



8011-01p  
SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-66061; File No. SR-CHX-2011-34)

December 28, 2011

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Regarding Suspension of a Participant's Trading Privileges on the Exchange

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that, on December 16, 2011, the Chicago Stock Exchange, Inc. ("CHX" or the "Exchange") filed with the Securities and Exchange Commission (the "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 add Interpretation and Policy .01 to Article 13, Rule 2 (Emergency Suspension) regarding the suspension of a Participant's trading privileges on the Exchange. The text of this proposed rule change is available on the Exchange's website 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 and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV

---

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

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

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 add Interpretation and Policy .01 to Article 13, Rule 2 (Emergency Suspension) thereunder ("Rule 2") regarding the suspension of a Participant's trading privileges on the Exchange. Currently, this Rule authorizes the Exchange's Chief Regulatory Officer ("CRO") to suspend a Participant's membership with the Exchange or place other limitations on its activities if various circumstances occur, such as insolvency, failure to perform its contracts or obligations, expulsion or suspension by another self-regulatory organization or where it reasonably appears that the Participant is violating and will continue to violate any provision of the Rules of the Exchange or the federal securities laws (or rules promulgated thereunder). The Exchange proposes to permit any Officer of the Exchange designated by the CRO to suspend the trading privileges of a Participant on the Exchange's facilities pursuant to the provisions of Rule 2 if a Qualified Clearing Agency refuses to act to clear and settle the trades of that Participant. The CRO must approve any such suspensions within two (2) days of the action. If the Chief Regulatory Officer does not approve the action taken, the suspension shall be immediately lifted as of the time of his or her decision or after the expiration of two days, whichever is earlier. Suspensions pursuant to these provisions, including the appeal thereof, would otherwise be governed by the provisions of Article 13, Rule 2.

The recent actions taken with respect to MF Global, Inc. ("MF Global") illustrate the need for a limited expansion of the emergency suspension authority of Rule 2 in the situation where the Qualified Clearing Agency is considering whether to continue to act for a Participant

in the clearance and settlement of trades.<sup>3</sup> On October 31, 2011, there were public news reports that MF Global was in financial difficulties and might be insolvent. On that day, NSCC stated that it would continue to honor the transactions of MF Global presented to it for clearance and settlement. After the close of trading that day, however, NSCC stated that it would cease to act for MF Global and the Exchange's CRO suspended the trading privileges of the firm pursuant to Article 13, Rule 2 effective November 1, 2011.<sup>4</sup>

While this situation was adequately addressed under the current rule structure, the Exchange is concerned that there may be situations in which the CRO may be unavailable to issue the suspension order if NSCC signals its intention to cease to act for a CHX Participant. This concern is particularly true if the Qualified Clearing Agency were to cease to act on an intraday basis.<sup>5</sup> The Exchange therefore proposes that any Officer of the Exchange designated by the CRO may suspend the trading privileges on the Exchange of a Participant in the limited circumstance in which a Qualified Clearing Agency refuses to act to clear and settle the trades of that Participant. The proposal requires that the CRO approve this action within two (2) days. Any such suspensions of trading privileges would be otherwise governed by the provisions of Rule 2.

The Exchange also proposes to eliminate a reference to the Chief Executive Officer in Section (c) of Rule 2 and replace it with a reference to the CRO regarding appeals of suspensions

---

<sup>3</sup> Currently, there is only one Qualified Clearing Agency, the National Securities Clearing Corp. ("NSCC"), for cash equities securities.

<sup>4</sup> See CHX Market Regulation Department Information Memorandum MR-11-19 (Nov. 1, 2011), available on CHX public website, <http://www.chx.com>. See also NSCC Notice A#7314, Re: MF Global, Inc. (Nov. 1, 2011), available on its public website at [http://www.dtcc.com/downloads/legal/imp\\_notices/2011/nscc/a7314.pdf](http://www.dtcc.com/downloads/legal/imp_notices/2011/nscc/a7314.pdf).

<sup>5</sup> Historically, NSCC has normally ceased to act for one of its Participants only after the close of trading. The Exchange understands, however, that NSCC reserves the right to act on an intraday basis if necessary and appropriate.

under Rule 2. Before it was amended in 2006, emergency suspensions were authorized by the Chief Executive Officer.<sup>6</sup> The Exchange believes that the continued reference to the Chief Executive Officer in Rule 2(c) represents a simple oversight in the 2006 amendments and seeks to correct it as part of this proposal.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general,<sup>7</sup> and furthers the objectives of Section 6(b)(5) in particular,<sup>8</sup> in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transaction in securities, to remove impediments and perfect the mechanisms of a free and open market, and, in general, to protect investors and the public interest by allowing CHX to amend its rules to permit any Officer of the Exchange designated by the Chief Regulatory Officer to suspend the trading privileges of a Participant on the Exchange's facilities if a Qualified Clearing Agency refuses to act to clear and settle the trades of that Participant. The Exchange believes that this measure serves the public interest by giving the CHX more flexibility to prevent the execution of trades on our facilities which could not ultimately be cleared and settled if the Qualified Clearing Agency refuses to act.

### 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.

---

<sup>6</sup> See Securities Exchange Act Release No. 54437 (Sept. 13, 2006), 71 FR 55037 (Sept. 20, 2006) (SR-CHX-2005-06).

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(5).

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- A. By order approve or disapprove such proposed rule change, or
- B. Institute proceedings to determine whether the proposed rule change should be 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](mailto:rule-comments@sec.gov). Please include File Number SR-CHX-2011-34 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-CHX-2011-34. 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 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 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-2011-34 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>9</sup>

Elizabeth M Murphy  
Secretary

[FR Doc. 2011-33714 Filed 01/03/2012 at 8:45  
am; Publication Date: 01/04/2012]

---

<sup>9</sup> 17 CFR 200.30-3(a)(12).