

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

The foregoing change has become effective pursuant to Section 19(b)(3)(A) of the Act,<sup>8</sup> and paragraph (f)<sup>9</sup> of Rule 19b-4, thereunder. 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.

### 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 email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2014-086 on the subject line.

#### Paper Comments

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

All submissions should refer to File Number SR-NASDAQ-2014-086. This file number should be included on the subject line if email 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 Web site (<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 Web site 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 offices 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 Number SR-NASDAQ-2014-086, and should be submitted on or before September 19, 2014.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

**Kevin M. O'Neill,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72908; File No. SR-FICC-2014-01]

### Self-Regulatory Organization; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change To Amend the Government Securities Division Rulebook in Order To Establish an Early Unwind Intraday Charge in Connection With the Inclusion of GCF Repo<sup>®</sup> Positions in GSD's Intraday Participant Clearing Fund Requirement, and GSD's Hourly Internal Surveillance Cycles

August 25, 2014.

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> notice is hereby given that on August 11, 2014, the Fixed Income Clearing Corporation ("FICC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by FICC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.<sup>3</sup>

<sup>10</sup> 17 CFR 200.30-3(a)(12).

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

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> On January 10, 2014, FICC filed advance notice SR-FICC-2014-801 pursuant to Section 806(e)(1) of Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act titled the Payment, Clearing, and Settlement Supervision Act of 2010, 12 U.S.C. 5465(e)(1), and Rule 19b-4(n)(1)(i) of the Securities Exchange Act of 1934, 17 CFR 240.19b-4(n)(1)(i). The Commission published notice for comment in the **Federal Register** on February 10, 2014. Securities Exchange Act Release No. 34-71469 (February 4, 2014), 79 FR 7722 (February 10, 2014) (SR-FICC-2014-801). FICC filed Amendment No. 1 to this advance notice on August 11, 2014. A copy of the advance notice and Amendment No.

### I. Clearing Agency's Statement of the Terms of Substance of the Proposed Rule Change

The Government Securities Division ("GSD") of FICC is proposing to amend the GSD Rulebook (the "Rules") in order to establish an early unwind intraday charge to protect against the exposure that may result from intraday cash substitutions and early unwind of interbank allocations<sup>4</sup> in connection with GSD's proposal to include the underlying collateral pertaining to the GCF Repo<sup>®</sup><sup>5</sup> positions in GSD's noon intraday<sup>6</sup> participant Clearing Fund requirement ("CFR") calculation, and GSD's hourly internal surveillance cycles.

### II. Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FICC 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 these statements may be examined at the places specified in Item IV below. FICC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of these statements.

#### (A) Clearing Agency's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

GSD is proposing to amend its Rules in order to establish an early unwind intraday charge ("EUIC")<sup>7</sup> (discussed below) to protect against the exposure

<sup>1</sup> are available at <http://www.dtcc.com/legal/sec-rule-filings.aspx>.

<sup>4</sup> The "early unwind of interbank allocations" refers to the automatic return of the collateral from the reverse repo side (cash lender) to FICC's account at the repo side's (cash borrower's) settlement bank and the return of cash to the reverse repo side, which typically occurs before the opening of Fedwire.

<sup>5</sup> The GCF Repo<sup>®</sup> service enables dealers to trade general collateral repos, based on rate, term, and underlying product, throughout the day without requiring intra-day, trade-for-trade settlement on a Deliver-versus-Payment ("DVP") basis. The service fosters a highly liquid market for securities financing. GCF Repo<sup>®</sup> is a registered trademark of The Depository Trust & Clearing Corporation.

<sup>6</sup> Noon intraday refers to the routine intraday margining cycle which is based on a 12:00 p.m. (ET) position snap shot. Pursuant to Rule 4, FICC may request additional margin outside of the formal intraday margin calls.

<sup>7</sup> In connection with GSD's proposal to include the underlying collateral pertaining to the GCF Repo<sup>®</sup> positions in its noon intraday CFR, GSD discovered circumstances under which a member would be charged an EUIC. If, however, a member is assessed an EUIC under circumstances that were not initially contemplated and the EUIC charge is deemed unnecessary, management will have the discretion to waive such charge.

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f).

that may result from intraday cash substitutions and early unwind of interbank allocations in connection with including the underlying collateral pertaining to the GCF Repo<sup>®</sup> positions in its noon intraday participant CFR calculation, and its hourly internal surveillance cycles.

#### (a) Background

On January 10, 2014, FICC filed advance notice SR-FICC-2014-801<sup>8</sup> (“Advance Notice”) with the Commission. This filing describes FICC’s proposal to include the underlying collateral pertaining to the GCF Repo<sup>®</sup> positions in its noon intraday participant CFR calculation, and its hourly internal surveillance cycles. This enhancement is intended to align GSD’s risk management calculations and monitoring with the changes that have been implemented to the tri-party infrastructure by the Tri-Party Reform Task Force,<sup>9</sup> specifically, with respect to locking up of GCF Repo<sup>®</sup> collateral until 3:30 p.m. (ET) rather than 7:30 a.m. (ET). Subsequent to the initial Advance Notice filing, FICC discovered that under the proposed change, a potential exposure may result from a GCF Repo<sup>®</sup> participant’s cash substitutions and early unwinds of interbank allocations. As a result, on August 11, 2014, FICC filed Amendment No. 1 to the Advance Notice with the Commission. FICC is filing this proposed rule change in order to amend its Rules to establish an EUIC to protect against the exposure that may result from intraday cash substitutions and early unwind of interbank allocations.

#### (b) Proposed Change

As noted above, GSD is proposing to establish an EUIC<sup>10</sup> to protect against the exposure that may result from intraday cash substitutions and early unwind of interbank allocations in connection with including the underlying collateral pertaining to the

<sup>8</sup> Securities Exchange Act Release No. 34-71469 (February 4, 2014), 79 FR 7722 (February 10, 2014) (SR-FICC-2014-801). A copy of this Advance Notice filing and the amendment thereto are available at <http://www.dtcc.com/legal/sec-rule-filings.aspx>.

<sup>9</sup> The Task Force was formed in September 2009 under the auspices of the Payments Risk Committee, a private-sector body sponsored by the Federal Reserve Bank of New York. The Task Force’s goal is to enhance the repo market’s ability to navigate stressed market conditions by implementing changes that help better safeguard the market. DTCC has worked in close collaboration with the Task Force on their reform initiatives.

<sup>10</sup> GSD’s discovered circumstances under which a member would be charged an EUIC. If, however, a member is assessed an EUIC under circumstances that were not initially contemplated and the EUIC charge is deemed unnecessary, management will have the discretion to waive such charge.

GCF Repo<sup>®</sup> positions in its noon intraday participant CFR calculation, and its hourly internal surveillance cycles.

In connection with its review of its proposal to incorporate the underlying collateral pertaining to the GCF Repo<sup>®</sup> positions in the GSD’s noon intraday participant CFR calculation, GSD discovered that there were instances where exposure to FICC arose as a result of certain cash substitutions or early unwind of interbank allocations. This is because the noon intraday underlying collateral pertaining to the GCF Repo<sup>®</sup> positions of impacted participants may exhibit a different risk profile than their same end-of-day (“EOD”)<sup>11</sup> positions. The impact could be to increase or decrease the Value-at-Risk (“VaR”) component of the CFR.

In certain instances, cash substitutions, for repo and reverse repo positions and the early unwind of interbank allocations for reverse repo positions, could result in higher cash balances in the underlying collateral pertaining to GCF Repo<sup>®</sup> positions at noon intraday than the same EOD, and could present a potential under-margin condition because cash collateral is not margined. In addition, it is likely that the cash will be replaced by securities in the next GCF Repo<sup>®</sup> allocation of collateral. The under-margin condition will exist overnight because the VaR on the GCF Repo<sup>®</sup> collateral in the same EOD cycle will not be calculated until after Fedwire is closed thus precluding members from satisfying margin deficits until the morning of the next business day. Accordingly, GSD will adjust the noon intraday CFR in the form of an EUIC, to address this risk. In order to determine whether an EUIC should be applied, GSD will take the following steps:

1. At noon, GSD will compare the prior EOD VaR component of the CFR calculation with the current day’s noon intraday VaR component of the CFR calculation.

2. If the current day’s noon intraday VaR calculation is equal to or higher than the prior EOD’s VaR calculation then GSD will not apply an EUIC. If however, the current day’s noon calculation is lower, then GSD will proceed to the step 3. below.

3. GSD will review the GCF Repo<sup>®</sup> participant’s DVP and GCF Repo<sup>®</sup> portfolio to determine whether the reduction in the noon calculation may be attributable to the GCF Repo<sup>®</sup>

<sup>11</sup> As used herein “prior EOD” refers to the end of day cycle immediately preceding the current noon intraday cycle and “same EOD” refers to the end of day cycle immediately subsequent to the current noon intraday cycle.

participant’s intraday cash substitutions or early unwind of interbank allocations. If so, then GSD will apply the EUIC.

4. At the participant level, the EUIC<sup>12</sup> will be the lesser of (i) the net VaR decrease that may be deemed to be attributable to either cash substitutions and/or early unwind of interbank allocations or (ii) the prior EOD VaR minus the noon intraday VaR.<sup>13</sup>

The EUIC for cash substitutions will apply to the repo side (cash borrower) and the reverse repo side (cash lender) of the transaction. As such, it should be noted that the reverse repo side is subject to the EUIC notwithstanding its inability to control the substitutions. The EUIC for cash substitutions applies to the reverse repo side because although they do not initiate the cash substitutions, the cash substitutions change the participant’s risk profile and as a result, their noon intraday CFR could be unduly reduced. The EUIC for the early unwind of interbank allocations will only apply to the reverse repo side (cash lender) since it is only the reverse side whose lockup is unwound early. The securities subject to the early unwind are not returned to the repo side (cash borrower) in connection with the early unwind of interbank allocations. The early unwind of interbank allocations is performed on the reverse repo side to ensure that the underlying collateral is available to the repo side at its settlement bank. Cash is returned to the reverse repo side and thus unwound early. As such, it should be noted that the reverse repo side is subject to the EUIC notwithstanding its inability to control the early unwind of interbank allocations as their noon intraday CFR could be unduly reduced as a result of such early unwind. GSD

<sup>12</sup> The EUIC will be included in the noon intraday participant CFR, but not the same EOD CFR. This is because the risk associated with cash lockups exists at intraday, that is, at any time before at EOD. At EOD in the normal course of business, GCF Repo<sup>®</sup> positions consist of 100% eligible non-cash securities. GCF Repo<sup>®</sup> is used for overnight financing of securities inventory. Absent extraordinary circumstances, participants do not use cash to collateralize overnight cash loans. Cash substitutions occur at intraday as participants substitute in cash to withdraw securities they need for intraday deliveries.

<sup>13</sup> In the event that cash substitutions or early unwind of interbank allocations impacts the CFR, the prior end of day CFR is used as a proxy for the same end of day CFR for the portion of the portfolio that is impacted by such cash substitutions or early unwind of interbank allocations. The EUIC is designed to prevent the impact of cash substitutions and early unwind of interbank allocations from unduly reducing noon intraday CFR relative to the prior EOD CFR calculation, thus the EUIC will not increase the noon intraday CFR above the prior EOD CFR calculation. (But the noon intraday CFR calculation exclusive of EUIC could be higher than the prior EOD CFR calculation).

has discussed the EUIC with the participants that are likely to be materially impacted by this proposed charge. These participants did not express any concerns about the EUIC.

There is no automatic unwind (return of securities) to the repo side. If the repo side needs its securities before the 3:30 p.m. (ET) scheduled unwind, it may perform a securities-for-securities substitution or a cash-for-securities substitution (in which case it may be subject to the EUIC).

FICC believes it is important to incorporate the proposed changes in its risk management process as soon as possible because such changes will allow GSD to use more accurate position information in its margin calculations.

## 2. Statutory Basis

The proposed charge is consistent with the requirements of Section of 17A(b)(3)(F) of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations thereunder, because it applies prudent risk management to potential exposure that may result from intraday cash substitutions or early unwind of interbank allocations, and therefore facilitates the prompt and accurate clearance and settlement of securities transactions and assures the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible. As noted above, GSD discovered that cash substitutions and the early unwind of interbank allocations may unduly reduce the margin requirements of affected participants. The EUIC will ensure that GSD's noon intraday CFR is commensurate with a participant's risk profile by appropriately reflecting the exposure that may result from intraday cash substitutions and early unwind of interbank allocations.

### *(B) Clearing Agency's Statement on Burden on Competition*

As noted above, the EUIC for cash substitutions will apply to both the repo side (cash borrower) and the reverse repo side (cash lender) of the transaction and the EUIC for the early unwind of interbank allocations will apply to the reverse repo side only. As such, it should be noted that the reverse repo side is subject to the EUIC notwithstanding its inability to control the substitutions or the early unwind. The EUIC applies to the reverse repo side because although they do not initiate the cash substitutions or the early unwind of interbank allocations, these events change the reverse repo participants' risk profile and as a result, their noon intraday CFR could be

unduly reduced. GSD has discussed the EUIC with the participants that are likely to be materially impacted by this proposed charge. These participants did not express concerns about the EUIC.

The EUIC for the early unwind of interbank allocations will only apply to the reverse repo side (cash lender) since it is only the reverse side whose lockup is unwound early. The securities subject to the early unwind are not returned to the repo side (cash borrower) in connection with the early unwind of interbank allocations. The early unwind of interbank allocations is performed on the reverse repo side to ensure that the underlying collateral is available to the repo side at its settlement bank. Cash is returned to the reverse repo side and thus unwound early.

GSD believes that the proposal will not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as the EUIC adjusts the noon intraday CFR when the CFR may have been unduly reduced due to cash substitutions or early unwind of interbank allocations. Thus, the proposal will allow GSD to adjust the noon intraday CFR with the EUIC in order to more accurately capture the risks presented to the clearing agency, and will help to ensure that GSD is not under margined during the time period covered by the noon intraday CFR. In this way, the proposal contributes to the goal of financial stability in the event of participant default, and will render not unreasonable or inappropriate any burden on competition that the changes could be regarded as imposing. Furthermore, GSD believes that the proposal will help facilitate the prompt and accurate clearance and settlement of securities transactions and protect investors and the public interest, in furtherance of the requirements of the Act applicable to GSD. As such, to the extent there remains any perceived burden on competition caused by the proposal, GSD believes that any such burden would be both necessary and appropriate in furtherance of the purposes of the Act, in particular Section 17A(b)(3)(F) of the Act, as described above.

### *(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

Written comments relating to the proposed rule changes have not yet been solicited or received. FICC will notify the Commission of any written comments received by FICC.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove the proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be 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 Commissions Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FICC-2014-01 on the subject line.

### *Paper Comments*

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

All submissions should refer to File Number SR-FICC-2014-01. This file number should be included on the subject line if email 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 Web site (<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 Web site viewing and printing in the Commission's Public Reference Section, 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 FICC and on FICC's Web site at <http://www.dtcc.com/legal/sec-rule-filings.aspx>.

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-FICC-2014-01 and should be submitted on or before September 19, 2014.

For the Commission by the Division of Trading and Markets, pursuant to delegated Authority.<sup>14</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-72909; File No. SR-CHX-2014-13]

### Self-Regulatory Organizations; Chicago Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Adopt a General Prohibition Against Affiliation Between the Exchange and any Participant

August 25, 2014.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 ("Act"),<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on August 18, 2014, the Chicago Stock Exchange, Inc. ("CHX" or the "Exchange") filed with the Securities and Exchange Commission ("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 adopt Article 3, Rule 20 that establishes a general prohibition against affiliation between the Exchange and any Participants. 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.

#### 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 Statutory Basis for, the Proposed Rule Changes

###### 1. Purpose

The Exchange proposes to adopt Article 3, Rule 20 (No Affiliation between Exchange and any Participant). The purpose of the proposed rule is to guard against any possibility that the Exchange may exercise, or forbear to exercise, regulatory authority with respect to an affiliated Participant<sup>4</sup> in a manner that is influenced by commercial considerations and to provide an opportunity for Commission review of certain proposed affiliations.

Specifically, the proposed rule provides that the Exchange or any entity with which it is affiliated shall not, directly or indirectly, acquire or maintain an ownership interest in a Participant in the absence of an effective filing under Section 19(b) of the Act.<sup>5</sup> The proposed rule defines "affiliate" with reference to Rule 12b-2 under the Act.<sup>6</sup> In addition, in order to make it clear that the obligation to avoid affiliations applies to both the Exchange and its Participants, the proposed rule also provides that a Participant shall not be or become an affiliate of the Exchange, or an affiliate of any affiliate of the Exchange, in the absence of an effective filing under Section 19(b) of the Act.<sup>7</sup>

<sup>4</sup> CHX Article 1, Rule 1(s) provides, in pertinent part, that "'Participant' means, except as otherwise described in these Rules, any Participant Firm that hold a valid Trading Permit" and that a "Participant shall be considered a 'member' of the Exchange for the purposes of the Exchange Act."

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

<sup>6</sup> Rule 12b-2 under the Act provides the following definition of "affiliate": *Affiliate*. An "affiliate" of, or a person "affiliated" with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. 17 CFR 240.12b-2.

<sup>7</sup> 15 U.S.C. 78s(b).

Moreover, the proposed rule provides that nothing in this proposed rule shall prohibit a Participant or its affiliate from acquiring or holding an equity interest in CHX Holdings, Inc. that is permitted by the ownership and voting limitation contained in the Certificate of Incorporation of CHX Holdings, Inc. Specifically, paragraph (b)(ii)(B) of the fifth section of the Certificate of Incorporation of CHX Holdings, Inc. provides that no Person, either alone or together with its Related Persons,<sup>8</sup> who holds a trading permit of the Exchange (*i.e.*, a Participant), may own, directly or indirectly, of record or beneficially shares of stock of CHX Holdings, Inc. representing in the aggregate more than twenty percent (20%) of the then outstanding votes entitled to be cast on any matter.

The proposed rule also limits possible expansive interpretations of the term "affiliate" by providing that nothing in the proposed rule shall prohibit a Participant from being or becoming an affiliate of the Exchange, or an affiliate of any affiliate of the Exchange, solely by reason of such Participant or any officer, director, manager, managing member, partner or affiliate of such Participant being or becoming either (a) a Director (as such term is defined in the Bylaws of the Exchange) pursuant to the Bylaws of the Exchange, or (b) a Director serving on the Board of Directors of CHX Holdings, Inc.

The Exchange believes that it is currently in compliance with the proposed rule. The Exchange and CHXBDD, LLC are both wholly owned subsidiaries of CHX Holdings, Inc. (together "CHX affiliates"). None of the CHX affiliates have an ownership interest in a Participant and neither CHX Holdings, Inc. nor CHXBDD, LLC are Participants.<sup>9</sup> Moreover, although some

<sup>8</sup> Paragraph (a)(ii) of the fifth section of the Certificate of Incorporation of CHX Holdings, Inc. states as follows: The term "Related Persons" shall mean (A) with respect to any Person, all "affiliates" and "associates" of such Persons (as such terms are defined in Rule 12b-2 under the Securities and Exchange Act of 1934, as amended); (B) with respect to any Person that holds a permit issued by the Chicago Stock Exchange, Inc. to trade securities on the Chicago Stock Exchange ("Participant"), any broker or dealer with which a Participant is associated; and (C) any two or more Persons that have any agreement, arrangement or understanding (whether or not in writing) to act together for the purpose of acquiring, voting, holding or disposing of shares of the capital stock of the Corporation.

<sup>9</sup> CHXBDD, LLC is a registered broker-dealer and member of the Financial Industry Regulatory Authority. However, CHXBDD, LLC is not yet a Participant of the Exchange nor is it operational. The Exchange intends to operate CHXBDD, LLC as an outbound routing facility of the Exchange only upon adoption of effective rules pursuant to Rule 19b-4 under the Act and notice to Participants. See

<sup>14</sup> 17 CFR 200.30-3(a)(12).

<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.