

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-51763; File No. SR-CHX-2005-15)

May 31, 2005

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to Participant Fees and Credits

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 2, 2005, 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, II and III below, which Items have been prepared by the Exchange. On May 23, 2005, the Exchange filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, 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 Participant Fee Schedule (the “Fee Schedule”) to (1) eliminate the assignment fee for listed securities that are not assigned in competition; and (2) modify the Exchange’s fixed fee for specialists trading Nasdaq/NM securities. The text of the proposed rule change is available on the CHX’s Web site (www.chx.com), at the CHX’s Office of

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange made technical corrections to the rule text of the proposed rule change. The effective date of the original proposed rule change is May 2, 2005, and the effective date of the amendment is May 23, 2005. For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change, as amended, under Section 19(b)(3)(C) of the Act, the Commission considers the period to commence on May 23, 2005, the date on which the Exchange submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

the Secretary, and at 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 change 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 modify its Fee Schedule in two ways. Specifically, the Exchange proposes to (1) eliminate the assignment fee for listed securities that are not assigned in competition; and (2) modify the Exchange's fixed fee for specialists trading Nasdaq/NM securities.

Eliminating certain assignment fees. Under the current Fee Schedule, the Exchange charges a fee to a specialist that receives the assignment of a listed security when other firms are not competing for the assignment. To encourage firms to trade additional listed securities by reducing their costs of doing so, the Exchange proposes to eliminate this assignment fee.⁴ The Exchange previously had waived this fee on a temporary basis, through the end of 2004; the current proposal would eliminate the fee altogether.⁵

⁴ The Exchange would 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.

⁵ See Securities Exchange Act Release No. 50657 (November 12, 2004), 69 FR 67615 (November 18, 2004) (SR-CHX-2004-34).

Modifying the fixed fee. The Exchange currently charges specialists trading Nasdaq/NM securities a base fixed fee that is the greater of (a) \$20,000 or (b) the firm's pro rata share of \$60,000. The Exchange now believes that it is appropriate to modify the calculation to impose a flat base fee of \$20,000. This modified calculation allows the Exchange to recoup many of the fixed costs of running its OTC specialist program, while not imposing unnecessary fees on specialist firms.⁶

The Exchange believes that these changes to the Fee Schedule represent a fair allocation of the costs associated with the Exchange's specialist programs. As noted above, the changes are also intended to provide specialists with an appropriate incentive to increase the number of issues that they trade (consistent with the specialist's duties as a specialist), which could allow the Exchange's participants to offer their customers access to a wider array of specialist-traded securities.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁷ in general, and furthers the objectives of Section 6(b)(4) of the Act,⁸ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among its members.

⁶ At a basic level, many of the Exchange's costs of supporting the OTC specialist program do not vary based on the number of OTC specialist firms or the number of issues traded. These costs, however, can increase with substantial increases in trading volume or can decrease with substantial decreases in trading volume or in the number of firms that trade Nasdaq/NM securities. The Exchange's proposed changes to the fixed fee are consistent with these principles.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4).

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

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

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 proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act⁹ and subparagraph (f)(2) of Rule 19b-4 thereunder,¹⁰ because it establishes or changes a due, fee, or other charge imposed by the CHX. 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 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.¹¹

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

¹¹ See supra note 3.

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-CHX-2005-15 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-2005-15. 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 the 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-2005-15 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.¹²

Margaret H. McFarland
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).