

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55705; File No. SR-CHX-2007-05)

May 4, 2007

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto, Relating to Participant Fees and Credits

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 23, 2007, 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 substantially by the CHX. The CHX amended the proposed rule change on May 1, 2007.³ The CHX has designated this proposal as one establishing or changing a member due, fee, or other charge imposed by the CHX under Section 19(b)(3)(A)(ii) of the Act,⁴ and Rule 19b-4(f)(2) thereunder,⁵ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The CHX proposes to amend its Schedule of Participant Fees and Credits (“Fee Schedule”), effective April 1, 2007, to (1) assess a single “take” fee and provide a single

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Amendment No. 1. The Commission considers the 60-abrogation period to have commenced on May 1, 2007, the date the CHX filed Amendment No. 1.

⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

⁵ 17 CFR 240.19b-4(f)(2).

“provide” credit for Matching System transactions in all securities; (2) eliminate the provisions relating to sharing of market data; and (3) modify the Matching System routing fees for executions through the Reg NMS Linkage Plan. The text of the proposed rule change is available at the CHX, the Commission’s Public Reference Room, and the CHX’s web site at www.chx.com/rules/proposed_rules.htm.

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 change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in 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 Change

1. Purpose

The CHX proposes to amend its Fee Schedule, effective April 1, 2007, to (1) assess a single “take” fee and provide a single “provide” credit for Matching System transactions in all securities; (2) eliminate the provisions relating to sharing of market data revenues; and (3) modify the Matching System routing fees for executions through the Reg NMS Linkage Plan.

On April 1, 2007, the new market data revenue allocation formula that is part of Regulation NMS takes effect.⁶ This new formula significantly modifies the manner in which market data revenue is allocated among the self-regulatory organizations that participate in the

⁶ See Release No. 34-55160 (January 24, 2007), 72 FR 4202 (January 30, 2007) (File No. S7-10-04) (confirming that the compliance date for the market data revenue allocation amendment remains April 1, 2007).

plans associated with the dissemination of market data. Among other things, the new formula allocates revenue among the securities in each plan based (in most cases) on the square root of the dollar volume of trading in each security; allocates revenue based upon both quotes and trades in each security; and limits the amount of revenue associated with trades with dollar volumes less than \$5,000.⁷ The Exchange believes that it is appropriate to gain some experience with the impact of this new revenue sharing formula before determining whether it is appropriate to share a portion of that revenue with Exchange participants.⁸ As a result, effective April 1, 2007, the Exchange proposes to eliminate the market data revenue credits set out in its Fee Schedule.

At the same time, however, the Exchange would slightly increase its “take” fees and more significantly increase the “provide” credits for transactions that occur within the CHX’s Matching System. Under these changes, the CHX would charge a “take” fee of \$.0029/share and pay a “provide” credit of \$.0026/share. These changes are designed, at least in part, to provide an incentive for participants to submit single-sided orders to the Matching System for execution.

As a final portion of this proposed rule change, the Exchange would modify the routing fees associated with the use of the Linkage Plan’s routing mechanism. These proposed fee changes respond, in part, to changes instituted by other markets and simplify the fee structure by assessing a fee of \$0.0030/share for executed orders routed to all markets in all securities (except

⁷ See Reg NMS Final Rule Release, No. 34-51808, File No. S7-10-04, 70 FR 37496 (June 29, 2005), Section XIV (Text of Adopted Amendments to the CTA Plan, the CQ Plan and the Nasdaq UTP Plan).

⁸ In addition, even if the Exchange believed it was appropriate to share revenue under the new allocation, the Exchange will not receive sufficient information from the securities information processors to readily calculate the amount of revenue that might be shared in connection with a specific quote or trade.

that a \$.0003/share fee will be assessed on executed orders routed to the NYSE in non-ETFs).⁹ The Exchange believes that this simplified fee structure will be easier for its participants to understand; will not require the Exchange to continually modify its fees as other markets make changes to their own fee schedules; and will allow the Exchange to cover a portion of its costs of providing its participants with access to the Linkage Plan.¹⁰

The provisions in Sections E(1), E(6) and F(1) of the CHX Schedule of Participant Fees and Credits that were applicable only through March 31, 2007 are deemed to have been removed, effective as of April 1, 2007, leaving only the provisions that took effect on April 1, 2007.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b)(4) of the Act¹¹ in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members.

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.

⁹ See Securities Exchange Act Release No. 55395 (March 2, 2007), 72 FR 11067 (March 12, 2007) (SR-CBOE-2007-25) (setting new transaction fees for the CBOE Stock Exchange).

¹⁰ These costs include the costs associated with maintaining an omnibus clearing account for Linkage Plan transactions with the National Securities Clearing Corporation.

¹¹ 15 U.S.C. 78f(b)(4).

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

Because the foregoing proposed rule change establishes or changes a member due, fee, or other charge imposed by the Exchange, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹² and Rule 19b-4(f)(2)¹³ thereunder. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate 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.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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 No. SR-CHX-2007-05 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

¹² 15 U.S.C. 78s(b)(3)(A).

¹³ 17 CFR 19b-4(f)(2).

All submissions should refer to File Number SR-CHX-2007-05. 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 Web site (<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 inspection and copying in the Commission's Public Reference Room. Copies of such 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-2007-05 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Florence E. Harmon
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).