

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78126; File No. SR-CHX-2016-10)

June 22, 2016

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Institutional Broker Fee Cap and Credit

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4² thereunder, notice is hereby given that on June 16, 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, II and III 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 its Schedule of Fees and Assessments (the “Fee Schedule”) to modify certain fees and credits applicable to CHX Institutional Brokers. The text of this proposed rule change is available on the Exchange’s Web site 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 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 the Fee Schedule to modify certain fees and credits applicable to CHX Institutional Brokers (“Institutional Brokers”).³ Specifically, the Exchange proposes to amend Sections E.3(a) and E.7 to decrease the respective fee caps⁴ from \$100 each to \$75 each and to amend Section F.2 to decrease the Transaction Fee Credit and Clearing Submission Fee Credit (collectively “Institutional Broker credits”) from 10% each to 5% each.⁵

Sections E.3(a) and E.7

Current Section E.3(a) assesses a fee of \$0.0030 per share, capped at \$100 per Clearing Side,⁶ for an execution within the Matching System in a security priced at \$1.00 per share or more that results from an agency order submitted by an Institutional Broker. Current Section E.7 assesses a similar fee of \$0.0030 per share, capped at \$100 per Clearing Side, for an away execution in a security priced at \$1.00 per share or more that is cleared through the Exchange’s clearing systems by an Institutional Broker.⁷

³ See CHX Article 1, Rule 1(n) defining “Institutional Broker”; see also generally CHX Article 17.

⁴ The Exchange recently amended the process through which the Sections E.3(a) and E.7 fee caps are applied. See Exchange Act Release No. 77785 (May 9, 2016), 81 FR 29936 (May 13, 2016) (SR-CHX-2016-06).

⁵ Section E.3(a) and E.7 fees are virtually identical as both apply to executions effected through Institutional Brokers that are cleared through the Exchange’s clearing systems, except that Section E.3(a) applies to executions within the Matching System, whereas Section E.7 applies to qualified away executions pursuant to CHX Article 21, Rule 6(a).

⁶ Section E.3(a)(3) of the Fee Schedule defines “Clearing Side,” in pertinent part, as the buy or sell side of a clearing submission that is relate to a Section E.3(a) or Section E.7 execution.

⁷ See supra note 5.

The Exchange now proposes to decrease the Sections E.3(a) and E.7 caps from \$100 each to \$75 each. The Exchange believes that the [sic] reducing Sections E.3(a) and E.7 caps would further incentivize market participants to utilize Institutional Brokers to submit orders to the Matching System.

Section F.2

Current Section F.2 provides for Institutional Broker credits and generally states that the total monthly fees owed by an Institutional Broker to the Exchange will be reduced (and Institutional Brokers will be paid for any unused credits) by the application of a Transaction Fee Credit and a Clearing Submission Fee Credit. Specifically, a Clearing Broker⁸ receives a “Transaction Fee Credit” equal to 10% of the transaction fees received by the Exchange for agency trades executed through the Institutional Broker (i.e., Section E.3(a) fees) for the portion(s) of the transaction handled by the Clearing Broker. Similarly, a Clearing Broker receives a “Clearing Submission Fee Credit” equal to 10% of the Clearing Submission Fees received by the Exchange pursuant to Section E.7 of the Fee Schedule for the portion(s) of the transaction handled by the Clearing Broker. Also, only Institutional Brokers which are members of the Financial Industry Regulatory Authority, Inc. are eligible for the Clearing Submission Fee Credit.

The Exchange now proposes to decrease both Institutional Broker credits from 10% each to 5% each so as to help offset lost revenue that may result from the proposed fee cap decreases.

The Exchange also proposes to eliminate the phrase “per side” under the first sentence of the

⁸ Section F.2 of the Fee Schedule defines “Clearing Broker” as the Exchange-registered Institutional Broker that did not execute the trade, but acted as the broker for the ultimate Clearing Participant. The Exchange notes that the Institutional Broker that executed the trade may also be a Clearing Broker for the purposes of Section F.2 if the Institutional Broker acted as the broker for one or more of the Clearing Participants allocated positions to the trade.

current definition of “Clearing Submission Fee Credit” as the definition already provides that the Clearing Submission Fee Credit is paid to a Clearing Broker for the portion of the transaction handled by the Clearing Broker. The Exchange believes that the current reference to “per side” is duplicative and non-substantive.

Operative Date

The proposed rule change is effective upon filing, but will be operative on July 1, 2016.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act⁹ in general, and furthers the objectives of Section 6(b)(4) of the Act¹⁰ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using its facilities. Specifically, Sections E.3(a) and E.7 fees and respective fee caps will continue to be equitably allocated among all Clearing Participants. Also, the Section F.2 Institutional Broker credits will continue to be equitably allocated among all Clearing Brokers based on attributed activity in qualified executions.

Moreover, the Exchange believes that the proposed rule change is consistent with Section 6(b)(1) of the Act¹¹ in particular in that the proposed deletion of the words “per side” under the definition of “Clearing Submission Fee Credit” clarifies the applicability of the credit, which would further enable 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.

⁹ 15 U.S.C. 78f.

¹⁰ 15 U.S.C. 78f(b)(4).

¹¹ 15 U.S.C. 78f(b)(1).

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed decreases in the Sections E.3(a) and E.7 fee caps and the Institutional Broker credits reflects this competitive environment.

B. Self-Regulatory Organization's Statement of 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. The Exchange operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels set by the Exchange to be excessive. The Exchange believes that the proposed rule change will further encourage market participants to submit orders to the Exchange through Institutional Brokers, which will enhance competition in the national market system.

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act¹² and subparagraph(f)(2) of Rule 19b-4 thereunder¹³ because it establishes or changes a due, fee or other charge imposed by the Exchange.

¹² 15 U.S.C. 78s(b)(3)(A)(ii).

¹³ 17 CFR 240.19b-4(f)(2).

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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule 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 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-2016-10 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.

All submissions should refer to File Number SR-CHX-2016-10. 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 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 Number SR-CHX-2016-10 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.¹⁴

Brent J. Fields
Secretary

¹⁴ 17 CFR 200.30-3(a)(12).