

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56900; File No. SR-CHX-2007-22)

December 5, 2007

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Granting Approval of Proposed Rule Change to Amend Rules Relating to the Execution of Odd Lot Market Orders

On October 2, 2007, 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”),¹ and Rule 19b-4 thereunder,² a proposed rule change to amend rules relating to the execution of odd lot market orders. The proposed rule change was published for comment in the Federal Register on October 31, 2007.³ The Commission received no comments on the proposal. This order approves the proposed rule change.

Under CHX’s existing rules, odd lot orders execute in the Matching System without regard to the protected quotations of other markets.⁴ The Exchange states that this is because such orders are not subject to the Regulation NMS Order Protection Rule⁵ and can trade through better prices in other markets.⁶ Through this filing, the Exchange proposes to amend its rules to provide that market odd lot orders would execute like round lot orders (i.e., they would execute as if they were subject to the Regulation NMS Order Protection Rule), while odd lot limit orders

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 56703 (October 25, 2007), 72 FR 61696.

⁴ See CHX Rules, Article 20, Rule 5(b).

⁵ 17 CFR 242.611.

⁶ The Exchange states that its handling of the execution of odd lot orders is consistent with the requirements of Regulation NMS. See Division of Market Regulation: Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS, FAQ 7.03 (confirming that Rule 611 does not apply to odd lot orders).

and odd lot crosses could continue to execute through better prices on other markets.⁷

The Exchange believes that this proposal will provide appropriate protections to odd lot market orders, while allowing participants to choose to have odd lot limit orders and odd lot crosses executed at other prices.⁸

After a careful review of the proposed rule change, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the regulations thereunder applicable to a national securities exchange,⁹ in particular, Section 6(b)(5) of the Act,¹⁰ which requires that the rules of an exchange be designed to promote just and equitable principles of trade, to remove 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. The Commission believes that the proposed rule change promotes just and equitable principles of trade and will benefit investors and the public interest by providing additional trade-through protection, beyond the requirements of the Order Protection Rule, for investors' odd lot market orders that are submitted to the Exchange.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹¹ that the

⁷ The Exchange believes that a participant that submits an odd lot cross seeks to have that order executed at a particular price, without regard to prices in other markets. Similarly, if a participant submits an odd lot limit order, that participant likely only seeks the protection of the order's limit price and does not anticipate that the order would be protected against better prices in other markets.

⁸ Odd lot market orders that would trade through the protected quotations of other markets would be rejected from the Exchange's Matching System and either routed to another appropriate market or, if designated as "do not route," automatically cancelled. See CHX Rules, Article 20, Rule 5(a).

⁹ In approving the proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ 15 U.S.C. 78s(b)(2).

proposed rule change (SR-CHX-2007-22) be, and hereby is, approved.

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

Florence E. Harmon
Deputy Secretary

¹² 17 CFR 200.30-3(a)(12).