

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-57587; File No. SR-CHX-2007-21)

March 31, 2008

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1, to Amend Rules Relating to Registration Requirements

I. Introduction

On October 9, 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”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend rules relating to registration requirements. On February 14, 2008, CHX filed Amendment No. 1 to the proposed rule change. The proposed rule change, as amended by Amendment No. 1, was published for comment in the Federal Register on February 28, 2008.<sup>3</sup> The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

II. Description of the Proposal

The Financial Industry Regulatory Authority, Inc.’s (“FINRA”) Web Central Registration Depository (“Web CRD”) system is a centralized, web-based system used by securities exchanges and broker-dealers across the country to track registration and qualification information about firms and the individuals who work for those firms. CHX entered into an agreement with FINRA to allow the Exchange’s participants to use Web CRD to register certain of its associated persons. Therefore, the Exchange proposes to amend its registration rules

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<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. 57363 (February 20, 2008), 73 FR 10846 (February 28, 2008).

relating to registration requirements and to adopt related fees and to delete an outdated provision in its rules.

First, the Exchange proposes to require Exchange participants to use Web CRD to register their associated persons who are required to register with the Exchange under CHX rules.<sup>4</sup> Similarly, the Exchange also seeks to require participants to submit a Form U-5 to the Web CRD following the termination of the associated person.<sup>5</sup>

Second, the Exchange proposes that it be allowed to direct its participants to submit fingerprint cards to the Exchange or to FINRA for processing during the registration process.<sup>6</sup> Current CHX rules require participants to submit fingerprints to the Exchange. The Exchange seeks flexibility so that it could determine, from time to time, which fingerprint processing method would be most efficient for the Exchange and for its participants.

Because FINRA would assess charges to CHX participants for using the Web CRD system and for processing any fingerprints that are submitted, the Exchange also is amending its Fee Schedule to include applicable registration, processing and termination fees, as well as various fingerprint charges.<sup>7</sup>

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<sup>4</sup> See proposed Article 6, Rule 2, Interpretation and Policy .01.

<sup>5</sup> See proposed Article 6, Rule 2, Interpretation and Policy .02.

The Exchange plans to allow its participants to transition to the use of the Web CRD system over the course of a six to nine-month period. At the end of this period, CHX participants would be required to use Web CRD for submitting any registration materials required by CHX rules.

<sup>6</sup> See proposed Article 6, Rule 10, Interpretation and Policy .01.

<sup>7</sup> These charges include an \$85 registration fee; a \$95 disclosure processing fee; a \$30 annual processing fee; and termination fees of \$40 and \$80. Fingerprint processing fees would be \$30.25 per card for an initial submission; \$13 per card for a second submission; and \$30.25 per card for a third submission. These fees reflect the charges assessed by FINRA for these services; CHX would not be charging any additional fees of its own.

Finally, CHX proposes to delete Interpretation and Policy .03 of Article 6, Rule 2 that requires firms to notify CHX of the termination of any non-registered, associated person's employment. CHX believes that this requirement has become somewhat obsolete with the elimination of its physical trading floor because the requirement had been largely focused on the employment status of clerks working on the Exchange's trading floor.<sup>8</sup>

### III. Discussion and Commission Findings

The Commission has carefully reviewed the proposed rule change and finds that it is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>9</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>10</sup> which, among other things, requires that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating transactions in securities, 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 Exchange's proposal to require its participant firms to use Web CRD system to register certain associated persons and to submit a Form U-5 following the termination of the associated person would eliminate the need for manual processing currently performed by Exchange staff. Significantly, it would also allow for the compilation of information related to the registration of associated persons in one central repository for access by regulators and broker-dealers, and could allow the Exchange's regulatory group, as well as

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<sup>8</sup> Moreover, CHX regularly receives an updated list of a firm's associated persons when it conducts its annual examinations.

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

the firms themselves, to better determine whether a registrant has met applicable continuing education requirements. The Commission believes this should increase regulatory efficiency and capabilities without imposing an undue burden on participants.

The Commission also believes that it is reasonable to provide the Exchange with the flexibility to determine whether it, or FINRA, would be best suited to process fingerprint cards, while participants would continue to have the obligation to submit fingerprints.

Furthermore, the Commission believes that it is appropriate for the Exchange to amend its Fee Schedule to reflect fees that FINRA would charge for services rendered in connection with the use of Web CRD and the fingerprinting services set forth in the proposal. The Commission notes that CHX would not be charging any additional fees of its own.

Finally, the Commission agrees that it is appropriate for CHX to delete Interpretation and Policy .03 of Article 6, Rule 2 relating to the firms' requirement to notify the Exchange of the termination of any non-registered, associated person's employment, since it has become obsolete given CHX's new trading model and since CHX regularly receives an updated list of a firm's associated persons when it conducts its annual examinations.

#### IV. Conclusion

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

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

proposed rule change (SR-CHX-2007-21), as amended, 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

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