

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-78446; File No. SR-CHX-2016-12)

July 29, 2016

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Provide Web-based Delivery of the Continuing Education Program

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 July 20, 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 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 the Rules of the Exchange (“CHX Rules”) to provide for web-based delivery of the continuing education (“CE”) program (“CE Online System”).³

CHX has designated this proposed rule change as non-controversial pursuant to Section 19(b)(3)(A)⁴ of the Act and Rule 19b-4(f)(6)⁵ thereunder and has provided the Commission with

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The proposed rule change is based on a recent FINRA filing adopting web-based delivery of the CE Regulatory Element program. See Securities Exchange Act Release No. 75581 (July 31, 2015), 80 FR 47018 (August 6, 2015) (Order Approving a Proposed Rule Change to Provide a Web-based Delivery Method for Completing the Regulatory Element of the Continuing Education Requirements) (SR-FINRA-2015-015).

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(6).

the notice required by Rule 19b-4(f)(6)(iii).⁶

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 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 CE requirement under current Article 6, Rule 11 consists of a Regulatory Element⁷ and a Firm Element.⁸ The Regulatory Element applies to all registered persons and consists of periodic computer-based training on regulatory, compliance, ethical, and supervisory subjects and sales practice standards, which must be completed with prescribed timeframes.⁹ Current Article 6, Rule 11(a)(3) provides that the Exchange offers the following Regulatory Elements for Exchange registered persons: the S201 Supervisor Program for registered principals and supervisors; the S501 Series 56 Proprietary Trader Continuing Education Program for Series 56

⁶ 17 CFR 240.19b-4(f)(6)(iii).

⁷ See CHX Article 6, Rule 11(a).

⁸ See CHX Article 6, Rule 11(b).

⁹ See to CHX Article 6, Rule 11(a)

registered persons;¹⁰ and the S101 General Program for Series 7 and all other registered persons.

Given that test center delivery is no longer available for individuals other than those individuals that require accommodations due to a disability,¹¹ the Exchange proposes to adopt Article 6, Rule 11(a)(4), which states that the continuing education Regulatory Element will be administered through Web-based delivery or such other technological manner and format as specified by the Exchange.¹² Should the Exchange determine to administer the Regulatory Element through a delivery mechanism other than as described under this proposed rule change, the Exchange would notify the Commission and would need to file a further rule change with the Commission.

Before commencing a Web-based session, each candidate will be required to agree to the Rules of Conduct for Web-based delivery. Among other things, the Rules of Conduct will require each candidate to attest that he or she is in fact the person who is taking the Web-based

¹⁰ The Exchange intends on filing a proposed rule change to, among other things, replace the Proprietary Trader registration category and the corresponding Series 56 exam and the S501 Proprietary Trader Continuing Education Program for Series 56 registered persons with the Securities Trader registration category and the corresponding Series 57 exam and require such Series 57 registered persons to take the S101 General Program to fulfill the Regulatory Element requirement, as the Series 56 was replaced with the Series 57 exam by FINRA, effective January 4, 2016. See Securities Exchange Act Release No. 75783 (August 28, 2015), 80 FR 53369 (September 3, 2015) (Order Approving a Proposed Rule Change To Establish the Securities Trader and Securities Trader Principal Registration Categories) (SR-FINRA-2015-017).

¹¹ As of July 1, 2016, FINRA required all participants to complete their Regulatory Element session using the CE Online System; provided that certain participants who, pursuant to the Americans with Disabilities Act, that [sic] need accommodations in completing their session due to a disability may apply for an accommodation and complete their session at a test center. See Securities Exchange Act Release No. 78281 (July 11, 2016), 81 FR 46133 (July 15, 2016) (SR-FINRA-2016-025); see also Americans with Disabilities Act of 1990, Pub. L. No. 101-336, 104 Stat. 328 (1990).

¹² The Exchange intends on filing a proposed rule change to amend its fee schedule to reduce the cost of the Regulatory Element from \$100 to \$55 to be consistent with Section 4(f) of the Schedule A to the FINRA By-Laws.

session. The Rules of Conduct will also require that each candidate agree that the Regulatory Element content is intellectual property and that the content cannot be copied or redistributed by any means. If the Exchange discovers that a candidate has violated the Rules of Conduct, the candidate will forfeit the results of the Web-based session and may be subject to disciplinary action by the Exchange. Violation of the Rules of Conduct will be considered conduct inconsistent with just and equitable principles of trade, in violation of Article 9, Rule 2. The Exchange is not proposing any changes to the Firm Element requirements under Article 6, Rule 11(b).

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act¹³ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁴ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers and Section 6(c)(3)¹⁵ of the Act, which authorizes the Exchange to, among other things, prescribe standards of financial responsibility or operational capability and standards of training, experience and competence for its members and persons associated with members.

In particular, the Exchange believes that the proposed rule change will improve Participants' compliance efforts and will allow registered persons to spend a greater amount of

¹³ 15 U.S.C. 78(f)(b).

¹⁴ 15 U.S.C. 78(f)(b)(5).

¹⁵ 15 U.S.C. 78(f)(b)[sic](3).

time on the review of CE materials and potentially achieve better learning outcomes, which will in turn enhance investor protection. Further, while the proposed rule change will provide more flexibility to members and registered persons, it will maintain the integrity of the Regulatory Element program and the CE program in general.

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 not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the Exchange believes that the harmonization of the Regulatory Element delivery requirements across the various markets will reduce burdens on competition by removing impediments to participation in the national market system.

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

Because the foregoing 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, it has become effective pursuant to Section 19(b)(3)(A)¹⁶ of the Act and Rule 19b-4(f)(6) thereunder.¹⁷

¹⁶ 15 U.S.C. 78s(b)(3)(A).

¹⁷ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission 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. The Exchange has satisfied this requirement.

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act¹⁸ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)¹⁹ permits the Commission to 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 upon filing. According to the Exchange, test-center delivery of the CE Regulatory Element is no longer available for all individuals other than those who qualify for special accommodations.²⁰ The Exchange wishes to amend its rules to reflect this change as soon as practicable. Based on the foregoing, the Commission believes the waiver of the operative delay is consistent with the protection of investors and the public interest. Therefore, the Commission hereby waives the operative delay and designates the proposal operative upon filing.²¹

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

¹⁸ 17 CFR 240.19b-4(f)(6).

¹⁹ 17 CFR 240.19b-4(f)(6)(iii).

²⁰ See supra note 11.

²¹ For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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 No. SR-CHX-2016-12 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 No. SR-CHX-2016-12. 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 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-2016-12 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.²²

Robert W. Errett
Deputy Secretary

²² 17 CFR 200.30-3(a)(12).