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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-73268; File No. SR-CHX-2014-17)

September 30, 2014

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt and Amend Fees for the CHX Routing Services

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (“Act”),<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on September 19, 2014, 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 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 its Schedule of Fees and Assessments (the “Fee Schedule”) to adopt and amend fees for the CHX Routing Services. 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 on the proposed rule change. The text of these statements may be examined at the places specified in

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

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

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 Changes

1. Purpose

On September 8, 2014, the Exchange filed SR-CHX-2014-15 pursuant to Section 19(b)(3)(A) of the Act<sup>4</sup> and Rule 19b-4 thereunder,<sup>5</sup> to, inter alia, adopt the CHX Routing Services.<sup>6</sup> The filing was immediately effective upon filing, but the proposed rule change will be implemented upon two weeks’ notice from the Exchange to its Participants.

The Exchange now proposes (1) to amend Section E.6 of the Fee Schedule to adopt fees for the CHX Routing Services and (2) to amend Section E.8(c) of the Fee Schedule to clarify that the Average Daily Volume (“ADV”) exemption from the Order Cancellation Fee is based on all executions resulting from single-sided orders submitted to the CHX Matching System (“Matching System”), which includes executions within the Matching System and at away markets pursuant to the CHX Routing Services.

Proposed CHX Routing Services Fees

In sum, the CHX Routing Services will permit Routable Orders<sup>7</sup> submitted to the Matching System to be routed away from the Matching System if a Routing Event<sup>8</sup> is triggered.

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<sup>4</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>5</sup> Id.

<sup>6</sup> See CHX Article 19.

<sup>7</sup> CHX Article 1, Rule 1(o) defines “Routable Order” as “any incoming Limit order, as defined under Article 1, Rule 2(a)(1), of any size, not marked by any order modifiers or related terms listed under Article 1, Rule 2 that prohibit the routing of the order to another Trading Center.”

<sup>8</sup> See CHX Article 19, Rule 3(a).

Orders that are not Routable Orders and orders that have either been cancelled from or have not been submitted to the Matching System are not eligible for the CHX Routing Services.

Proposed Section E.6 of the Fee Schedule, entitled “CHX Routing Services Fees,” provides that executions that result from orders that have been routed away from the Matching System pursuant to the CHX Routing Services shall be subject to the following fees:

<u>Order Size As Submitted to the Matching System</u>	<u>Security Price</u>	<u>Routing Fee</u>
<u>Odd Lots</u>	<u>All Prices</u>	<u>\$0.0040/share</u>
<u>Round and Mixed Lots</u>	<u>≥\$1.00/share</u>	<u>\$0.0030/share</u>
	<u>&lt;\$1.00/share</u>	<u>0.30% of trade value</u>

The proposed CHX Routing Fee for Odd Lots is identical to current Section E.4 of the Fee Schedule, which provides that \$0.0040/share will be charged for all executions resulting from Odd Lot orders<sup>9</sup> submitted to the Matching System. Also, the proposed CHX Routing Fees for Round Lot<sup>10</sup> and Mixed Lot<sup>11</sup> orders are identical to current Section E.1 of the Fee Schedule, which provides that \$0.0030/share will be charged for any executions resulting from Round Lot

<sup>9</sup> See CHX Article 1, Rule 2(f)(2).

<sup>10</sup> See CHX Article 1, Rule 2(f)(3).

<sup>11</sup> See CHX Article 1, Rule 2(f)(1).

or Mixed Lot orders where the execution price was at or greater than \$1.00/share and 0.30% of the trade value where the execution price was below \$1.00/share.

Amended ADV Exemption to the Order Cancellation Fee

Under SR-CHX-2012-15,<sup>12</sup> the Exchange adopted the current formula-based Order Cancellation Fee detailed under Section E.8 of the Fee Schedule, amended under SR-CHX-2013-11,<sup>13</sup> SR-CHX-2013-12,<sup>14</sup> and SR-CHX-2014-01,<sup>15</sup> which assesses a daily cancellation fee per account symbol<sup>16</sup> and security, if the order cancellation ratio exceeds a designated threshold, which is billed monthly. However, current Section E.8(c) provides an ADV exemption from the Order Cancellation Fees per account symbol per month if the ADV attributable to an account symbol for a given month is at least 100,000 shares from single-sided orders executed at or greater than \$1.00/share.

Given that the Exchange does not currently route orders away from the Matching System, the only executions that are currently included in the ADV calculation are single-sided order

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<sup>12</sup> See Securities Exchange Act Release No. 68219 (November 13, 2012), 77 FR 69673 (November 20, 2012) (SR-CHX-2012-15) (“Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Its Order Cancellation Fee”).

<sup>13</sup> See Securities Exchange Act Release No. 69701 (June 5, 2013), 78 FR 35082 (June 11, 2013) (SR-CHX-2013-11) (“Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Order Cancellation Fee”).

<sup>14</sup> See Securities Exchange Act Release No. 69903 (July 1, 2013), 78 FR 40788 (July 8, 2013) (SR-CHX-2013-12) (“Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Single-Sided Order Fees and Credits and the Order Cancellation Fee”).

<sup>15</sup> See Securities Exchange Act Release No. 71404 (January 27, 2014), 79 FR 5476 (January 31, 2014) (SR-CHX-2014-01) (“Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Order Cancellation Fee”).

<sup>16</sup> An account symbol identifies a specific CHX Trading Account. CHX Article 1, Rule 1(l) defines “Trading Account,” in pertinent part, as “an account under a Trading Permit, identified by a unique CHX account symbol, from which orders are sent to the Exchange’s Trading Facilities.”

executions within the Matching System. However, in light of the CHX Routing Services, the Exchange now proposes to adopt language that clarifies that eligible executions (i.e., executions that are included in the ADV calculation) shall only include executions resulting from single-sided orders submitted to the Matching System, which will include executions within the Matching System and executions at away markets resulting from orders routed away from the Matching System pursuant to the CHX Routing Services. Executions that result from single-sided orders that were never submitted to the Matching System or executions resulting from orders routed to away markets outside of the CHX Routing Services will continue to not be included in the ADV calculation since such executions are never attributed to a Trading Account. As such, the Exchange also proposes to adopt language that states that eligible executions shall not include away executions effected outside of the CHX Routing Services.

The Exchange notes that current Section E.8(c) already contemplates the inclusion of away executions pursuant to the CHX Routing Services because such away executions will only result from Routable Orders submitted to the Matching System, which will always be attributed to a Trading Account. As such, the proposed amendment merely clarifies the scope of the current ADV exemption. The Exchange does not propose to otherwise amend the operation of the Order Cancellation Fee or the ADV exemption.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>17</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>18</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among

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<sup>17</sup> 15 U.S.C. 78f.

<sup>18</sup> 15 U.S.C. 78f(b)(4).

members and other persons using its facilities.

The Exchange believes that the proposed CHX Routing Services fees equitably allocate fees among Participants in a non-discriminatory manner as the fee is assessed according to a Participant's use of the CHX Routing Services. Moreover, the CHX Routing Services Fee is reasonable in light of the fact that the proposed fees are identical to the current liquidity removing fee for single-sided order executions within the Matching System detailed under Section E of the Fee Schedule and is similar to the routing fees of other exchanges, such as BATS Y-Exchange ("BYX").<sup>19</sup>

The Exchange also believes that the proposed amended ADV exemption from the Order Cancellation Fee described herein will promote the equitable allocation of the Order Cancellation Fee as it will continue to fairly allocate costs among Participants according to their respective trading activity by clarifying that executions resulting from the CHX Routing Services will be included in the ADV calculation. Similar to executions within the Matching System, a Participant that submits Routable Orders that are executed at away market(s) pursuant to the CHX Routing Services will provide additional revenue to the Exchange in the form of the proposed CHX Routing Services fees, which may be used to recoup some of the costs of administering and processing cancelled orders. Thus, the Exchange believes that Participants that meet the ADV exemption through executions within the Matching System and/or at away

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<sup>19</sup> See BYX Fee Schedule. The BYX Fee Schedule provides different fees depending on, inter alia, the type of routing destination and/or routing option selected. The proposed CHX Routing Fees are most analogous with the BYX routing fees of \$0.0029/share or \$0.0033/share, which are assessed for executions for routed orders at venues other than "dark liquidity" venues. As currently contemplated, the CHX Routing Services will not route orders to dark liquidity venues.

markets pursuant to the CHX Routing Services should not be billed Order Cancellation Fees assessed to applicable Trading Accounts for that month.

In addition, these changes to the Fee Schedule would equitably allocate reasonable fees among Participants in a non-discriminatory manner by assessing cancellation fees on all Trading Accounts that exceed a fixed Cancellation Ratio and by waiving cancellation fees on all Trading Accounts that satisfy the requirements of the amended ADV exemption. Since all Participants are subject to the Order Cancellation Fee and given that the amended ADV exemption and the CHX Routing Services will be available to all Participants, the Exchange submits that the amended Order Cancellation Fee is non-discriminatory.

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. The Exchange does not believe that the proposed CHX Routing Services fee and the proposed amended ADV exemption from the Order Cancellation Fee will burden competition, but instead, enhance competition, as it is intended to increase the competitiveness of, and draw additional volume to, the Exchange. The Exchange operates in a highly competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels set by the Exchange to be excessive. The proposed CHX Routing Services fee is similar to that of other exchanges, such as BYX.<sup>20</sup> Thus, the proposed rule change is a competitive proposal that is intended to add additional liquidity and order executions to the Exchange, which will, in turn, benefit the Exchange and all Participants.

C. Self-Regulatory Organization's Statement on Comments Regarding the Proposed

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<sup>20</sup> Id.

## Rule Changes 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 foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>21</sup> and subparagraph(f)(2) of Rule 19b-4 thereunder<sup>22</sup> 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](mailto:rule-comments@sec.gov). Please include File Number SR-CHX-2014-17 on the subject line.

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<sup>21</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>22</sup> 17 CFR 240.19b-4(f)(2).

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-2014-17. 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 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-2014-17 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>23</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>23</sup> 17 CFR 200.30-3(a)(12).