to an effective national market system plan, namely the amended Limit Up-Limit Down Plan, to comply with the terms of the Plan, as

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<sup>44</sup> It is important to note that the Exchange does not propose to make any substantive amendments to Article 16, Rule 8 and Article 20, Rule 10.

<sup>45</sup> These proposed amendments to Article 20, Rule 10 are identical to the language and citation methodology of BATS BZX Rule 11.17(c)(1)-(4).

<sup>46</sup> 17 CFR 242.608(c).

submitted to the Commission on May 24, 2012<sup>47</sup> and approved by the Commission on May 31, 2012<sup>48</sup> pursuant to Rule 608(b)(2) of Regulation NMS.<sup>49</sup>

Moreover, the proposed rule changes are consistent with Section 6(b) of the Act<sup>50</sup> in general, and furthers the objectives of Section 6(b)(5)<sup>51</sup> in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transaction in securities, to remove impediments and perfect the mechanisms of a free and open market, and, in general, to protect investors and the public interest. Specifically, the Exchange believes that the proposed rule change supports the objective of the Act by providing harmonization between CHX Rules and rules of all other organization subject to the requirements of the Plan, so as to promote uniformity across markets concerning when and how to halt trading in individual NMS Stocks as a result of extraordinary market volatility. Such uniformity would also result in less burdensome and more efficient regulatory compliance. In addition, the Exchange submits that the proposed rules concerning the Limit Up-Limit Down requirements are consistent with the protection of investors and the public interest in

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<sup>47</sup> See Letter from Janet McGinness, Senior Vice President, Legal and Corporate Secretary, NYSE Euronext, to Elizabeth M. Murphy, Secretary, Commission, dated May 24, 2012.

<sup>48</sup> See Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012) (File No. 4-631) (Order Approving, on a Pilot Basis, the National Market System Plan To Address Extraordinary Market Volatility by BATS Exchange, Inc., BATS Y-Exchange, Inc., Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., EDGA Exchange, Inc., EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., NASDAQ OMX BX, Inc., NASDAQ OMX PHLX LLC, The Nasdaq Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE MKT LLC, and NYSE Arca, Inc).

<sup>49</sup> 17 CFR 242.608(b)(2).

<sup>50</sup> 15 U.S.C. 78f(b).

<sup>51</sup> 15 U.S.C. 78f(b)(5).

that the proposed rules will promote investor confidence by reducing the potential for excessive market volatility.

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. Specifically, the Exchange believes that the proposed change will result in the uniform implementation of the Limit Up-Limit Down Plan,<sup>52</sup> among all of the organizations subject to the Plan.

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 Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>53</sup> and Rule 19b-4(f)(6) thereunder.<sup>54</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

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<sup>52</sup> See Letter from Janet McGinness, Senior Vice President, Legal and Corporate Secretary, NYSE Euronext, to Elizabeth M. Murphy, Secretary, Commission, dated May 24, 2012.

<sup>53</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>54</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>55</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>56</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because such waiver would allow the proposal to become operative by the April 8, 2013 date of implementation for the Limit Up-Limit Down Plan. Accordingly, the Commission hereby grants the Exchange's request and designates the proposal operative upon filing.<sup>57</sup>

At any time within 60 days of the filing of such 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

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<sup>55</sup> 17 CFR 240.19b-4(f)(6).

<sup>56</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>57</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CHX-2013-08 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-2013-08. 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 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 such 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 publicly available. All submissions should refer

to File Number SR-CHX-2013-08 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.<sup>58</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>58</sup> 17 CFR 200.30-3(a)(12).