

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-50657; File No. SR-CHX-2004-34)

November 12, 2004

Self-Regulatory Organizations; Chicago Stock Exchange Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Membership Dues and Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice hereby is given that on September 28, 2004, the Chicago Stock Exchange, Incorporated (“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 Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A)(ii) of the Act,³ and Rule 19b-4(f)(2) thereunder,⁴ as establishing or changing a due, fee, or other charge, which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The CHX proposes to amend its membership dues and fees schedule (“Fee Schedule”) to eliminate the specialist application fee and suspend through December 31, 2004 specialist assignment fees when dual trading system securities are assigned to specialist firms without competition. Proposed new language is italicized; deletions are [bracketed].

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

MEMBERSHIP DUES AND FEES

A.-C. No change to text.

D. Specialist Assignment Fees

Specialist Application Fee \$150 per application, provided, however, that there will be no application fee for [NASDAQ/NM Securities] securities that are assigned without competition.

Assignment of Dual Trading System Securities Once the Committee on Specialist Assignment and Evaluation approves a member organization to act as specialist in a security, that member organization must pay the following fee:

No charge through If the security was
December 31, 2004. assigned without
\$350 effective competition
January 1, 2005.

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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 change and discussed any comments it received regarding the proposed rule change. The text of these statements may be examined at the places specified in

Item IV below. The Exchange 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

In August 2004, the Exchange's Board of Governors decided to eliminate the application and assignment fees charged to specialist firms that seek to trade a Nasdaq/NM security when that security is assigned without competition.⁵ The Exchange now proposes to similarly eliminate the application fee charged to specialist firms that seek to trade a dual trading system security, when the security is assigned without competition. The Exchange also proposes to suspend, through December 31, 2004, the assignment fees charged to those firms when dual trading system securities are assigned without competition.⁶

The CHX represents that these proposed changes, like the similar proposal to modify these fees for specialists that trade Nasdaq/NM securities,⁷ are designed to encourage specialist firms to trade additional securities by allowing them to do so without absorbing additional costs. The Exchange believes that these changes to the Fee Schedule provide specialists with an appropriate incentive to increase the number of issues they trade (consistent with their duties as specialists), which could allow the Exchange's members to offer their customers access to a wider array of specialist-traded securities. The Exchange has proposed to suspend the

⁵ The Exchange decided to continue to charge specialist assignment fees with respect to securities that are assigned to a specialist firm in competition with other firms, reflecting the increased administrative costs associated with allocating stocks in competition. See Securities Exchange Act Release No. 50616 (November 1, 2004).

⁶ Under the Exchange's rules, dual trading system securities are securities listed on the New York Stock Exchange, the American Stock Exchange or on markets other than the Nasdaq Stock Market, Inc.

⁷ See supra, note 5.

assignment fee for issues assigned without competition only through the end of the year to determine, among other things, whether the fee suspension has the intended effect. These fee changes became effective on October 1, 2004.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁸ in general, and furthers the objectives of Section 6(b)(4) of the Act,⁹ in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members.

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 not necessary or appropriate in furtherance of the purposes of the Act.

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

No written comments were either solicited or received.

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

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁰ and Rule 19b-4(f)(2) thereunder,¹¹ because it establishes or changes a due, fee or other charge imposed by the Exchange. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78(f)(b)(4).

¹⁰ 15 U.S.C. 78s(b)(3)(A)(ii).

¹¹ 17 CFR 240.19b-4(f)(2).

Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purpose of the Act.¹²

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-2004-34 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-CHX-2004-34. 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 Web site (<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 inspection and copying in the Commission's Public Reference Room. Copies of

¹² Id.

such filing also will be available for inspection and copying at the principal offices 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 Number SR-CHX-2004-34 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Margaret H. McFarland
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).