

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-57699; File No. SR-CHX-2008-02)

April 23, 2008

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Approving Proposed Rule Change to Amend its Bylaws Relating to the Definition of a Public Director

I. Introduction

On February 26, 2008, the Chicago Stock Exchange, Inc. (“CHX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), 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> a proposed rule change to amend the definition of “Public Director” in the Exchange’s Bylaws. The proposed rule change was published for comment in the Federal Register on March 17, 2008.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposal

The Exchange’s Bylaws currently define a “Public Director” as a director who (i) is not a participant, or an officer, managing member, partner or employee of an entity that is a participant, (ii) is not an employee of CHX or any of its affiliates; (iii) is not a broker or dealer or an officer or employee of a broker or dealer; or (iv) does not have any other material business relationship with (a) CHX Holdings, Inc., CHX, or any of their affiliates, or (b) any broker or dealer.<sup>4</sup>

---

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

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

<sup>3</sup> See Securities Exchange Act Release No. 57464 (March 11, 2008), 73 FR 14286.

<sup>4</sup> See Article II, Section 2(b) of the Exchange’s Bylaws.

The Exchange proposes to amend the definition of “Public Director.”<sup>5</sup> Specifically, the Exchange proposes to exclude from the definition of “Public Director,” a director who (1) is a broker or dealer that is registered under the Act; (2) is an officer or employee of a broker or dealer that is registered under the Act; or (3) has any other material business relationship with CHX Holdings Inc. (“CHX Holdings”) or CHX or any of their affiliates, or any broker or dealer that is registered under the Act.<sup>6</sup> Thus, the proposed rule change may permit a person to serve as a Public Director if he or she is a foreign broker or dealer or an officer or employee of such a foreign broker or dealer,<sup>7</sup> provided that such person has no material business relationship with CHX Holdings or CHX or any of their affiliates or with any broker or dealer that is registered under the Act, and meets the other criteria of the Exchange’s definition of Public Director.

### III. Discussion

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, with Section 6(b)(5) of the Act,<sup>8</sup> which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove

---

<sup>5</sup> See proposed Article II, Section 2(b)(iii) and 2(b)(iv) of the Exchange’s Bylaws.

<sup>6</sup> See id.

<sup>7</sup> Section 15(a) of the Act generally requires that any broker or dealer using the mails or any means or instrumentality of interstate commerce must register as a broker-dealer with the Commission, unless it is subject to an applicable exception or exemption. 15 U.S.C. 78o(a)(1).

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

impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.<sup>9</sup>

The Commission believes that CHX's proposed change to the definition of "Public Director" is similar to the director independence standards approved by the Commission for another self-regulatory organization.<sup>10</sup> The Commission also notes that, although a broker or dealer that is not registered under the Act, or an officer or employee of such broker or dealer, no longer would be categorically prohibited from serving as a Public Director on CHX's board of directors, the Exchange must still determine, before any such person is nominated for a Public Director position, that such person otherwise meets the Exchange's definition of Public Director.

---

<sup>9</sup> In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>10</sup> See Independence Policy of the NYSE Euronext Board of Directors, Independence Qualifications, Section 1(c), which provides that, in considering the independence of a director, the board must consider whether the director has any relationships or interests in any non-member broker-dealers that are registered under the Act, in addition to other criteria. The Commission notes that the New York Stock Exchange LLC, NYSE Market, Inc., and NYSE Regulation, Inc. apply the Independence Policy of NYSE Euronext to their respective boards. See Securities Exchange Act Release No. 55293 (February 14, 2007), 71 FR 8033 (February 22, 2007).

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>11</sup> that the proposed rule change (SR-CHX-2008-02) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>12</sup>

Florence E. Harmon  
Deputy Secretary

---

<sup>11</sup> 15 U.S.C. 78s(b)(2).

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