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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-71675; File No. SR-CHX-2014-03]

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change to Amend the Bylaws of the Exchange
March 10, 2014.

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 28, 2014, 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 and II 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 the Substance of the Proposed Rule Change

CHX proposes to amend the Bylaws of the Exchange. 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.

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

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

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

The Exchange proposes to amend Article II, Sec. 5(a) of the Bylaws of the Exchange to provide that the Vice Chairman shall be nominated by the Chairman and elected by a majority of the CHX Board. Notably, the Exchange proposes to eliminate the requirements that the Vice Chairman of the CHX Board be a Participant Director⁴ and be elected by a majority vote of Participant Directors.

Background

On February 9, 2005, the Exchange's ownership structure was demutualized, pursuant to the plan proposed under SR-CHX-2004-26,⁵ which was approved by the SEC on February 8, 2005.⁶ As part of its demutualization, the Exchange adopted separate Bylaws for the Exchange and the new holding company, CHX Holdings, Inc.

⁴ Article II, Section 2(b) of the Bylaws of the Exchange defines "Participant Directors" as follows:

The term "Participant Director" shall mean a director who is a Participant or an officer, managing member or partner of an entity that is a Participant. The term "Participant" shall mean any individual, corporation, partnership or other entity that holds a permit issued by the Corporation to trade securities on the market operated by the Corporation.

⁵ See Securities Exchange Act Release No. 51149 (February 8, 2005), 70 FR 7531 (February 14, 2005) ("Order").

⁶ See Securities Exchange Act Release No. 50892 (December 20, 2004), 69 FR 77796 (December 28, 2004) ("Notice").

Among other things, the Bylaws of the Exchange granted Participants certain representation rights on the Board. For example, current Article II, Section 5(a), which was adopted upon demutualization, provides that the Participant Directors shall elect the Vice Chairman by majority vote from among the Participant Directors. In addition, current Article II, Sec. 2(b) requires one-half of the CHX Board minus one seat (rounded down to the nearest whole number) be comprised of Participant Directors; current Article II Sec. 3 requires half of the Nominating and Governance Committee be comprised of STP Participant Directors (i.e., Participant Directors who were nominated through a special process by Participant firms); and current Article II, Sec 6 requires a vacancy on the CHX Board left by a Participant Director be filled with a Participant Director.

Proposed Amendment

The Exchange now proposes to eliminate the requirement that the Vice Chairman of the CHX Board be a Participant Director elected by a majority of Participant Directors. The Exchange submits that this requirement unnecessarily shrinks the pool of qualified and willing candidates for the position of Vice Chairman, while adding little in the way of board representation protection for Participants above what is already provided for in the Bylaws of the Exchange.

Specifically, the Exchange proposes to replace the first sentence of current Article II, Sec. 5(a) of the Bylaws of the Exchange with language that states that the Vice Chairman shall be nominated by the Chairman and elected by a majority vote of the Board of Directors and that the Chairman shall provide the name of his or her nominee to the Board, in writing, no later than five business days before the date on which the Board will be asked to vote to fill the position. The Exchange notes that other exchanges do not explicitly provide for the position of “Vice

Chairman” in their bylaws.⁷ At these other exchanges, the responsibilities of the Vice Chairman of the CHX Board are assigned to the Chairman, another officer, or the board generally. Also, the proposed amendment shall apply prospectively to future Vice Chairmen of the CHX Board and shall not apply to the current Vice Chairman.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of the Act and rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.⁸ In particular, proposed Article II, Sec. 5(a) of the Bylaws of the Exchange are consistent with Section 6(b)(1) of the Act, because it permits the CHX Board to select a Vice Chairman from a larger pool of qualified and willing individuals, which will result in the position being held by the most able and willing candidate, thereby enabling the Exchange to be so organized as to have the capacity to be able to carry out the purposes of the Act and to comply, and to enforce compliance by its Participants and persons associated with its Participants, with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange.⁹ Although the Exchange proposes to modify the requirements and procedures for the selection of the Vice Chairman of the CHX Board, the current compositional requirements of the CHX Board, including current Article II, Sec. 2, will not be changed. Therefore, the CHX Board will be required to comply with these requirements.

⁷ See By-laws of the NASDAQ Stock Market, Inc.; see also Third Amended and Restated Bylaws of NYSE Regulation, Inc.; see also Amended and Restated By-Laws of BATS Exchange, Inc.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(1).

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. Specifically, the Exchange believes that the proposed Bylaws do not directly affect competition between the Exchange and others that provide the same goods and services as the Exchange, since they do not affect the availability or pricing of such goods and services.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate 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 the 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. Please include File Number SR-CHX-2014-03 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 Number SR-CHX-2014-03. 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 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-2014-03, 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.¹⁰

Kevin M. O'Neill,
Deputy Secretary.

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¹⁰ 17 CFR 200.30-3(a)(12).