

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-78109; File No. SR-CHX-2016-08)

June 21, 2016

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Fingerprinting

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act” or “Act”),<sup>1</sup> and Rule 19b-4<sup>2</sup> thereunder, notice is hereby given that on June 9, 2016, the Chicago Stock Exchange, Inc. (“CHX” or the “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 CHX. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6)<sup>4</sup> thereunder. 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 the Rules of the Exchange (“CHX Rules”) to update provisions regarding the fingerprinting of securities industry personnel associated with Participants.<sup>5</sup>

CHX has designated this proposed rule change as non-controversial pursuant to Section 19(b)(3)(A)<sup>6</sup> of the Act and Rule 19b-4(f)(6)<sup>7</sup> thereunder and has provided the Commission with the notice required by Rule 19b-4(f)(6)(iii).<sup>8</sup>

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

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

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

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

<sup>5</sup> A “Participant” is a “member” of the Exchange for purposes of the Act. See CHX Article 1, Rule 1(s).

The text of 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 [sic] 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 Changes

1. Purpose

The Exchange proposes to amend Article 6, Rule 10 regarding the fingerprinting of security industry personnel. Current Article 6, Rule 10 provides that each Participant and Participant Firm is responsible for ensuring compliance with Section 17(f) of the Exchange Act<sup>9</sup> and SEC Rule 17f-2<sup>10</sup> regarding the fingerprinting of securities industry personnel. Thereunder, paragraph .01 of the Interpretations and Policies of Article 6, Rule 10 provides that Participants may submit fingerprint cards to the Exchange for processing.<sup>11</sup> Paragraph .02 of the

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<sup>6</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>7</sup> 17 CFR 240.19b-4(f)(6).

<sup>8</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>9</sup> 15 U.S.C. 78q(f).

<sup>10</sup> 17 CFR 240.17f-2.

<sup>11</sup> While the Exchange is currently permitted to require Participants to submit fingerprints to either the Exchange or to the Financial Industry Regulatory Authority ("FINRA") Web Central Registration Depository ("Web CRD"), in 2011, the Exchange eliminated, among other things, fees for fingerprint processing by the Exchange and noted that the Exchange

Interpretations and Policies of Article 6, Rule 10 provides that the Exchange shall submit fingerprint cards obtained pursuant to this rule to the Attorney General of the United States or his or her designee for identification and processing and that the Exchange shall maintain the security of fingerprint cards and information received from the Attorney General or his or her designee.

The Exchange proposes to eliminate the reference to “Participant Firm,” as the definition of “Participant” includes Participant Firms<sup>12</sup> and replace the reference to “SEC Rule 17f-2” with “Rule 17f-2 under the Exchange Act,” which is stylistically consistent with other citations to various rules under the Exchange Act throughout the CHX Rules.<sup>13</sup>

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no longer provided fingerprint processing services. See Exchange Act Release No. 64953 (July 25, 2011), 76 FR 45626 (July 29, 2011) (SR-CHX-2011-19) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Clarify the Application of the Fee Schedule to Certain Transactions of, and Services to, CHX Participants and Make Certain Rate Changes); see also Exchange Act Release No. 57587 (March 31, 2008), 73 FR 18598 (April 4, 2008) (Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1, to Amend Rules Relating to Registration Requirements); see also Exchange Act Release No. 57363 (February 20, 2008), 73 FR 10846 (February 28, 2008) (SR-CHX-2007-21) (Notice of Filing of Proposed Rule Change, as Modified by Amendment No. 1, to Amend Rules Relating to Registration Requirements).

The CRD is the central licensing and registration system for the U.S. securities industry. The CRD system enables individuals and firms seeking registration with multiple states and self-regulatory organizations to do so by submitting a single form, fingerprint card and a combined payment of fees to FINRA. Through the CRD system, FINRA maintains the qualification, employment and disciplinary histories of registered associated persons of broker dealers.

For those Participants that are not FINRA members, the Exchange collects the appropriate Web CRD fees from such Participants on behalf of FINRA. See CHX Fee Schedule Section J.5. Participants that are also FINRA members are subject to the relevant fingerprint processing fees under the FINRA Registration/Exam Fee Schedule.

<sup>12</sup> See supra note 5.

<sup>13</sup> See e.g., CHX Article 7, Rule 8(a); see also e.g., CHX Article 12, Rule 8(a).

Moreover, as the Exchange no longer permits Participants to submit fingerprints to the Exchange directly,<sup>14</sup> the Exchange proposes to delete paragraphs .01 and .02 of the Interpretations and Policies of Article 6, Rule 10 and adopt language under amended Article 6, Rule 10 that provides that each Participant shall submit the fingerprints of its associated persons to the FINRA Web CRD prior to such personnel performing the functions listed under Rule 17f-2 under the Exchange Act. Thus, the proposed rule change serves to clean up provisions that should have been amended at the time the Exchange filed SR-CHX-2011-19.<sup>15</sup>

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>16</sup> in general and furthers the objectives of Sections 6(b)(1)<sup>17</sup> in particular, in that it further enables the Exchange to be so organized as to have the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance by its Participants and persons associated with its Participants, with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange, in furtherance of the objectives of Section 6(b)(1). Specifically, the Exchange believes that the proposed rule change serves to clean up provisions that should have been amended at the time the Exchange filed SR-CHX-2011-19,<sup>18</sup> which furthers the objectives of Section 6(b)(1).

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

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<sup>14</sup> See supra note 11.

<sup>15</sup> See supra note 11.

<sup>16</sup> 15 U.S.C. 78f(b).

<sup>17</sup> 15 U.S.C. 78f(b)(1).

<sup>18</sup> See supra note 11.

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 the proposed rule change serves to clarify that the Exchange no longer accepts fingerprint submissions from Participants, which does not implicate competitive issues.

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

No written comments were either solicited or received.

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

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 for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>19</sup> and Rule 19b-4(f)(6) thereunder.<sup>20</sup>

The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative upon filing. The Exchange states that the proposed change cleans up provisions that should have been amended at the time the Exchange filed SR-CHX-2011-19.<sup>21</sup> The Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest. The rule change removes outdated rule text regarding the Exchange submitting fingerprint cards and amends Rule 10 to state that fingerprints must be submitted via Web CRD. Waiver of the operative delay will permit CHX to

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<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the 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.

<sup>21</sup> See supra note 11.

implement the change, which aligns its rules with its practice, without delay. Therefore, the Commission designates the proposed rule change to be operative upon filing.<sup>22</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. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)<sup>23</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal 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](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2016-08 on the subject line.

##### Paper Comments:

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

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<sup>22</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).

<sup>23</sup> 15 U.S.C. 78s(b)(2)(B).

All submissions should refer to File No. SR-CHX-2016-08. 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 changes 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 CHX. 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-2016-08 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>24</sup>

Robert W. Errett  
Deputy Secretary

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<sup>24</sup> 17 CFR 200.30-3(a)(12).