SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-69903; File No. SR-CHX-2013-12)

July 1, 2013

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Single-Sided Order Fees and Credits and the Order Cancellation Fee

Pursuant to Section 19(b)(1)[1] of the Securities Exchange Act of 1934 ("Act")[2] and Rule 19b-4 thereunder,[3] notice is hereby given that on June 26, 2013, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

CHX proposes to amend its Schedule of Participant Fees and Assessments (the "Fee Schedule") to amend the Single-Sided Order Fees and Credits and the Order Cancellation Fee. The Exchange proposes to implement the fee changes on July 1, 2013. The text of this proposed rule change is available on the Exchange's website at http://www.chx.com/rules/proposed_rules.htm, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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1 15 U.S.C. 78s(b)(1).

2 15 U.S.C. 78a.

3 17 CFR 240.19b-4.

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 self-regulatory organization 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 those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Section E of the Fee Schedule, effective July 1, 2013. Specifically, the Exchange proposes to eliminate references in Sections E.1 and E.8 to "Derivative Securities Products" ("DSPs") and "Non-Derivative Securities Products" ("Non-DSPs") and to eliminate references in Section E.1 to "Regular" Trading Session and "Early and Late" Trading Sessions. Moreover, the Exchange proposes to amend Section E.1 to set the liquidity providing fee for all Tape A, B, and C securities priced greater than or equal to $1.00/share at $0.00250/share and the Liquidity Removing Fee for all Tape A, B, and C securities priced greater than or equal to $1.00/share at $0.0030/share.

Current Section E.1

On November 2, 2012, the Exchange adopted current Section E.1 of the Fee Schedule, [4] amended in February 2013, [5] which permits twenty-four (24) distinct sets of credits and fees. Specifically, the Section E.1 fee table distinguishes between "Regular" Trading Session and

[4] See Securities Exchange Act Release No. 68182 (November 8, 2012), 77 FR 68167 (November 15, 2012) (SR-CHX-2012-16).

[5] See Securities Exchange Act Release No. 68894 (February 15, 2013), 78 FR 11258 (February 15, 2013) (SR-CHX-2013-06).

"Early and Late" Trading Sessions and divides each trading session into Tape A, B, and C securities. Moreover, each Tape is divided into DSPs and Non-DSPs and each set of DSPs and Non-DSPs are further divided into securities priced greater than or equal to $1.00/share or those that are priced less than $1.00/share.

With respect to the current values of the credits and fees of Section E.1, for transactions in Tape A and Tape B Non-DSPs priced greater than or equal to $1.00/share that are executed in the Regular Trading Session, the current Fee Schedule gives no credit for providing liquidity, and charges a $0.0030/share Liquidity Removing Fee. For transactions in Tape A and Tape B DSPs priced greater than or equal to $1.00/share that are executed in the Regular Trading Session, the current Fee Schedule gives a credit of $0.0022/share for providing liquidity, and charges a $0.0030/share Liquidity Removing Fee. For transactions in Tape C DSPs and Non-DSPs priced greater than or equal to $1.00/share that are executed in the Regular Trading Session, the current Fee Schedule gives a credit of $0.0001/share for providing liquidity, and charges a $0.0006/share Liquidity Removing Fee. Additionally, for transactions in all securities priced greater than or equal to $1.00/share that are executed in the Early and Late Trading Session, the current Fee Schedule gives a credit of $0.0022/share for providing liquidity, and charges a $0.0030/share Liquidity Removing Fee. Finally, for transactions in all securities priced less than $1.00/share that are executed in the Regular Trading Session, or the Early and Late Trading Session, the current Fee Schedule gives a credit of $0.00009/share for providing liquidity, and charges a fee of 0.30% of trade value for removing liquidity.

<u>Proposed Section E.1</u>

The Exchange now proposes to amend the Section E.1 fee table to reduce the number of distinct sets of credits and fees, to set the Liquidity Providing Credit for all Tape A, B, and C securities priced greater than or equal to $1.00/share at $0.00250/share, and to set the Liquidity Removing Fee for all Tape A, B, and C securities priced greater than or equal to $1.00/share at $0.0030/share.

With respect to the Section E.1 fee table, the Exchange proposes to remove all references to DSPs and Non-DSPs, while preserving the distinction between Tape A, B, and C security types that are priced greater than or equal to $1.00/share and those priced less than $1.00/share. In addition, the Exchange proposes to eliminate the current distinction between "Regular" Trading Session and "Early and Late" Trading Sessions, and adopt a set of credit and fee values, irrespective of the trading session in which the transaction occurred.

With respect to the Liquidity Providing Credit, the Exchange proposes to set the credit at $0.00250/share for all Tape A, B, and C securities priced greater than or equal to $1.00/share. Specifically, the credit for Tapes A and B DSP securities will increase from $0.00220/share to $0.00250/share, Tapes A and B Non-DSP securities will increase from $0.00/share to $0.00250/share, and all Tape C securities will increase from $0.00010/share to $0.00250/share. For transactions in all security types priced less than $1.00/share, the Exchange will maintain the current Liquidity Providing Credit of $0.00009/share.

With respect to the Liquidity Removing Fee, the Exchange proposes to set the fee at $0.0030/share for all Tape A, B, and C securities priced greater than or equal to $1.00/share. Specifically, the fee for Tapes A and B will remain the same, but the fee for Tape C will increase from $0.0006/share to $0.0030/share. For transactions in all security types priced less than $1.00/share, the Exchange will maintain the current Liquidity Removing Fee of 0.30% of trade value.

Moreover, the Exchange proposes to make non-substantive changes to the "Security Price" column to amend the security prices for Tapes A, B, and C securities to reflect a "$" sign in front of "1.00." Thus, the proposed security prices for each Tape A, B, and C securities will indicate "≥ $1.00/share" for securities priced greater than or equal to $1.00/share and "< $1.00/share" for securities priced less than $1.00/share.

Given these changes, the Exchange proposes to amend paragraph (b) to replace "$0.0022/share" with "$0.0025/share" and eliminate references to "Derivative Securities Products" and the "Regular" Trading Session. Also, the Exchange proposes to delete current paragraph (c) as it relates to the current Liquidity Providing Credit in all securities paid for orders executed in the "Early or Late Trading Sessions," which is now obsolete. Finally, the Exchange proposes to change current paragraph (d) to proposed paragraph (c).

Since its last amendment to the Fee Schedule, the Exchange has found that the distinction between Tape A, B, and C security types provides sufficient granularity. Thus, the Exchange has determined that differentiating between DSPs and Non-DSPs, as well as the "Regular" Trading Session and "Early and Late" Trading Sessions, is unnecessary and overly particularized. Additionally, the Exchange believes that this new credit and fee structure will incentivize activity by Participants on the Exchange's trading facilities, encourage order flow, and allow the Exchange to remain competitive in today's orders marketplace. Moreover, the Exchange submits that increasing the Liquidity Providing Credit from $0.00220/share to $0.00250/share will further promote displayed liquidity on the Exchange.

Current Section E.8

On November 2, 2012, the Exchange adopted the current "Order Cancelation Fee (Regular Trading Session only)" section of its Fee Schedule,[6] amended in June 2013,[7] that incorporated, inter alia, references to Derivative and Non-Derivative Securities Products within Tape A, B, and C. Specifically, current Section E.8(b) provides for six different sets of Order Cancellation Fee values, for DSP and Non-DSPs in Tape A, B, and C securities.

Proposed Section E.8

The Exchange proposes to eliminate references to "Derivative Securities Products" and "Non-Derivative Securities Products" within Section E.8.[8] Specifically, the Exchange proposes to remove paragraphs titled "Tape A Non-Derivative Securities Products," "Tape B Non-Derivative Securities Products," and "Tape C Non-Derivative Securities Products" from Section E.8(b) of the Fee Schedule. Additionally, the Exchange proposes to delete the words "Derivative" and "Products" from the remaining three (3) paragraphs of Section E.8(b). As a result, the proposed Section E.8(b) will only make references to Tape A, B, and C securities, omitting any mention of DSPs and Non-DSPs.

Similar to the Section E.1, the Exchange has determined that differentiating between DSPs and Non-DSPs in the context of the Order Cancellation Fee is unnecessary and overly particularized. The Exchange submits that the proposed distinction between Tapes A, B, and C

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6 See Securities Exchange Act Release No. 68219 (November 13, 2012), 77 FR 69673 (November 20, 2012) (SR-CHX-2012-15).

7 See Securities Exchange Act Release No. 69701 (June 5, 2013), 78 FR 35082 (June 11, 2013) (SR-CHX-2013-11).

8 Unlike proposed Section E.1, the Exchange proposes to maintain the applicability of the Order Cancellation Fee to the Regular Trading Session only.

securities provides adequate granularity for the purposes of establishing the Order Cancellation Fee values.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act[9] in general, and furthers the objectives of Section 6(b)(4) of the Act[10] in particular, in that it provides for the equitable allocation of reasonable dues, fees and other charges among members and other persons using any facility or system which the Exchange operates or controls, and does not unfairly discriminate between customers, issuers, or broker dealers.

Specifically, with respect to Section E.1, since the proposed credit and fee structure will continue to apply to all single-sided orders of 100 or more shares executed in the CHX Matching System, the Exchange believes that it will equitably allocate the credits and fees among Participants in a non-discriminatory nature, notwithstanding the omission of references to "DSP" and "Non-DSPs," as well as "Regular" and "Early and Late" Trading Sessions. Furthermore, the proposed values for the Liquidity Providing Credit of $0.00250/share and Liquidity Removing Fees of $0.0030/share for each of the security types priced greater than or equal to $1.00/share are reasonable, where the proposed Liquidity Providing Credit will be increased to the benefit of liquidity providers and the proposed Liquidity Removing Fee will not exceed the current value for Tape A and Tape B securities priced at or greater than $1.00/share. Moreover, the proposed fee values are generally similar to the fees of other exchanges, such as NASDAQ.[11]

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9 15 U.S.C. 78f.

10 15 U.S.C. 78f(b)(4).

11 NASDAQ "Fees to Remove Liquidity, Shares Executed at or above $1.00" ranges from $0.0029/share to $0.0030/share and "Rebate to Add Displayed Liquidity, Shares Executed at or Above $1.00" ranges from $0.0020/share to $0.00305/share.

With respect to Section E.8, the Exchange submits that removing references to "Derivative Securities Products" and "Non-Derivative Securities Products" will allow the Order Cancellation Fee to continue to be equitable and reasonable, as it does not impact the Order Cancellation Fee values nor does it impact to whom the fee is applicable.

Finally, the Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and credits to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed rule change reflects this competitive environment.

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 that is not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the proposed changes to eliminate the distinction in Section E of the Fee Schedule between DSPs and Non-DSPs, the different trading sessions, and to set an across the board Liquidity Providing Credit of $0.00250/share and Liquidity Removing Fees of $0.0030/share for Tapes A, B, and C securities priced greater than or equal to $1.00/share contributes to the protection of investors and the public interest by simplifying the schedule of credits paid and fees assessed by the Exchange. Consequently, the proposed rule change is necessary and appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act[12] and subparagraph(f)(2) of Rule 19b-4 thereunder[13] because it establishes or changes a due, fee, or other charge imposed by the Exchange.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

As fully discussed above, the Exchange believes that the proposed changes represent a fair and reasonable structure designed to create equable credit and fee amounts to incent activity among all Participants within the Exchange's trading facilities.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change 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 Number SR-CHX-2013-12 on the subject line.

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12 15 U.S.C. 78s(b)(3)(A)(ii).

13 17 CFR 240.19b-4(f)(2).

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CHX-2013-12. 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 website (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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549-1090, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of 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-2013-12, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[14]

Elizabeth M. Murphy
Secretary

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14 17 CFR 200.30-3(a)(12).