

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-70894; File No. SR-CHX-2013-19)

November 18, 2013

Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Correct Certain Rule Taxonomy Issues and Postpone Until December 2, 2013 the Operative Date of an Approved Proposed Rule Change

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on November 12, 2013, Chicago Stock Exchange, Inc. (the “Exchange” or “CHX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II 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 Substance of the Proposed Rule Change

CHX proposes to amend Article 1, Rule 1 (Definitions); Article 20, Rule 9 (Cancellation or Adjustment of Bona Fide Error Trades); Article 20, Rule 9A (Error Correction Transactions); and Article 20, Rule 11 (Cancellation or Adjustment of Stock Leg Trades) to correct certain taxonomy issues and to adopt an operative date of December 2, 2013 for all changes that were approved by the Securities and Exchange Commission (the “SEC” or the “Commission”) under 34-70791.

The text of this proposed rule change is available on the Exchange’s web site at ([www.chx.com](http://www.chx.com)) and in the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 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 CHX included statements concerning the purpose of and basis for the proposed rule changes 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Article 1, Rule 1 (Definitions); Article 20, Rule 9 (Cancellation or Adjustment of Bona Fide Error Trades); Article 20, Rule 9A (Error Correction Transactions); and Article 20, Rule 11 (Cancellation or Adjustment of Stock Leg Trades) to correct certain taxonomy issues and to adopt an operative date of December 2, 2013 for all changes that were approved by the Commission under 34-70791.<sup>4</sup> Aside from these proposed amendments, the Exchange does not propose any other changes to the definitions or text approved under 34-70791.

Background

On September 4, 2013, the Exchange filed with the Commission, pursuant to Section 19(b)(1) of the Act<sup>5</sup> and Rule 19b-4 thereunder,<sup>6</sup> a proposed rule change to amend CHX Article

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<sup>4</sup> See Securities Exchange Act Release No. 70791 (October 31, 2013), 78 FR 66791 (November 6, 2013) (Order Approving a Proposed Rule Change to Adopt Standards for the Cancellation or Adjustment of Bona Fide Error Trades, the Submission of Error Correction Transactions, and the Cancellation or Adjustment of Stock Leg Trades of Stock-Option or Stock-Future Orders).

<sup>5</sup> 15 U.S.C. 78s(b)(1).

<sup>6</sup> 17 CFR 240.19b-4.

20, Rule 9 to outline and clarify the Exchange’s current requirements for the cancellation of trades based on Bona Fide Error; to adopt CHX Article 20, Rule 9A to detail the Exchange’s current requirements for Error Correction Transactions; and to adopt CHX Article 20, Rule 11 to amend the Exchange’s current requirements for the cancellation of the stock leg trade of a Stock-Option order, to establish new requirements for the adjustment of the stock leg trade of a Stock-Option order, and to allow the stock leg trade of Stock-Future orders to be cancelled or adjusted.<sup>7</sup> The proposed rule change was published for comment in the Federal Register on September 18, 2013.<sup>8</sup> The Commission received no comments on the proposal. The Commission approved the proposed rule change on October 31, 2013.<sup>9</sup>

#### Taxonomy Amendments

After SR-CHX-2013-16 was filed on September 4, 2013, the Exchange filed SR-CHX-2013-14 on September 24, 2013,<sup>10</sup> which, among other things, adopted Article 1, Rule 1(hh) to define the term “Customer” as “any person or entity other than a broker or dealer registered with the Commission.” However, since the Exchange had already proposed to adopt Article 1, Rule 1(hh) to define “Bona Fide Error” pursuant to SR-CHX-2013-16, when the Commission approved SR-CHX-2013-16 on October 31, 2013, Article 1, Rule 1(hh) now provided definitions for both “Customer” and “Bona Fide Error.”

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<sup>7</sup> The Exchange notes that SR-CHX-2013-16 does not explicitly provide an operative date for the proposed amendments to CHX rules.

<sup>8</sup> See Securities Exchange Act Release No. 70381 (September 12, 2013), 78 FR 57431 (September 18, 2013) (SR-CHX-2013-16) (“Notice”).

<sup>9</sup> See supra note 4.

<sup>10</sup> See Securities Exchange Act Release No. 70597 (October 2, 2013), 78 FR 62728 (October 22, 2013) (SR-CHX-2013-14) (“Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Registration, Qualification, Supervision, and Continuing Education of Individuals Associated with Participant Firms”).

Thus, the Exchange now proposes to move the definition of “Bona Fide Error” from current Article 1, Rule 1(hh) to proposed Article 1, Rule 1(ii). Correspondingly, the Exchange proposes to amend Article 20, Rule 9(a), Rule 9(b)(2), and Rule 9A(a)(1) to reflect that “Bona Fide Error” is defined under proposed Article 1, Rule 1(ii).

Consequently, the Exchange proposes to move the definition of “Stock-Option” from current Article 1, Rule 1(ii) to proposed Article 1, Rule 1(jj) and the definition of “Stock-Future” from current Article 1, Rule 1(jj) to proposed Article 1, Rule 1(kk). Correspondingly, the Exchange proposes to amend Article 20, Rule 11(a) to reflect that “Stock-Option” is defined under proposed Article 1, Rule 1(jj) and “Stock-Future” is defined under proposed Article 1, Rule 1(kk).

#### Proposed Operative Date

The Exchange proposes to suspend the operative date for all rule changes that were approved under 34-70791 to December 2, 2013.<sup>11</sup> The Exchange submits that the proposed December 2, 2013 operative date is reasonable in light of the significant changes that were approved under 34-70791.

As such, the Exchange now proposes to adopt language that provides that certain CHX rules shall be operative as of December 2, 2013. Specifically, directly above proposed Article 1, Rule 1(ii), the Exchange proposes to insert language that provides that paragraphs (ii) – (kk) shall be operative as of December 2, 2013. Also, directly above current Article 20, Rule 9(a), the Exchange proposes to insert language that provides that current Rule 9 shall be operative as of December 2, 2013. In addition, directly above current Article 20, Rule 9A(a), the Exchange proposes to insert language that provides that current Rule 9A shall be operative as of December

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<sup>11</sup> See supra note 4.

2, 2013. Moreover, directly above current Article 20, Rule 11(a), the Exchange proposes to adopt language that provides that current Rule 11 shall be operative as of December 2, 2013.

Moreover, since the changes approved under 34-70791 resulted in the previous version of Article 20, Rule 9 being superseded by current Article 20, Rule 9, the Exchange proposes to reincorporate the previous version of Article 20, Rule 9 verbatim as a separate rule from current Article 20, Rule 9, while inserting language to it stating that the previous version of Article 20, Rule 9 shall be operative through December 1, 2013. The Exchange submits that this sunset provision is necessary to avoid confusion to our Participants and to facilitate a smooth transition into the approved rules.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b) of the Act.<sup>12</sup> Specifically, the proposal is consistent with Section 6(b)(5) of the Act,<sup>13</sup> which requires exchange rules to promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest. The proposal is also consistent with Section 6(b)(1) of the Act,<sup>14</sup> which requires that an exchange be so organized and has the capacity to be able to carry out the purposes of 15 U.S.C. 78a et seq. and to comply, and to enforce compliance by its members and persons associated with its members, with the provisions of 15 U.S.C. 78a et seq., the rules and regulations thereunder, and the rules of the exchange.

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<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5)

<sup>14</sup> 15 U.S.C. 78f(b)(1)

The Exchange believes that the proposed taxonomy corrections fulfill these requirements because it promotes clarity of CHX rules by ensuring that there is only one definition per citation. Similarly, the reinsertion of previous version of Article 20, Rule 9 also fulfills these requirements because it promotes clarity of CHX rules by providing that the previous version of Rule 9 shall be in the effect through December 1, 2013. Moreover, the proposed operative date of December 2, 2013 for all rule changes approved under 34-70791 fulfill these requirements and, in particular, Section 6(b)(1), because the December 2, 2013 operative date will facilitate the proper implementation of complex functionalities, which will, in turn, allow the Exchange to better enforce compliance by its Participants of the rules approved under 34-70791.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes the proposal is consistent with Section 6(b)(8) of the Act<sup>15</sup> in that it does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule changes correct non-substantive taxonomy issues and set an operative date for functionality that has already been approved by the Commission.<sup>16</sup> Accordingly, the Exchange does not believe that the proposed rule change will have any effect on competition.

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

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of

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<sup>15</sup> 15 U.S.C. 78(f)(b)(8).

<sup>16</sup> See supra note 4.

the Act<sup>17</sup> and Rule 19b-4(f)(6) thereunder.<sup>18</sup> Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.

A proposed rule change filed under Rule 19b-4(f)(6)<sup>19</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>20</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has asked the Commission to waive the 30-day operative delay so that the proposal may become operative immediately upon filing.

The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest. The proposed taxonomy changes and non-substantive and should make the Exchange's rules easier to understand. The Exchange states that a temporary delay in the operation of SR-CHX-2013-16 will facilitate the proper implementation of complex functionalities, which in turn will allow it to better enforce compliance with the approved rules. Based on that representation, the Commission believes that

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<sup>17</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>18</sup> 17 CFR 240.19b-4(f)(6).

<sup>19</sup> 17 CFR 240.19b-4(f)(6).

<sup>20</sup> 17 CFR 240.19b-4(f)(6)(iii). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to provide the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

delayed implementation is consistent with the protection of investors and the public interest. For these reasons, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.<sup>21</sup>

At any time within 60 days of the filing of such 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 under Section 19(b)(2)(B)<sup>22</sup> of the Act to determine whether the proposed rule change should be approved or disapproved.

#### 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](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2013-19 on the subject line.

##### Paper comments:

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

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<sup>21</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>22</sup> 15 U.S.C. 78s(b)(2)(B).



All submissions should refer to File No. SR-CHX-2013-19. 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 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, 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 office of the Exchange. 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 No. SR-CHX-2013-19 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.<sup>23</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>23</sup> 17 CFR 200.30-3(a)(12).