



Sent via Electronic Mail to rule-comments@sec.gov

August 26, 2015

Mr. Brent J. Fields, Esq.
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File # S7-11-15 - Comment Regarding Exchange Traded Products Listed on an Exchange – Exchange Listing Standards and the Rule 19b-4 Process from the Chicago Stock Exchange, Inc.

Dear Mr. Fields,

This letter responds to the Securities and Exchange Commission’s (“SEC” or the “Commission”) request for comments on Exchange-Traded Products¹ (“ETPs”), which was contained in *Request for Comment on Exchange-Traded Products*, Securities Exchange Act Release No. 34-75165, File No. S7-11-15 (June 12, 2015). The Chicago Stock Exchange, Inc. (“CHX” or the “Exchange”) appreciates the opportunity to provide comment to the Commission in regards to exchanges’ responsibilities with respect to listings standards for ETPs.

CHX believes that the requirements associated with filing Form 19b-4(e) for ETPs is burdensome, especially when such ETPs are already listed on other exchanges and are only extended unlisted trading privileges (“UTPs”) by the Exchange. The Form 19b-4(e) requirements do not provide market participants any information that is not already available to investors. The filing requirements of Form 19b-4(e) merely require CHX to file with the Commission an original and four copies of repetitive information that is readily available from other easily accessible sources. The manner of filing the Form 19b-4(e) is also inefficient and unduly burdensome.

Background Information

In 1998, the SEC issued a final rule setting forth the standards under which exchanges can list and trade “new derivatives securities products” (hereafter referred to as “ETP”) either under a “generic listing standard” or under a “non-generic listing standard.”² Under that final rule for generic listing standards, CHX was permitted to list and trade specific ETP Securities without filing a product-specific rule change with the Commission. The reasoning in the 1998 release for the amended

¹ As noted in the Request for Comment ETPs constitute a diverse class of financial products and this comment is limited to ETPs such as Exchange-Traded Funds (“ETF”), Exchange-Traded Notes (“ETN”), Non-1940 Act Pooled Investment Vehicles and Exchange-Traded Vehicles (“ETV”).

² See *Amendment to Rule Filing Requirements for Self-Regulatory Organizations Regarding New Derivative Securities Products*, Securities Exchange Act Release No. 34-40761, File No. S7-13-98 (Dec. 9, 1998).

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standards was to “reduce significantly the SROs’ regulatory burden” and have a positive “impact on efficiency, competition and capital formation.” As stated in SEC Release No. 34-75165, when CHX lists ETPs in this generic way without a specific rule filing, it is required to file a Form 19b-4(e) with the Commission within five business days after trading commences.³ It should be noted that CHX is not required to file a Form 19b-4(e) for non-ETP securities.⁴

The Requirement to File a Form 19b-4(e) is Duplicative and Unnecessarily Laborious

Currently, CHX does not list any ETPs under a non-generic listing standard. All ETPs listed and traded on CHX are generic listings and are listed as UTPs, pursuant to CHX Rules. As such, CHX is required to file a Form 19b-4(e) with the SEC within five days of the commencement of trading for each ETP. Furthermore, the Form 19b-4(e) and its supporting documentation are not filed electronically but rather are physically mailed to the Commission. Moreover, the mailing must include the original Form 19b-4(e) and four copies.

In addition, pursuant to CHX Rules, the Exchange distributes a “Regulatory Information Circular” (“RIC”) on its Website prior to the commencement of trading of any new ETP. The information contained in the RIC and the CHX filed Form 19b-4(e) mirrors the information circular which was issued by the listing exchange. Other Regulation NMS securities for which CHX extends UTPs are not subject to a requirement to file forms similar to Form 19b-4(e) and to distribute an RIC. Neither the Form 19b-4(e) nor the method of filing a hard copy of the Form 19b-4(e) and its accompanying documentation supports the Commission’s stated goal of “efficiency.”

CHX, pursuant to its Rules, also subjects its Participants to the prospectus delivery requirements of the Securities Act of 1933.⁵ The broker-dealers that sell such derivative products are required to provide the prospectus which contains the same information about the ETPs as the CHX RIC. The Form 19b-4(e) Form and the Exchange’s RIC also repeat the information provided by the SEC on its EDGAR website. The Exchange is requesting to be relieved of the need to make a duplicative filing. It is also requesting to be relieved from the unduly burdensome and laborious manner of mailing the Form 19b-4(e) filing. At the least, the Commission should offer the opportunity to provide an automated and electronic means of filing Form 19b-4(e).

Conclusion

CHX agrees with the Commission’s statement that ETPs have expanded in recent years. However, investors’ access to online information about available ETPs has expanded exponentially since 1998, so that there is little if any need for the requirement that CHX mail an original and four copies of a Form 19b-4(e) for each ETP which is granted UTPs by the Exchange. Moreover, due to the large number of available ETPs, the requirement to file originals and copies of Form 19b-4(e) creates an undue burden upon the Exchange. The necessity of such filings is made even more

³ See 17 CFR 240.19b-4(e)(2)(ii).

⁴ See Sec. 12(f) of the Securities Exchange Act of 1934.

⁵ If the derivative securities product is the subject of an order by the Commission the Participant Firm is exempt from certain prospectus delivery requirements.

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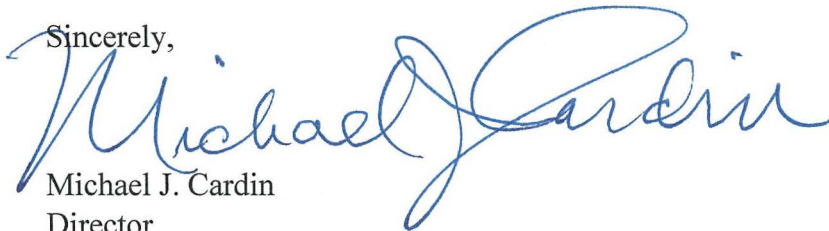
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questionable because the Forms 19b-4(e) and the distribution of RICs do not provide more or different information to investors than what is already available through:

- EDGAR;
- The issuers' websites;
- The ETPs' prospectuses; and
- The primary listing exchange.

In essence, exchanges are required to create and mail an original and four copies of a document that contains the same information that is available to investors in numerous locations, which is not requirement for other equities that are similarly granted UTPs. In light of the issues noted above, the requirements in connection with the granting of UTPs for ETPs need to be reevaluated.

Sincerely,



Michael J. Cardin

Director

Member Regulation Department

Chicago Stock Exchange, Inc.