



8011-01p
SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-68894; File No. SR-CHX-2013-06)

February 11, 2013

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Alter the Circumstances Under Which Liquidity Providing Credits are Paid to Institutional Brokers

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that on February 6, 2013, the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. 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 Exchange Rules and its Schedule of Participant Fees and Assessments (the “Fee Schedule”) to alter the circumstances under which liquidity providing credits are paid to Institutional Brokers. The Exchange proposes to implement the fee change on February 6, 2013. The text of this proposed rule change is available on the Exchange’s website at http://www.chx.com/rules/proposed_rules.htm, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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 self-regulatory organization 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 those 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 parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Through this filing, the Exchange proposes to amend its Fee Schedule to alter the circumstances under which liquidity providing credits are paid to Institutional Brokers. The Exchange proposes to make the fee change operative on February 6, 2013.

Currently, for agency executions on the Exchange through an Institutional Broker, Section E.3.a of the Fee Schedule charges a fee of \$.003/share, up to a maximum of \$100 per side for all securities priced \$1.00/share or more in all sessions. Liquidity removing fees are not charged to Institutional Brokers for single sided orders pursuant to Section E.1.(a) of the Fee Schedule. When a single sided order provides liquidity, Section E.1.(b) of the Fee Schedule specifies that a liquidity providing credit of \$0.0022/ share in all Derivative Securities Products priced \$1.00/share or more executed in the Regular Trading Session shall be paid to the Institutional Broker representing the Participant which originated the order. Additionally, for single sided orders, Section E.1.(c) of the Fee Schedule specifies that a liquidity providing credit of \$0.0022/ share in all securities priced \$1.00/share or more executed in the Early or Late Trading Sessions shall be paid to the Institutional Broker representing the Participant which

originated the order. Although infrequent, this pricing structure can result in a scenario in which the fees charged by the Exchange are capped due to the \$100 per side cap while the credits paid are uncapped, thus resulting in transaction that is revenue negative to the Exchange.

The Exchange now proposes to amend Section E.1.(b) of the Fee Schedule to specify that a liquidity providing credit of \$0.0022/ share in all Derivative Securities Products priced \$1.00/share or more executed in the Regular Trading Session shall be paid to the Institutional Broker representing the Participant which originated the order, unless such Institutional Broker also represents the Participant which originated the matched liquidity taking order. Similarly, the Exchange would amend Section E.1.(c) of the Fee Schedule to specify that a liquidity providing credit of \$0.0022/ share in all securities priced \$1.00/share or more executed in the Early or Late Trading Sessions shall be paid to the Institutional Broker representing the Participant which originated the order, unless such Institutional Broker also represents the Participant which originated the matched liquidity taking order. The Exchange believes that these changes will allow it to continue to incent liquidity providing orders while at the same time limiting transactions that are revenue negative to the Exchange. The Exchange notes that the rates associated with the fees being charged and credits paid do not change as a result of this filing.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act⁴ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act⁵ in particular because it provides for the equitable allocation of reasonable dues, fees, and other

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(4) and (5).

charges among its members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, or broker dealers.

The Exchange believes that the change provides for the equitable allocation of reasonable fees because it is being proposed to address a specific scenario in which the fees charged by the Exchange are capped while the credits paid under certain circumstances are uncapped, thus resulting in transaction that is revenue negative to the Exchange.

The Exchange also believes that the proposed change is not unfairly discriminatory because it applies equally to all CHX registered Institutional Brokers. The Exchange also notes that the rates associated with the fees being charged and credits paid do not change as a result of this filing.

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 rule change reflects this competitive environment.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. The rule change is designed to address a specific scenario in which the fees charged by the Exchange are capped while the credits paid under certain circumstances are uncapped, thus resulting in transaction that is revenue negative to the Exchange. As stated above, the rates associated with the fees being charged and credits paid do not change as a result of this filing.

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

No written comments were solicited or received with respect to the proposed rule change.

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

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act⁶ and subparagraph(f)(2) of Rule 19b-4 thereunder⁷ 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 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-2013-06 on the subject line.

⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

⁷ 17 CFR 240.19b-4(f)(2).

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-2013-06. 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, D.C. 20549-1090, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices 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-2013-06, 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.⁸

Kevin M. O'Neill
Deputy Secretary

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⁸ 17 CFR 200.30-3(a)(12).