

Proposed Rule Changes relating to the CHX's New Trading Model

As part of its move to a new trading model, the Exchange seeks to modernize many of its long-standing procedures and to better organize the rules that remain. As a result, the rule changes associated with the new model modify virtually every section of the Exchange's rulebook.

To try to help eliminate the almost-certain confusion that these changes might cause, the Exchange presents the rule change proposals in two sections. The first section – with the articles numbered in Arabic numerals – contains the rules applicable to the Exchange's new trading model. Where the Exchange is amending an existing article of its rules, the text in this section is marked to show changes. Where the Exchange is adding a completely new article or significantly reorganizing rules within one or more articles, the rules are underlined to show that they are either new or reorganized rules.

The second section, beginning on page 228, contains the existing articles that would be deleted if the Exchange's proposal is approved. As described in the Form 19b-4, some of these rules are included in the new model rules; others are completely eliminated.

The notes set out below provide a shorthand way to understand how articles have been renumbered and some of the changes that are proposed; a more detailed description of the proposed changes is included in the Form 19b-4.

SECTION ONE – NEW MODEL RULES

Article	Subject	Notes	Page No.
1	Definitions	New definitions and a list of order types have been added to this section; unnecessary definitions have been deleted.	85
2	Exchange Committees	Among other things, changes in this article (formerly Article IV) delete references to the Committee on Specialist Assignment and Evaluation.	91
3	Participants	A variety of changes are made in this article (formerly Article II) to streamline procedures and update rules.	92
4	Participant Firms	Several proposed changes are made to this section of the rules (formerly Article III).	95
5	Access	Trading floor access rules have been replaced with updated rules relating to access to the Exchange's systems.	98

Article	Subject	Notes	Page No.
6	Registration, Supervision & Training	This article gathers together the rules relating to registration, supervision and training. The Exchange's fingerprinting rules are expanded to include independent contractors, temporary employees and others.	102
7	Financial Responsibility & Reporting	The Exchange has attempted to gather all of the financial responsibility provisions into a single section, merging, among other things, the text of Article XI with relevant provisions of Article XIV.	112
8	Business Conduct	All of the general business conduct rules are collected in this section, resulting in an extensive revision of current Article VIII.	115
9	General Trading Rules	The article (a complete overhaul of current Article IX) is designed to include all of the general trading rules that apply to Exchange participants.	125
10	Margins	This article is largely unchanged.	135
11	Books & Records	This new article is comprised of the various books and records rules that apply to Exchange participants.	136
12	Disciplinary Matters and Trial Proceedings	This article has been revised in several respects to, among other things, recognize the fact that the Exchange will not be operating a trading floor.	141
13	Suspension – Reinstatement	Several changes are proposed to this section of the rules (formerly Article VII)	149
14	Arbitration	This new section is comprised of the arbitration rules that were previously in Article VIII, Rules 23 and 24.	152
15	Hearings & Reviews	This new article sets out uniform procedures for seeking review of Exchange decisions.	172
16	Market Makers	This new article contains the rules that govern the role of market makers on the Exchange.	175
17	Institutional Brokers	As its name suggests, this new article sets out the rules specifically relating to institutional brokers	183

Article	Subject	Notes	Page No.
18	Reserved for future use		
19	Intermarket Trading	This article contains the provisions relating to intermarket trading – this draft contains rules applicable to the current ITS System.	186
20	Matching System	The new article describes the operation of the Exchange’s proposed new matching system.	206
21	Clearance and Settlement	This article is designed to contain all of the rules relating to clearing and settlement that would be relevant in the Exchange’s new model.	223
22	Listed securities	This article (formerly Article XXVIII) has been modified in only a few respects.	226

SECTION TWO – DELETED ARTICLES

Article	Subject	Notes	Page No.
VIII	Business Conduct	These rules have been extensively revised – some rules have been relocated; others are deleted entirely.	229
IX	Trading Rules	These rules also have been extensively revised and reorganized.	265
XIII	Advertising and Promotion	These rules have been incorporated into Article 8.	274
XIV	Fiscal Policies	Some of these rules have been included in other articles, including Article VII; others have been deleted entirely.	276
XV	Commissions	Some of these rules have been included elsewhere in the rules; others have been deleted entirely.	279
XVI	Insurance as an Ancillary Activity	This article has been deleted entirely.	282
XVII	Suspension and Termination of Special Floor Registration for Unsatisfactory Performance	This article has been deleted entirely.	283
XVIII, XIX	Not assigned		

Article	Subject	Notes	Page No.
XX	Regular Trading Sessions	A few of these rules have been moved to other articles, including Article IX; others (including those relating to the operation of the MAX system, have been deleted in their entirety.	286
XXA	Electronic Book	These rules have been replaced by the Matching System rules set out in Article 20.	334
XXI	Exchange of Contracts, Tickets and Comparisons	Some of these rules have been moved to other articles, including Article 21; others have been deleted entirely.	341
XXII	Settlement of Exchange Contracts	Many of these rules have been deleted entirely.	345
XXIII	Reclamations	These rules have been deleted entirely.	355
XXIV	Lending Securities	These rules have been deleted entirely.	357
XXV	Closing of Contracts	These rules have been deleted entirely.	358
XXVI	Marking to the Market	These rules have been deleted entirely.	362
XXVII	Dividends, Interest, Rights and Due-Bills	Some of these rules have been moved to other articles, including Article 9; others have been deleted entirely.	363
XXIX	Special Offerings	These rules have been deleted entirely.	366
XXX	Specialists	These rules have been deleted entirely.	370
XXXI	Odd Lots and Odd-Lot Dealers, Dual System	These rules have been deleted entirely.	395
XXXII	Exchange Distribution Plan	These rules have been deleted entirely.	400
XXXIII	Proxies	These rules have been moved to Article 8.	403
XXXIV	Registered Market Makers – Equity Floor	These rules have been deleted entirely.	406
XXXV	Secondary Trading Session	These rules have been deleted entirely.	411
XXXVI	Baskets	These rules have been deleted entirely.	415
XXXVII	Chicago Match	These rules have been deleted entirely.	423