

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

Securities and Exchange Act of 1934
Release No. 57605 / April 2, 2008

Administrative Proceeding
File No. 3-11282

In the Matter of	:	ORDER AMENDING ORDER INSTITUTING
	:	ADMINISTRATIVE AND CEASE-AND-DESIST
	:	PROCEEDINGS, MAKING FINDINGS, AND
The CHICAGO STOCK	:	IMPOSING REMEDIAL SANCTIONS,
EXCHANGE,	:	A CENSURE, AND A CEASE-AND-DESIST
	:	ORDER PURSUANT TO SECTIONS 19(h) AND
Respondent.	:	21C OF THE SECURITIES EXCHANGE ACT
	:	OF 1934 AS TO THE
	:	CHICAGO STOCK EXCHANGE
	:	

I.

On September 30, 2003, the Securities and Exchange Commission (“Commission”) instituted public administrative and cease-and-desist proceedings pursuant to Sections 19(h) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against the Chicago Stock Exchange (“CHX” or “Respondent”).

II.

In anticipation of these proceedings, CHX consented to the entry of an Order Instituting Public Administrative Proceedings Pursuant to Sections 19(h) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Censure, a Cease-and-Desist Order and Other Relief (the “2003 Order”).¹ Among other things, the 2003 Order imposed a censure, required the CHX to cease and desist from further violations of the federal securities laws, and required the CHX to comply with significant undertakings designed to enhance the Exchange’s oversight of order handling by its members.

Among the undertakings required by the 2003 Order was the creation by CHX of a Regulatory Oversight Committee, which Committee regularly advises the CHX’s Board of Directors about regulatory, compliance and enforcement matters and assists the Board in monitoring the design, implementation and effectiveness of the Respondent’s compliance

¹ See Sec. Exch. Act Rel. No. 48566, Sept. 30, 2003, Admin. Proc. File No. 3-11282.

programs. The Regulatory Oversight Committee is described at Section IV.C.1.a.-c. of the 2003 Order.

III.

CHX has submitted an Amended Offer of Settlement (the “Offer”) proposing a change in the composition of the Regulatory Oversight Committee, which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, CHX consents to the entry of this Order Amending Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions, a Censure, and a Cease-and-Desist Order Pursuant to Sections 19(h) and 21C of the Securities Exchange Act of 1934 as to the Chicago Stock Exchange (“Order”), as set forth below.

IV.

The Commission deems it appropriate in the public interest and for the protection of investors to impose the sanctions agreed to in CHX’s Offer.

Accordingly, pursuant to Sections 19(h) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Section IV.C.1.a.-c. of the 2003 Order is amended as follows to order:

CHX shall comply with the following undertakings:

1. Create a Regulatory Oversight Committee

a. Within thirty (30) days of the entry of the 2003 Order, CHX was required to create and shall maintain a Regulatory Oversight Committee to regularly advise CHX’s Board of Directors about regulatory, compliance and enforcement matters. The Regulatory Oversight Committee shall consist of at least five Public Directors. Up to two Participant Directors may be appointed to serve as non-voting advisors to the Regulatory Oversight Committee. The Chairman of the Board, if he is not also serving as the Chief Executive Officer, shall be one of the Public Directors on the Regulatory Oversight Committee. The Regulatory Oversight Committee and any advisors shall be appointed by CHX’s Vice Chairman (or by the CHX’s Chairman, if no Vice Chairman exists) and approved by the Public Directors on the Exchange’s Board of Directors. The Regulatory Oversight Committee shall select its chairperson from among the Public Directors on the Regulatory Oversight Committee.

b. The function of the Regulatory Oversight Committee is to assist the Board in monitoring the design, implementation and effectiveness of CHX's programs to promote and enforce compliance with the federal securities laws and CHX and SEC rules including, but not limited to, the order handling rules, which include the firm quote rule, prohibitions against trading ahead and the limit order display rule. To fulfill its responsibilities, the Regulatory Oversight Committee has the duty and authority to:

i. Periodically review reports that shall be prepared by the Market Regulation Department and Listing Departments regarding their activities with respect to (a) compliance examinations, (b) participant surveillance and investigations, (c) participant disciplinary proceedings, (d) issuer listing and delisting proceedings, and (e) new participant qualifications.

ii. Review any reports received by CHX from regulatory entities or third parties with respect to CHX's self-regulatory responsibilities (and any CHX responses thereto), as well as any other reports prepared by or at the direction of CHX in regard to its regulatory or enforcement programs.

iii. Consider any other matters bearing on the effectiveness and efficiency of CHX's surveillance, financial compliance, listings and enforcement programs.

iv. Make recommendations to the Board of Directors with respect to (a) staffing and other resources for regulatory programs; (b) disciplinary, listing and participant qualification rules and procedures; (c) disciplinary sanctioning guidelines; and (d) other matters bearing on the effectiveness and efficiency of CHX's surveillance, financial compliance, listings and enforcement programs.

v. Assess CHX's performance in its design and implementation of its surveillance, financial compliance, listings and enforcement programs.

vi. Directly retain outside counsel and/or other expert external resources to assist the Regulatory Oversight Committee in performing its oversight responsibilities.

vii. Hold regular meetings to engage in the activities described above, as well as any special meetings called by the Regulatory Oversight Committee chairman.

viii. Meet, on at least a quarterly basis, with appropriate Market Regulation Department staff participants to discuss surveillance and enforcement issues. These discussions may occur either as part of the Regulatory Oversight Committee's regular meetings or in special meetings. Prior to each of these quarterly discussions, CHX shall provide the Regulatory Oversight Committee with information relating to the Department's trading surveillance preliminary findings, investigations and related disciplinary proceedings in a form as directed by the Regulatory Oversight Committee to allow it to monitor the effectiveness of the Department's enforcement program, including whether the department's enforcement staff is making appropriate decisions when exercising their prosecutorial discretion.

ix. Review the Regulatory Oversight Committee's activities and findings with the Board of Directors on a semi-annual basis. In addition to the items identified above, the Regulatory Oversight Committee shall advise the Board of Directors regarding the appropriateness of CHX's budget for surveillance and enforcement matters as well the number and expertise of CHX personnel.

c. In carrying out its responsibilities, the Regulatory Oversight Committee shall have full access to CHX employees, under such conditions as the Regulatory Oversight Committee deems appropriate, and shall have the right to request the preparation of reports by CHX staff. The Regulatory Oversight Committee shall also hear from any CHX employee, participant, participant's employee or participant applicant that requests such an opportunity under such conditions as the Regulatory Oversight Committee deems appropriate.

B. With the exception of Section IV.C.1.a.-c. set forth above, all other findings, remedial sanctions and undertakings in the 2003 Order remains in full effect.

By the Commission.

Nancy M. Morris
Secretary