

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 57

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No. \* SR 2022 - \* 08

Amendment No. (req. for Amendments \*)

Filing by NYSE Chicago, Inc.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010  
Section 806(e)(1) \*

Section 806(e)(2) \*

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934  
Section 3C(b)(2) \*

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

### Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Proposal to adopt new Rules 10.9216(b) and 10.9217 governing minor rule violations and fines

### Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* David Last Name \* De Gregorio

Title \* Associate General Counsel, NYSE Group Inc.

E-mail \* David.DeGregorio@ice.com

Telephone \* (212) 656-4166 Fax (212) 656-8101

### Signature

Pursuant to the requirements of the Securities Exchange of 1934, NYSE Chicago, Inc. has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 05/13/2022

(Title \*)

By Martha Redding

Corporate Secretary

(Name \*)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Martha Redding

Digitally signed by Martha Redding  
Date: 2022.05.13 17:19:56 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

**Form 19b-4 Information \***

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SEC Submission for Re-file NYSE Chi

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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Ex. 1 SEC Submission for Re-file NYS

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2- Notices, Written Comments, Transcripts, Other Communications**

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

Add Remove View

Ex. 5 SEC Submission for Re-file NYS

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> NYSE Chicago, Inc. (“NYSE Chicago” or the “Exchange”) proposes, in connection with a companion filing to adopt investigation, disciplinary, sanction, and other procedural rules modeled on the rules of its affiliates, to (1) adopt new Rules 10.9216(b) and 10.9217 governing minor rule violations and fines; (2) add additional rules to the Exchange’s list of current minor rule violations that would be transposed to proposed Rule 10.9217; and (3) move the Recommended Fine Schedule for minor rule violations from the Fee Schedule to proposed Rule 10.9217 and make certain amendments and corrections.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached as Exhibit 5.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action is required under the Exchange’s governing documents. Therefore, the Exchange’s internal procedures with respect to the proposed rule change are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

David De Gregorio  
Associate General Counsel  
NYSE Group, Inc.  
(212) 656-4166

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

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

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

(a) Purpose

In connection with a companion filing to adopt investigation, disciplinary, sanction, and other procedural rules modeled on the rules of its affiliates,<sup>3</sup> the Exchange proposes to (1) adopt new Rules 10.9216(b) and 10.9217 governing minor rule violations and fines; (2) add additional rules to the Exchange’s list of current minor rule violations that would be transposed to proposed Rule 10.9217; and (3) move the Recommended Fine Schedule for minor rule violations from the Fee Schedule to proposed Rule 10.9217 and make certain amendments and corrections.

**Background**

Beginning in 2013, each of the Exchange’s affiliates have adopted rules relating to investigation, discipline, sanction, and other procedural rules based on the rules of the Financial Industry Regulatory Authority (“FINRA”).<sup>4</sup> To facilitate rule harmonization among the Exchange’s affiliates, the Exchange has separately proposed the NYSE Chicago Rule 10.8000 and 10.9000 Series based on the text of the NYSE Arca Rule 10.8000 and Rule 10.9000 Series, with certain changes, as described in its companion filing. In connection with adoption of the proposed NYSE Chicago Rule 10.8000 and 10.9000 Series,<sup>5</sup> the Exchange proposes to adopt NYSE Arca rules related to issuance of minor rule fines that would replace

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<sup>3</sup> See SR-NYSECHX-2022-10.

<sup>4</sup> In 2013, the Commission approved the New York Stock Exchange LLC’s (“NYSE”) adoption of FINRA’s disciplinary rules. See Securities Exchange Act Release No. 69045 (March 5, 2013), 78 FR 15394 (March 11, 2013) (SR-NYSE-2013-02). In 2016, NYSE American LLC (“NYSE American”) adopted its Rule 8000 and Rule 9000 Series based on the NYSE and FINRA Rule 8000 and Rule 9000 Series. See Securities Exchange Act Release Nos. 77241 (February 26, 2016), 81 FR 11311 (March 3, 2016) (SR-NYSEMKT-2016-30). In 2018, the Commission approved NYSE National, Inc.’s (“NYSE National”) adoption of the NYSE National Rule 10.8000 and Rule 10.9000 Series based on the NYSE American and FINRA Rule 8000 and Rule 9000 Series. See Securities Exchange Act Release No. 83289 (May 17, 2018), 83 FR 23968 (May 23, 2018) (SR-NYSENat-2018-02). In 2019, NYSE Arca, Inc. (“NYSE Arca”) adopted the NYSE Arca Rule 10.8000 and 10.9000 Series based on the NYSE American Rule 8000 and Rule 9000 Series. See Securities Exchange Act Release No. 85639 (April 12, 2019), 84 FR 16346 (April 18, 2019) (SR-NYSEArca-2019-15).

<sup>5</sup> See note 3, supra.

the Exchanges current Article 12, Rule 8 which sets forth the Exchange's Minor Rules Violation Plan ("MRVP").<sup>6</sup>

Under current Article 12, Rule 8, in lieu of commencing a "disciplinary proceeding" as that term is used in Article 12 of the Exchange Rules, the Exchange may, subject to the requirements set forth in this Rule, impose a censure or fine, not to exceed \$5,000,<sup>7</sup> on any Participant, Associated Person, or registered or non-registered employee of a Participant, for any violation of a rule of the Exchange, which violation the Exchange shall have determined is minor in nature.<sup>8</sup> For failures to comply with the Consolidated Audit Trail Compliance

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<sup>6</sup> The Exchange adopted its current MRVP in 1996. See Securities Exchange Act Release No. 37255 (May 30, 1996), 61 FR 28918 (June 6, 1996) (SR-CHX-95-25) (Order). The original procedure authorizing the Exchange, in lieu of commencing disciplinary proceeding, to impose a fine, not to exceed \$2,500, on any member, member organization, associated person or registered or nonregistered employee of a member or member organization for any violation of an Exchange rule which the Exchange determines to be minor in nature was contained in as Article 12, Rule 9, now Article 12, Rule 8. The recommended dollar amounts for the first, second, third and subsequent violations, as calculated on a twelve-month rolling basis, of a rule designated as a minor rule violation was contained in a separate Recommended Fine Schedule in the Fee Schedule. See id., 61 FR at 28918-19 & n. 10.

In 2011, the Exchange increased the maximum fine pursuant to the MRVP from \$2,500 to \$5,000 and also increased the recommended fines from \$100/\$500/\$1000 for 1st, 2nd and 3rd tier fines, respectively, to \$250/\$750/\$1500. The Exchange also recommended fines of \$500/\$1000/\$2500 for other, more serious trading rule violations (*i.e.*, ones involving the potential for customer harm), as well as violations of the obligation to establish, maintain and enforce written supervisory procedures, and to provide information to the Exchange in connection with regulatory inquiries or other matters. Recommended fines of \$1000/\$2500/\$5000 were reserved for Trading Ahead violations. The Exchange also expanded the rolling time period in which violations would result in escalation to the next highest tier from 12 to 24 months. See Securities Exchange Act Release No. 64370 (April 29, 2011), 76 FR 25727, 25727 (May 5, 2011) (SR-CHX-2011-07) (Notice); Securities Exchange Act Release 64686 (June 16, 2011), 76 FR 36596 (June 22, 2011) (SR-CHX-2011-07) (Order). See also text accompanying note 20, *infra*.

<sup>7</sup> Proposed Rule 10.9217 would retain the Exchange's maximum \$5,000 fine for minor rule violations under current Article 12, Rule 8. While proposed Rule 10.9217 would allow the Exchange to administer fines up to \$5,000, the Exchange is only seeking relief from the reporting requirements of paragraph (c)(1) of Rule 19d-1 for fines administered under proposed Rule 10.9217 that do not exceed \$2,500.

<sup>8</sup> As set forth in Article 12, Rule 8(f), the Exchange is not required to impose a censure or fine with respect to the violation of any rule or policy included in any

Rule requirements of the Rule 6.6800 Series, the Exchange may impose a minor rule violation fine of up to \$2,500. For more serious violations, other disciplinary action may be sought.

Any censure or fine imposed pursuant to Article 12, Rule 8 and not contested shall not be publicly reported, except as may be required by Rule 19d-1 under the Exchange Act, and as may be required by any other regulatory authority. Any censure or fine that is contested may be publicly reported to the same extent that Exchange disciplinary proceedings may be publicly reported. Any fine imposed pursuant to Article 12, Rule 8 that (1) does not exceed \$2,500 and (2) is not contested, shall be reported by the Exchange to the Securities and Exchange Commission (the "Commission") on a periodic, rather than a current, basis, except as may otherwise be required by Exchange Act Rule 19d-1 and by any other regulatory authority. Under Article 12, Rule 8(b), the Chief Enforcement Counsel or Chief Regulatory Officer ("CRO") have the authority to impose a fine pursuant to the rule.

Under Article 12, Rule 8(c), in any action taken by the Exchange pursuant to the rule, the person against whom a censure or fine is imposed shall be served as provided in Article 12, Rule 1(c) with a written statement, signed by an Exchange officer setting forth (1) the rule(s) or policy(ies) alleged to have been violated; (2) the act or omission constituting each violation; (3) the sanctions imposed for each violation; (4) the date on which such action is taken; and (5) the date on which such determination becomes final and such fine, if any, becomes due and payable to the Exchange, or on which such action must be contested as provided in paragraph (e) of Article 12, Rule 8, such date to be not less than 15 days after the date of service of the written statement. Pursuant to Article 12, Rule 8(d), if the person fined pursuant to the rule pays the fine, such payment is deemed a waiver of any right to a disciplinary proceeding under Article 12 and any right to review or appeal. Commentary .01 to Article 12, Rule 8 provides that, with respect to subsection (d), a failure to pay a fine imposed Article 12, Rule 8 by the time it is due, without timely contesting the action upon which such fine was based pursuant to Article 12, Rule 8(e), shall be deemed a waiver by the person against whom the fine is imposed of such person's right to a disciplinary proceeding under Article 12 and any right to review or appeal.

Under Article 12, Rule 8(e), any person censured or fined pursuant to the rule may contest such censure or fine by filing with the Secretary a written response meeting the requirements of an Answer as provided in Article 12, Rule 4(b) no later than the date by which such determination must be contested. The Secretary may deny the answer if such answer is untimely or the answer fails to meet the standards of Article 12, Rule 4(b). If the Secretary denies the answer without

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such listing and the Exchange shall be free, whenever it determines that any violation is not minor in nature, to proceed under other provisions of Article 12 rather than under Article 12, Rule 8.

leave to amend and refile, the sanction imposed by the Exchange pursuant to Article 12, Rule 8(b) shall become final and the censure shall be imposed and/or fine become due and payable. Unless denied by the Secretary, an answer filed by respondent is deemed accepted, at which point the matter shall become a “Disciplinary Proceeding” subject to the provisions of Article 12 applicable to disciplinary proceedings.

Pursuant to Article 12, Rule 8(f), the Exchange must prepare and announce to its Participants from time to time a listing of the Exchange rules and policies as to which the Exchange may impose censures or fines as provided in this Rule that must also indicate the specific or recommended dollar amount that may be imposed as a fine hereunder with respect to any violation of such rule or policy, or may indicate the minimum and maximum dollar amount that may be imposed by the Exchange with respect to any such violation. In applying the current Recommended Fine Schedule set forth in the Fee Schedule, the Exchange considers a violation as having occurred at the time that the underlying conduct of the Participant occurred. Nothing in Article 12, Rule 8 requires the Exchange to impose a censure or fine pursuant to the Rule with respect to the violation of any rule or policy included in any such listing and the Exchange shall be free, whenever it determines that any violation is not minor in nature, to proceed under other provisions of Article 12 rather than under Rule 8. Under Article 12, Rule 8(g), any fine assessed under Rule 8 cannot be deemed to satisfy any damages or liability incurred from the violation.

Article 12, Rule 8(h) sets forth the Exchange rules and policies that are subject to the MRVP.

### **Proposed Rule Change**

The Exchange proposes to adopt new Rules 10.9216(b) and 10.9217 based on NYSE Arca Rules 10.9216(b) and 10.9217. The Exchange would retain the text of the Exchange’s currently applicable list of minor rule violations in proposed Rule 10.9217 and make certain corrections and additions, as described below. In addition, the Exchange would move the Recommended Fine Schedule for minor rule violations from the Fee Schedule to proposed Rule 10.9217 and make certain amendments and corrections. The Exchange proposes to add Rules 10.9216(b) and 10.9217 to Rule 10 governing disciplinary proceedings, other hearings and appeals that will house the proposed Rule 10.8000 and 10.9000 Series based on the text of the NYSE Arca Rule 10.8000 and Rule 10.9000 Series that is the subject of the Exchange’s companion immediately effective filing.

#### **Proposed Rule 10.9216(b)**

Subsection (b) of proposed Rule 10.9216 (Acceptance, Waiver, and Consent; Procedure for Imposition of Fines for Minor Violation(s) of Rules) would set forth the procedure for the imposition of fine for minor rule violations under the

Exchange's new disciplinary rules based on NYSE Arca Rule 10.9216(b).<sup>9</sup> Proposed Rule 10.9216(b)(1) would provide that, notwithstanding Rule 10.9211,<sup>10</sup> the Exchange may, subject to the requirements set forth in paragraphs (b)(2) through (b)(4), impose a fine in accordance with the fine amounts and fine levels set forth in proposed Rule 10.9217 and/or a censure on any Participant,<sup>11</sup> Participant Firm or covered person<sup>12</sup> with respect to any rule listed in Rule 10.9217. If Enforcement has reason to believe a violation has occurred and if the Participant, Participant Firm or covered person does not dispute the violation, Enforcement may prepare and request that the Participant, Participant Firm or covered person execute a minor rule violation letter accepting a finding of violation, consenting to the imposition of sanctions, and agreeing to waive such Participant's, Participant Firm's or covered person's right to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel,<sup>13</sup> and any right of

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<sup>9</sup> Proposed subsection (a) would establish the procedures by which a Participant, Participant Firm or covered person, prior to the issuance of a complaint, could execute a letter of acceptance, waiver, and consent accepting a finding of violation, consenting to the imposition of sanctions and waiving the right to a hearing or appeal. Proposed Rule 10.9216(a) would be adopted as part of the Exchange's companion filing. See note 3, supra.

<sup>10</sup> Proposed Rule 10.9211 (Authorization of Complaint) would be adopted as part of the Exchange's companion filing and would permit Enforcement to request the authorization from the Chief Regulatory Officer ("CRO") to issue a complaint against any Participant, Participant Firm and covered persons of a Participant or Participant Firm, thereby commencing a disciplinary proceeding.

<sup>11</sup> The term "Participant" is defined in Article 1, Rule 1(s) to mean, among other things, any Participant Firm that holds a valid Trading Permit and that a Participant shall be considered a "member" of the Exchange for purposes of the Act. If a Participant is not a natural person, the Participant may also be referred to as a Participant Firm, but unless the context requires otherwise, the term Participant shall refer to an individual Participant and/or a Participant Firm. For the avoidance of doubt, this rule filing and the proposed disciplinary rules will use the phrase Participant and/or Participant Firm.

<sup>12</sup> "Covered person" would be defined in proposed Rule 10.9120(g) in the companion filing as an Associated Person as defined in Article 1, Rule 1(d) and any other person subject to the jurisdiction of the Exchange.

<sup>13</sup> "Hearing Panel" and "Extended Hearing Panel" would be defined in proposed Rule 10.9120(s) and (p), respectively, in the companion filing. The term "Hearing Panel" would mean an Adjudicator that is constituted under proposed Rule 10.9231 to conduct a disciplinary proceeding governed by the proposed Rule 10.9200 Series, that is constituted under the proposed Rule 10.9520 Series or the proposed Rule 10.9550 Series to conduct a proceeding, or that is constituted under the Rule 10.9800 Series to conduct a temporary cease and desist proceeding. The term "Extended Hearing Panel" would mean an Adjudicator that is constituted



review by the Exchange Board of Directors (“Board”), the Commission, and the courts, or to otherwise challenge the validity of the letter, if the letter is accepted. The letter would describe the act or practice engaged in or omitted, the rule, regulation, or statutory provision violated, and the sanction or sanctions to be imposed. Unless the letter states otherwise, the effective date of any sanction(s) imposed would be a date to be determined by Regulatory Staff.<sup>14</sup>

Proposed Rule 10.9216(b)(2)(A)(i) would provide that if a Participant, Participant Firm or covered person submits an executed minor rule violation letter, the submission of such a letter by the Participant, Participant Firm or covered person also waives any right to claim bias or prejudgment of the CRO, the Board, Counsel to the Board, or any Director, in connection with such person’s or body’s participation in discussions regarding the terms and conditions of the minor rule violation letter or other consideration of the minor rule violation letter, including acceptance or rejection of such minor rule violation letter.

Proposed Rule 10.9216(b)(2)(A)(ii) would provide that if a Participant, Participant Firm or covered person submits an executed minor rule violation letter, by the submission such Participant, Participant Firm or covered person also waives any right to claim that a person violated the ex parte prohibitions of proposed Rule 10.9143 or the separation of functions prohibitions of proposed Rule 10.9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation letter or other consideration of the minor rule violation letter, including acceptance or rejection of such minor rule violation letter.<sup>15</sup>

Proposed Rule 10.9216(b)(2)(B) would provide that if a minor rule violation letter is rejected, the Participant, Participant Firm or covered person would be bound by the waivers made under proposed paragraphs (b)(1) and (b)(2)(A) for conduct by persons or bodies occurring during the period beginning on the date the minor rule violation letter was executed and submitted and ending upon the rejection of the minor rule violation letter.

Proposed Rule 10.9216(b)(3) would provide that if the Participant, Participant

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under proposed Rule 10.9231(c) to conduct a disciplinary proceeding that is classified as an “Extended Hearing” and is governed by the proposed Rule 10.9200 Series.

<sup>14</sup> “Regulatory Staff” would be defined in proposed Rule 10.9120(x) in the companion filing as (1) any officer or employee reporting, directly or indirectly, to the CRO of the Exchange; and (2) FINRA staff acting on behalf of the Exchange in connection with the proposed Rule 10.8000 Series and Rule 10.9000 Series.

<sup>15</sup> Rule 10.9143 (Ex Parte Communications) would prohibit certain ex parte communications. Proposed 10.9144 (Separation of Functions) would establish separation of functions and provide for waivers.

Firm or covered person executes the minor rule violation letter, it would be submitted to the CRO. The CRO, on behalf of the SRO Board, may accept or reject such letter.

Proposed Rule 10.9216(b)(4) would provide that if the letter is accepted by the CRO, it would be deemed final and that any fine imposed pursuant to the proposed Rule and not contested would not be publicly reported, except as may be required by Rule 19d-1 under the Act , and as may be required by any other regulatory authority.

Proposed Rule 10.9216(b)(4) would further provide that if the letter is rejected by the CRO, the Exchange may take any other appropriate disciplinary action with respect to the alleged violation or violations. Subsection (b)(4) would also provide that if the letter is rejected, the Participant, Participant Firm or covered person would not be prejudiced by the execution of the minor rule violation letter under proposed paragraph (b)(1) and that the letter may not be introduced into evidence in connection with the determination of the issues set forth in any complaint or in any other proceeding.

As noted above, proposed Rule 10.9216(b) is substantially the same as NYSE Arca Rule 10.9216(b).

#### Proposed Rule 10.9217

The Exchange also proposes to adopt Rule 10.9217 based on NYSE Arca Rule 10.9217, which would be titled “Violations Appropriate for Disposition Under Rule 10.9216(b)”.

Proposed Rule 10.9217(a) would provide that any Participant, Participant Firm or covered person may be subject to a fine, not to exceed \$5,000,<sup>16</sup> under Rule 10.9216(b) with respect to any rules listed below and that the fine amounts and fine levels set forth below would apply to the fines imposed.

Proposed Rule 10.9217(b) would provide that Regulatory Staff designated by the Exchange would have the authority to impose a fine pursuant to the proposed Rule.

Proposed Rule 10.9217(c) would provide that any person or organization found in violation of a minor rule would not be required to report such violation on SEC Form BD or Form U-4 if the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person or organization has not sought an adjudication, including a hearing, or otherwise exhausted the administrative remedies available with respect to the matter. Subsection (c) would further provide that any fine imposed in excess of \$2,500 would be subject to current rather than quarterly

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<sup>16</sup>

See note 7, *supra*.

reporting to the Commission pursuant to Rule 19d-1 under the Act.

Proposed Rule 10.9217(d) would provide that nothing in the proposed Rule would require the Exchange to impose a fine for a violation of any rule under this Minor Rule Plan and that if the Exchange determines that any violation is not minor in nature, the Exchange may, at its discretion, proceed under the proposed Rule 10.9000 Series rather than under proposed Rule 10.9217.

The next section would be titled “List of Rule Violations and Fines Applicable Thereto” and would provide that any Participant, Participant Firm or covered person may be subject to a fine under proposed Rule 10.9216(b) with respect to any rules listed below.

Proposed Rule 10.9217(e) would be titled “Exchange Rules and Policies subject to a Minor Rule Violation” and would set forth the list of rules under which a Participant, Participant Firm or covered person may be subject to a fine under a minor rule violation letter as described in proposed Rule 10.9216(b). The Exchange would retain the list of rules currently set forth in Article 12, Rule 8(h) under the existing headings for “Reporting and Record Retention Violations” and “Minor Trading Rule Violations” with the following additions and changes.

First, the Exchange would add subsection (b) of Article 6, Rule 2 (Registration and Approval of Participant Personnel) to proposed Rule 10.9217(e)(13).

Article 6, Rule 2 currently sets forth certain employee registration, approval and other exchange requirements. Specifically, Article 6, Rule 2(a) governs registration of representatives, as defined in Article 6, Rule 14(b)(1), with the Exchange and is currently eligible for a minor rule fine under Article 12, Rule 8(h). Article 6, Rule 2(b) provides for the registration of principals, as defined in Article 6, Rule 14(a)(1). The Exchange proposes that the registration requirements of principals set forth in Article 6, Rule 2(b) be eligible for a minor rule fine. The proposed change would be consistent with the practice on the Exchange’s affiliates whose comparable rule requiring the registration of principals is eligible for a minor rule fine.<sup>17</sup>

Second, the Exchange would add subsections (a) and (b) of Article 6, Rule 5 (Supervision of Representatives and Branch and Resident Offices) to proposed Rule 10.9217(e)(14). As discussed below, the Exchange’s current minor rule incorrectly references Article 6, Rule 5(b) for violations relating to written supervisory procedures. The correct reference should be to Article 6, Rule 5(c), which the Exchange proposes to retain as proposed Rule 10.9217(e)(15).

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<sup>17</sup> See, e.g., NYSE National Rules 2.2(c) (Obligations of ETP Holders and the Exchange) and 10.9217(f). The entirety of NYSE National Rule 2.2 is eligible for minor rule treatment; registration of principals under NYSE Nationals’ rules is governed by subsection (c).

Article 6, Rule 5(a) (Adherence to Law) provides that no Participant shall engage in conduct in violation of the Act, as amended, rules or regulations thereunder, the Bylaws or the Rules of the Exchange, or any written interpretation thereof and that every Participant is responsible for reasonably supervising its associated persons to prevent such violations. The requirement to reasonably supervise individuals to ensure compliance with applicable laws, rules and regulations, is currently eligible for minor rule fines in the rules of the Exchange's affiliate NYSE Arca.<sup>18</sup>

Article 6, Rule 5(b) (Designation of persons with supervisory authority) provides that each Participant Firm must designate a principal executive officer, general partner or managing partner to hold overall authority and responsibility for the firm's internal supervision and compliance with securities laws and regulations. This designated supervisor may formally delegate his or her supervisory duties and authority to other persons within the firm. The Rule further provides that Participants must maintain, for a period of not less than six years (the first two years in an easily accessible place), records of the names of all persons who are designated as supervisory personnel and the dates for which those designations are effective. In the absence of such designation by a Participant Firm, the Firm's General Partner(s), President, Chief Executive Officer or other principal executive officer shall be deemed to be responsible for a Firm's internal supervision and compliance function. In addition, each Participant Firm shall designate and specifically identify to the Exchange on Schedule A of Form BD one or more principals to serve as a Chief Compliance Officer. The requirement in Article 6, Rule 5(b) to designate and specifically identify persons with supervisory responsibility is currently eligible for minor rule fines in the rules of the Exchange's affiliate NYSE Arca.<sup>19</sup> The Exchange accordingly proposes to permit minor rule fines for violations of Article 6, Rule 5(b).

As noted, Article 12, Rule 8(h)(1)(N) of the Exchange's current minor rule plan makes failure to establish, maintain and enforce written supervisory procedures under Article 6, Rule 5(b) eligible for a minor rule fine. However, as described above Article 6, Rule 5(b) relates to the designation of persons with supervisory authority and not written supervisory procedures, which is governed by Article 6, Rule 5(c). In 2011, Article 12, Rule 8 was amended to include, among other things, new reporting and recordkeeping provisions, which included "written supervisory procedures (Article 6, Rule 5(b))."<sup>20</sup> At the time, Article 6, Rule 5(b)

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<sup>18</sup> See NYSE Arca Rule 11.18(a) (Supervision) and 10.9217(g)(8).

<sup>19</sup> See NYSE Arca Rule 11.18(b)(2) & (4) (Supervision) and 10.9217(g)(8).

<sup>20</sup> See Securities Exchange Act Release No. 64370 (April 29, 2011), 76 FR 25727, 25727 (May 5, 2011) (SR-CHX-2011-07) (Notice); Securities Exchange Act Release 64686 (June 16, 2011), 76 FR 36596 (June 22, 2011) (SR-CHX-2011-07) (Order). See generally note 6, *supra*.

was titled “Written supervisory procedures” and contained the text of current subsection (c). In 2013, the Exchange filed to amend Article 6, Rule 5. As part of that filing, subsection (a), which was titled “Designation of persons with supervisory authority,” became new subsection (b), and old subsection (b), which was titled “Written supervisory procedures,” became current subsection (c).<sup>21</sup> The Exchange did not, however, update Article 12, Rule 8 to reflect that Article 6, Rule 5(b) had become Article 6, Rule 5(c). The Exchange proposes to make that correction in the text of proposed Rule 10.9217(e)(15). The Exchange notes that the requirement to establish, maintain and enforce written procedures is also currently eligible for minor rule fines in the rules of the Exchange’s affiliate NYSE Arca.<sup>22</sup>

Finally, the Exchange proposes a new subsection (f) titled “Recommended Fine Schedule” that would reproduce the current Recommended Fine Schedule from the Fee Schedule with the following changes and corrections. The Recommended Fine Schedule in the Fee Schedule would be deleted:

- The Exchange would add a new sub-heading titled “Reporting and Record Retention Violations”<sup>23</sup> that would set forth the corresponding fines for first, second and third and subsequent violations for the rules set forth under the heading “Reporting and Record Retention Violations” in proposed Rule 10.9217(e).
- The first 12 entries as well as entries 16 through 23 would be reproduced without change from the current Recommended Fine Schedule in the Fee Schedule.
- Item 13 would be “Registration and Approval of Participant Personnel (Article 6, Rule 2(a) & (b))”. The proposed first, second and third level fines for violations of Article 6, Rule 2(b) of \$250 for the first violation, \$750 for the second violation and \$1,500 for the third and subsequent violations would be the same as those in the Exchange’s current Recommended Fine Schedule in the Fee Schedule for violations of Article 6, Rule 2(a).

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<sup>21</sup> See Securities Exchange Act Release No. 70597 (October 2, 2013), 78 FR 62728, 62732 (October 22, 2013) (SR-CHX-2013-14) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change).

<sup>22</sup> See NYSE Arca Rule 11.18(c) (Supervision) and 10.9217(g)(8).

<sup>23</sup> Immediately before the new sub-heading, the Exchange would include the following text based on NYSE Arca Rule 10.9217: “These fines are intended to apply to minor violations. For more serious violations, other disciplinary action may be sought.”

- Items 14 and 15 -- “Failure to Comply with Supervision Requirements (Article 6, Rule 5(a) & (b))” and “Written Supervisory Procedures (Article 6, Rule 5(c)),” respectively -- would be added to proposed Rule 10.9271(f) consistent with the changes to proposed Rule 10.9217(e)(14) and (15) described above. The proposed first, second and third level fines for violations of Article 6, Rule 5(a) and (b) in proposed Rule 10.9217(e)(14) and Article 6, Rule 5(c) in proposed Rule 10.9217(e)(15) would be \$500 for the first violation, \$1,000 for the second violation and \$2,500 for the third and subsequent violations. These fine levels would be the same as the current fines in the Recommended Fine Schedule in the Fee Schedule for violations of Article 6, Rule 5(b).
- Finally, item 24 would be “Consolidated Audit Compliance Rule (Rule 6.6800 Series).” The corresponding fine “Up to \$2,500.00” would be transposed from current Article 12, Rule 8 to new footnote \*\* following “Rule 6.6800 Series.”<sup>24</sup> The Exchange would also add the current text from Article 12, Rule 8(a) providing that “For failures to comply with the Consolidated Audit Trail Compliance Rule requirements of the Rule 6.6800 Series, the Exchange may impose a minor rule violation fine of up to \$2,500. For more serious violations, other disciplinary action may be sought” to new footnote \*\*.
- The Exchange would add a new second sub-heading titled “Minor Trading Rule Violations” that would set forth the corresponding fines for first, second and third and subsequent violations for the 11 rules set forth under the heading “Minor Trading Rule Violations” in proposed Rule 10.9217(e), with the following changes and corrections:
  - The entry for “Failure to clear the Matching System (Article 20, Rule 7)” and corresponding fines would not be included. This rule was deleted from Article 12, Rule 8 8(h)(2)(F) in 2019 as part of the transition of trading on the Exchange to the Pillar trading platform but the Exchange inadvertently failed to update the Recommended Fine Schedule in the Fee Schedule.<sup>25</sup>
  - The Exchange would include “Short Sales (Rule 7.16)” as item 10.

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<sup>24</sup> In 2020, the Exchange added the Consolidated Audit Trail (“CAT”) industry member compliance rules to the list of minor rule violations in Article 12, Rule 8 and the corresponding fine up to \$2,500. At the time, the Exchange inadvertently did not amend the Recommended Fine Schedule in the Fee Schedule. See Securities Exchange Act Release No. 89410 (July 28, 2020), 85 FR 46741 (August 3, 2020) (SR-CHX-2020-21).

<sup>25</sup> See Securities Exchange Act Release No. 87264 (October 9, 2019), 84 FR 55345, 55349 (October 16, 2019) (SR-CHX-2019-08).

Rule 7.16 was added to Article 12, Rule 8 in 2019 as part of the transition of trading on the Exchange to the Pillar trading platform but the Exchange inadvertently failed to update the Recommended Fine Schedule in the Fee Schedule.<sup>26</sup> The proposed first, second and third level fines for violations of Rule 7.16 of \$500 for the first violation, \$1,000 for the second violation and \$2,500 for the third and subsequent violations are the same as those in NYSE Arca Rule 10.9217(i)(1)1. for violations of NYSE Arca Rule 7.16-E.<sup>27</sup>

- Finally, the Exchange would include “Failure to comply with Authorized Trader requirements (Rule 7.30)” as item 11. Rule 7.30 was also added to Article 12, Rule 8 as part of the transition to Pillar in 2019 but the Exchange inadvertently failed to update the Recommended Fine Schedule in the Fee Schedule.<sup>28</sup> The proposed first, second and third level fines for violations of Rule 7.30 of \$1,000 for the first violation, \$2,500 for the second violation and \$3,500 for the third and subsequent violations are the same as those in NYSE Arca Rule 10.9217(i)(1)5. for violations of NYSE Arca Rule 7.30-E.<sup>29</sup>

As noted, proposed subsection (a) of proposed Rule 10.9217 is substantially the same as NYSE Arca Rule 10.9217(a) except for changes reflecting the Exchange’s membership. The Exchange proposes that a fine thereunder would not exceed \$5,000 (the amount reflected in current Article 12, Rule 8).<sup>30</sup>

Proposed subsections (b), (c) and (d) are also substantially the same as NYSE Arca Rule 10.9217(b), (c) and (d) with the only changes reflecting the Exchange’s membership.

Unlike current Article 12, Rule 8(e) described above, proposed Rule 10.9216(b) and Rule 10.9217 would not permit a Respondent to contest a minor rule violation letter. Rather, as proposed, if the Respondent rejects the minor rule violation letter, then a complaint must be filed under proposed Rule 10.9211, and the minor rule violation letter may not be introduced into evidence.<sup>31</sup> The Exchange believes the proposed rule is appropriate because it will harmonize the Exchange’s minor rule violation process with its affiliates’ rules.

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<sup>26</sup> See id.

<sup>27</sup> See NYSE Arca Rule 7.16-E (Short Sales) & 10.9217(i)(1)1.

<sup>28</sup> See Securities Exchange Act Release No. 87264 (October 9, 2019), 84 FR 55345, 55349 (October 16, 2019) (SR-CHX-2019-08).

<sup>29</sup> See NYSE Arca Rule 7.30-E (Authorized Traders) & 10.9217(i)(1)5.

<sup>30</sup> See note 7, supra.

<sup>31</sup> See proposed Rule 10.9216(b)(4).

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>32</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>33</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

Minor rule fines provide a meaningful sanction for minor or technical violations of rules. The Exchange believes that the proposed rule change will strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation. Specifically, the proposed rule change is designed to prevent fraudulent and manipulative acts and practices because it will provide the Exchange the ability to issue a minor rule fine for violations of its rules governing reporting, record retention and trading in situations where either a cautionary action letter or a more formal disciplinary action may not be warranted or appropriate.

As noted, the Exchange would retain its list of minor rule violations with certain technical and conforming amendments, while adopting its affiliates' process for imposing minor rule violation fines.<sup>34</sup> In addition, as set forth in the Exchange's companion filing and herein, the Exchange believes that adding certain rules to its list of eligible minor rule violations based on the rules of its affiliate will strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation.

Specifically, the proposed additions are designed to prevent fraudulent and manipulative acts and practices because it will provide the Exchange the ability to issue a minor rule fine for violations of its rules governing general registration and supervision requirements in situations where a more formal disciplinary action may not be warranted or appropriate. As provided for in proposed Rule 10.9217(d), nothing in proposed Rule 10.9217 would require the Exchange to impose a minor rule fine for a violation of any eligible rule and that if the Exchange determines that any violation is not minor in nature, the Exchange may, at its discretion, proceed with formal disciplinary action rather than under

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<sup>32</sup> 15 U.S.C. 78f(b).

<sup>33</sup> 15 U.S.C. 78f(b)(5).

<sup>34</sup> See NYSE Arca Rule 10.9216(b), NYSE Rule 9216(b), & NYSE American Rule 9216(b). See also generally FINRA Rule 9216(b).



proposed Rule 10.9217.

The Exchange also believes that adding rules based on the rules of its affiliate to its list of eligible minor rule violations would promote fairness and consistency in the marketplace by permitting the Exchange to issue a minor rule fine for violations of substantially similar rules that are eligible for minor rule treatment on the Exchange's affiliate, thereby harmonizing minor rule plan fines across affiliated exchanges for the same conduct. As noted above, Article 6, Rule 2(b), 5(a) and 5(b) are substantially similar to NYSE National and NYSE Arca rules of similar purpose, which are each separately eligible for a minor rule fine under the respective market's version of proposed Rule 10.9217.<sup>35</sup>

Further, the Exchange believes that the proposed additions to its list of rules eligible for minor rule fines based on the rules of its affiliate are consistent with Section 6(b)(6) of the Act,<sup>36</sup> which provides that members and persons associated with members shall be appropriately disciplined for violation of the provisions of the rules of the exchange, by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction. As noted, the proposed rule change would provide the Exchange ability to sanction minor or technical violations pursuant to the Exchange's rules and would increase the amounts of fines in order for the Exchange to better deter violative activity and to harmonize its rules with that of its affiliates.

The Exchange believes that moving the Recommended Fine Schedule for minor rule violations from the Fee Schedule to proposed Rule 10.9217 and removing it from the Fee Schedule would add clarity and transparency to the Exchange's rules by reflecting the recommended fines for minor rule violations in the same place in the Exchange's rules. Similarly, updating the Recommended Fine Schedule to delete obsolete rules and add recommended fines for rules that were added to the list of minor rules but inadvertently omitted from the Recommended Fine Schedule would also add clarity and transparency to the Exchange's rules. The Exchange believes that adding such clarifying language would also be consistent with the public interest and the protection of investors because investors will not be harmed and in fact would benefit from increased transparency, thereby reducing potential confusion.

Further, the Exchange believes that adding recommended fines for Rule 7.16 and Rule 7.30 that were inadvertently omitted from the current Recommended Fine Schedule based on the fines for the same rules set forth in the rules of its affiliate would promote fairness and consistency in the marketplace by permitting the Exchange to issue a minor rule fine for violations of substantially similar rules that are eligible for minor rule treatment on the Exchange's affiliate, thereby

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<sup>35</sup> See text accompanying notes 17-22, *supra*.

<sup>36</sup> 15 U.S.C. 78f(b)(6).

harmonizing minor rule plan fines across affiliated exchanges for the same conduct. As noted above, the proposed first, second and third level fines for violations of Rule 7.16 are the same as those in NYSE Arca Rule 10.9217(i)(1)1. for violations of NYSE Arca Rule 7.16-E, and the proposed first, second and third level fines for violations of Rule 7.30 are the same as those in NYSE Arca Rule 10.9217(i)(1)5. for violations of NYSE Arca Rule 7.30-E.<sup>37</sup>

Finally, the Exchange also believes that the proposed changes are designed to provide a fair procedure for the disciplining of members and persons associated with members consistent with Sections 6(b)(7) and 6(d) of the Act.<sup>38</sup> Proposed Rules 10.9216(b) and 10.9217 would not preclude a Participant, Participant Firm or covered person from rejecting an alleged violation and receiving a hearing on the matter with the same procedural rights through a litigated disciplinary proceeding.

4. 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. The proposed change is not designed to address any competitive issue but rather to update the Exchange's rules to strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct and to harmonize its rules with the rules of its affiliate.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The Exchange requests the Commission to find good cause pursuant to Section 19(b)(2) of the Act<sup>39</sup> for approving the proposed rule change prior to the 30th day after its publication in the Federal Register in order to allow the change to take effect at the same time as the Exchange's companion filing to adopt investigation,

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<sup>37</sup> See notes 26-28, *supra*.

<sup>38</sup> 15 U.S.C. 78f(b)(7) & 78f(d).

<sup>39</sup> 15 U.S.C. 78s(b)(2).

disciplinary, sanction, and other procedural rules modeled on the rules of its affiliates.<sup>40</sup> The Exchange believes accelerated approval will facilitate more efficient, effective, and coordinated enforcement of the Exchange's rules pursuant to the new disciplinary rules it proposes to adopt by permitting rules governing minor rule violations to be effective at the same time the rest of the disciplinary rules the Exchange proposes to adopt are effective. Further, the Exchange believes that accelerated approval is appropriate given the proposed rule change is consistent with the approach its affiliates that have adopted the same disciplinary rules take with respect to minor rule fine for violations of substantially similar rules. As noted above, adopting the minor rule process based on the rules of its affiliates and updating the Exchange's minor rule violations and fine amounts based on the rules of its affiliates in connection with the adoption of substantially similar disciplinary rules that its affiliates have previously adopted would promote fairness and consistency in the marketplace and harmonize minor rule plan fines across affiliated exchanges for the same conduct.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is based on the NYSE Arca Rule 10.9216(b) and 10.9217.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register.

Exhibit 5 – Text of Proposed Rule Change.

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<sup>40</sup> See SR-NYSECHX-2022-10.

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-NYSECHX-2022-08)

[Date]

Self-Regulatory Organizations; NYSE Chicago, Inc.; Notice of Filing of Proposed Rule Change in Connection with A Companion Filing to Adopt Investigation, Disciplinary, Sanction, and Other Procedural Rules Modeled on the Rules of Its Affiliates

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 May 13, 2022, the NYSE Chicago, Inc. (“NYSE Chicago” or the “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 Substance of the Proposed Rule Change

The Exchange proposes, in connection with a companion filing to adopt investigation, disciplinary, sanction, and other procedural rules modeled on the rules of its affiliates, to (1) adopt new Rules 10.9216(b) and 10.9217 governing minor rule violations and fines; (2) add additional rules to the Exchange’s list of current minor rule violations that would be transposed to proposed Rule 10.9217; and (3) move the Recommended Fine Schedule for minor rule violations from the Fee Schedule to

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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.

proposed Rule 10.9217 and make certain amendments and corrections. The proposed change is available on the Exchange's website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at 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 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

In connection with a companion filing to adopt investigation, disciplinary, sanction, and other procedural rules modeled on the rules of its affiliates,<sup>4</sup> the Exchange proposes to (1) adopt new Rules 10.9216(b) and 10.9217 governing minor rule violations and fines; (2) add additional rules to the Exchange's list of current minor rule violations that would be transposed to proposed Rule 10.9217; and (3) move the Recommended Fine Schedule for minor rule violations from the Fee Schedule to proposed Rule 10.9217 and make certain amendments and corrections.

**Background**

Beginning in 2013, each of the Exchange's affiliates have adopted rules relating

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<sup>4</sup> See SR-NYSECHX-2022-10.

to investigation, discipline, sanction, and other procedural rules based on the rules of the Financial Industry Regulatory Authority (“FINRA”).<sup>5</sup> To facilitate rule harmonization among the Exchange’s affiliates, the Exchange has separately proposed the NYSE Chicago Rule 10.8000 and 10.9000 Series based on the text of the NYSE Arca Rule 10.8000 and Rule 10.9000 Series, with certain changes, as described in its companion filing. In connection with adoption of the proposed NYSE Chicago Rule 10.8000 and 10.9000 Series,<sup>6</sup> the Exchange proposes to adopt NYSE Arca rules related to issuance of minor rule fines that would replace the Exchanges current Article 12, Rule 8 which sets forth the Exchange’s Minor Rules Violation Plan (“MRVP”).<sup>7</sup>

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<sup>5</sup> In 2013, the Commission approved the New York Stock Exchange LLC’s (“NYSE”) adoption of FINRA’s disciplinary rules. See Securities Exchange Act Release No. 69045 (March 5, 2013), 78 FR 15394 (March 11, 2013) (SR-NYSE-2013-02). In 2016, NYSE American LLC (“NYSE American”) adopted its Rule 8000 and Rule 9000 Series based on the NYSE and FINRA Rule 8000 and Rule 9000 Series. See Securities Exchange Act Release Nos. 77241 (February 26, 2016), 81 FR 11311 (March 3, 2016) (SR-NYSEMKT-2016-30). In 2018, the Commission approved NYSE National, Inc.’s (“NYSE National”) adoption of the NYSE National Rule 10.8000 and Rule 10.9000 Series based on the NYSE American and FINRA Rule 8000 and Rule 9000 Series. See Securities Exchange Act Release No. 83289 (May 17, 2018), 83 FR 23968 (May 23, 2018) (SR-NYSENat-2018-02). In 2019, NYSE Arca, Inc. (“NYSE Arca”) adopted the NYSE Arca Rule 10.8000 and 10.9000 Series based on the NYSE American Rule 8000 and Rule 9000 Series. See Securities Exchange Act Release No. 85639 (April 12, 2019), 84 FR 16346 (April 18, 2019) (SR-NYSEArca-2019-15).

<sup>6</sup> See note 4, supra.

<sup>7</sup> The Exchange adopted its current MRVP in 1996. See Securities Exchange Act Release No. 37255 (May 30, 1996), 61 FR 28918 (June 6, 1996) (SR-CHX-95-25) (Order). The original procedure authorizing the Exchange, in lieu of commencing disciplinary proceeding, to impose a fine, not to exceed \$2,500, on any member, member organization, associated person or registered or nonregistered employee of a member or member organization for any violation of an Exchange rule which the Exchange determines to be minor in nature was contained in as Article 12, Rule 9, now Article 12, Rule 8. The recommended dollar amounts for the first, second, third and subsequent violations, as calculated on a twelve-month rolling basis, of a rule designated as a minor rule violation was

Under current Article 12, Rule 8, in lieu of commencing a “disciplinary proceeding” as that term is used in Article 12 of the Exchange Rules, the Exchange may, subject to the requirements set forth in this Rule, impose a censure or fine, not to exceed \$5,000,<sup>8</sup> on any Participant, Associated Person, or registered or non-registered employee of a Participant, for any violation of a rule of the Exchange, which violation the Exchange shall have determined is minor in nature.<sup>9</sup> For failures to comply with the Consolidated Audit Trail Compliance Rule requirements of the Rule 6.6800 Series, the Exchange may impose a minor rule violation fine of up to \$2,500. For more serious violations, other disciplinary action may be sought.

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contained in a separate Recommended Fine Schedule in the Fee Schedule. See id., 61 FR at 28918-19 & n. 10.

In 2011, the Exchange increased the maximum fine pursuant to the MRVP from \$2,500 to \$5,000 and also increased the recommended fines from \$100/\$500/\$1000 for 1st, 2nd and 3rd tier fines, respectively, to \$250/\$750/\$1500. The Exchange also recommended fines of \$500/\$1000/\$2500 for other, more serious trading rule violations (*i.e.*, ones involving the potential for customer harm), as well as violations of the obligation to establish, maintain and enforce written supervisory procedures, and to provide information to the Exchange in connection with regulatory inquiries or other matters. Recommended fines of \$1000/\$2500/\$5000 were reserved for Trading Ahead violations. The Exchange also expanded the rolling time period in which violations would result in escalation to the next highest tier from 12 to 24 months. See Securities Exchange Act Release No. 64370 (April 29, 2011), 76 FR 25727, 25727 (May 5, 2011) (SR-CHX-2011-07) (Notice); Securities Exchange Act Release 64686 (June 16, 2011), 76 FR 36596 (June 22, 2011) (SR-CHX-2011-07) (Order). See also text accompanying note 20, *infra*.

<sup>8</sup> Proposed Rule 10.9217 would retain the Exchange’s maximum \$5,000 fine for minor rule violations under current Article 12, Rule 8. While proposed Rule 10.9217 would allow the Exchange to administer fines up to \$5,000, the Exchange is only seeking relief from the reporting requirements of paragraph (c)(1) of Rule 19d-1 for fines administered under proposed Rule 10.9217 that do not exceed \$2,500.

<sup>9</sup> As set forth in Article 12, Rule 8(f), the Exchange is not required to impose a censure or fine with respect to the violation of any rule or policy included in any such listing and the Exchange shall be free, whenever it determines that any violation is not minor in nature, to proceed under other provisions of Article 12 rather than under Article 12, Rule 8.

Any censure or fine imposed pursuant to Article 12, Rule 8 and not contested shall not be publicly reported, except as may be required by Rule 19d-1 under the Exchange Act, and as may be required by any other regulatory authority. Any censure or fine that is contested may be publicly reported to the same extent that Exchange disciplinary proceedings may be publicly reported. Any fine imposed pursuant to Article 12, Rule 8 that (1) does not exceed \$2,500 and (2) is not contested, shall be reported by the Exchange to the Securities and Exchange Commission (the "Commission") on a periodic, rather than a current, basis, except as may otherwise be required by Exchange Act Rule 19d-1 and by any other regulatory authority. Under Article 12, Rule 8(b), the Chief Enforcement Counsel or Chief Regulatory Officer ("CRO") have the authority to impose a fine pursuant to the rule.

Under Article 12, Rule 8(c), in any action taken by the Exchange pursuant to the rule, the person against whom a censure or fine is imposed shall be served as provided in Article 12, Rule 1(c) with a written statement, signed by an Exchange officer setting forth (1) the rule(s) or policy(ies) alleged to have been violated; (2) the act or omission constituting each violation; (3) the sanctions imposed for each violation; (4) the date on which such action is taken; and (5) the date on which such determination becomes final and such fine, if any, becomes due and payable to the Exchange, or on which such action must be contested as provided in paragraph (e) of Article 12, Rule 8, such date to be not less than 15 days after the date of service of the written statement. Pursuant to Article 12, Rule 8(d), if the person fined pursuant to the rule pays the fine, such payment is deemed a waiver of any right to a disciplinary proceeding under Article 12 and any right to review or appeal. Commentary .01 to Article 12, Rule 8 provides that, with respect to subsection



(d), a failure to pay a fine imposed Article 12, Rule 8 by the time it is due, without timely contesting the action upon which such fine was based pursuant to Article 12, Rule 8(e), shall be deemed a waiver by the person against whom the fine is imposed of such person's right to a disciplinary proceeding under Article 12 and any right to review or appeal.

Under Article 12, Rule 8(e), any person censured or fined pursuant to the rule may contest such censure or fine by filing with the Secretary a written response meeting the requirements of an Answer as provided in Article 12, Rule 4(b) no later than the date by which such determination must be contested. The Secretary may deny the answer if such answer is untimely or the answer fails to meet the standards of Article 12, Rule 4(b). If the Secretary denies the answer without leave to amend and refile, the sanction imposed by the Exchange pursuant to Article 12, Rule 8(b) shall become final and the censure shall be imposed and/or fine become due and payable. Unless denied by the Secretary, an answer filed by respondent is deemed accepted, at which point the matter shall become a "Disciplinary Proceeding" subject to the provisions of Article 12 applicable to disciplinary proceedings.

Pursuant to Article 12, Rule 8(f), the Exchange must prepare and announce to its Participants from time to time a listing of the Exchange rules and policies as to which the Exchange may impose censures or fines as provided in this Rule that must also indicate the specific or recommended dollar amount that may be imposed as a fine hereunder with respect to any violation of such rule or policy, or may indicate the minimum and maximum dollar amount that may be imposed by the Exchange with respect to any such violation. In applying the current Recommended Fine Schedule set forth in the Fee

Schedule, the Exchange considers a violation as having occurred at the time that the underlying conduct of the Participant occurred. Nothing in Article 12, Rule 8 requires the Exchange to impose a censure or fine pursuant to the Rule with respect to the violation of any rule or policy included in any such listing and the Exchange shall be free, whenever it determines that any violation is not minor in nature, to proceed under other provisions of Article 12 rather than under Rule 8. Under Article 12, Rule 8(g), any fine assessed under Rule 8 cannot be deemed to satisfy any damages or liability incurred from the violation.

Article 12, Rule 8(h) sets forth the Exchange rules and policies that are subject to the MRVP.

#### **Proposed Rule Change**

The Exchange proposes to adopt new Rules 10.9216(b) and 10.9217 based on NYSE Arca Rules 10.9216(b) and 10.9217. The Exchange would retain the text of the Exchange's currently applicable list of minor rule violations in proposed Rule 10.9217 and make certain corrections and additions, as described below. In addition, the Exchange would move the Recommended Fine Schedule for minor rule violations from the Fee Schedule to proposed Rule 10.9217 and make certain amendments and corrections. The Exchange proposes to add Rules 10.9216(b) and 10.9217 to Rule 10 governing disciplinary proceedings, other hearings and appeals that will house the proposed Rule 10.8000 and 10.9000 Series based on the text of the NYSE Arca Rule 10.8000 and Rule 10.9000 Series that is the subject of the Exchange's companion immediately effective filing.

Proposed Rule 10.9216(b)

Subsection (b) of proposed Rule 10.9216 (Acceptance, Waiver, and Consent; Procedure for Imposition of Fines for Minor Violation(s) of Rules) would set forth the procedure for the imposition of fine for minor rule violations under the Exchange’s new disciplinary rules based on NYSE Arca Rule 10.9216(b).<sup>10</sup> Proposed Rule 10.9216(b)(1) would provide that, notwithstanding Rule 10.9211,<sup>11</sup> the Exchange may, subject to the requirements set forth in paragraphs (b)(2) through (b)(4), impose a fine in accordance with the fine amounts and fine levels set forth in proposed Rule 10.9217 and/or a censure on any Participant,<sup>12</sup> Participant Firm or covered person<sup>13</sup> with respect to any rule listed in Rule 10.9217. If Enforcement has reason to believe a violation has occurred and if the Participant, Participant Firm or covered person does not dispute the violation,

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<sup>10</sup> Proposed subsection (a) would establish the procedures by which a Participant, Participant Firm or covered person, prior to the issuance of a complaint, could execute a letter of acceptance, waiver, and consent accepting a finding of violation, consenting to the imposition of sanctions and waiving the right to a hearing or appeal. Proposed Rule 10.9216(a) would be adopted as part of the Exchange’s companion filing. See note 4, supra.

<sup>11</sup> Proposed Rule 10.9211 (Authorization of Complaint) would be adopted as part of the Exchange’s companion filing and would permit Enforcement to request the authorization from the Chief Regulatory Officer (“CRO”) to issue a complaint against any Participant, Participant Firm and covered persons of a Participant or Participant Firm, thereby commencing a disciplinary proceeding.

<sup>12</sup> The term “Participant” is defined in Article 1, Rule 1(s) to mean, among other things, any Participant Firm that holds a valid Trading Permit and that a Participant shall be considered a “member” of the Exchange for purposes of the Act. If a Participant is not a natural person, the Participant may also be referred to as a Participant Firm, but unless the context requires otherwise, the term Participant shall refer to an individual Participant and/or a Participant Firm. For the avoidance of doubt, this rule filing and the proposed disciplinary rules will use the phrase Participant and/or Participant Firm.

<sup>13</sup> “Covered person” would be defined in proposed Rule 10.9120(g) in the companion filing as an Associated Person as defined in Article 1, Rule 1(d) and any other person subject to the jurisdiction of the Exchange.

Enforcement may prepare and request that the Participant, Participant Firm or covered person execute a minor rule violation letter accepting a finding of violation, consenting to the imposition of sanctions, and agreeing to waive such Participant's, Participant Firm's or covered person's right to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel,<sup>14</sup> and any right of review by the Exchange Board of Directors ("Board"), the Commission, and the courts, or to otherwise challenge the validity of the letter, if the letter is accepted. The letter would describe the act or practice engaged in or omitted, the rule, regulation, or statutory provision violated, and the sanction or sanctions to be imposed. Unless the letter states otherwise, the effective date of any sanction(s) imposed would be a date to be determined by Regulatory Staff.<sup>15</sup>

Proposed Rule 10.9216(b)(2)(A)(i) would provide that if a Participant, Participant Firm or covered person submits an executed minor rule violation letter, the submission of such a letter by the Participant, Participant Firm or covered person also waives any right to claim bias or prejudgment of the CRO, the Board, Counsel to the Board, or any

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<sup>14</sup> "Hearing Panel" and "Extended Hearing Panel" would be defined in proposed Rule 10.9120(s) and (p), respectively, in the companion filing. The term "Hearing Panel" would mean an Adjudicator that is constituted under proposed Rule 10.9231 to conduct a disciplinary proceeding governed by the proposed Rule 10.9200 Series, that is constituted under the proposed Rule 10.9520 Series or the proposed Rule 10.9550 Series to conduct a proceeding, or that is constituted under the Rule 10.9800 Series to conduct a temporary cease and desist proceeding. The term "Extended Hearing Panel" would mean an Adjudicator that is constituted under proposed Rule 10.9231(c) to conduct a disciplinary proceeding that is classified as an "Extended Hearing" and is governed by the proposed Rule 10.9200 Series.

<sup>15</sup> "Regulatory Staff" would be defined in proposed Rule 10.9120(x) in the companion filing as (1) any officer or employee reporting, directly or indirectly, to the CRO of the Exchange; and (2) FINRA staff acting on behalf of the Exchange in connection with the proposed Rule 10.8000 Series and Rule 10.9000 Series.

Director, in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation letter or other consideration of the minor rule violation letter, including acceptance or rejection of such minor rule violation letter.

Proposed Rule 10.9216(b)(2)(A)(ii) would provide that if a Participant, Participant Firm or covered person submits an executed minor rule violation letter, by the submission such Participant, Participant Firm or covered person also waives any right to claim that a person violated the ex parte prohibitions of proposed Rule 10.9143 or the separation of functions prohibitions of proposed Rule 10.9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation letter or other consideration of the minor rule violation letter, including acceptance or rejection of such minor rule violation letter.<sup>16</sup>

Proposed Rule 10.9216(b)(2)(B) would provide that if a minor rule violation letter is rejected, the Participant, Participant Firm or covered person would be bound by the waivers made under proposed paragraphs (b)(1) and (b)(2)(A) for conduct by persons or bodies occurring during the period beginning on the date the minor rule violation letter was executed and submitted and ending upon the rejection of the minor rule violation letter.

Proposed Rule 10.9216(b)(3) would provide that if the Participant, Participant Firm or covered person executes the minor rule violation letter, it would be submitted to the CRO. The CRO, on behalf of the SRO Board, may accept or reject such letter.

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<sup>16</sup> Rule 10.9143 (Ex Parte Communications) would prohibit certain ex parte communications. Proposed 10.9144 (Separation of Functions) would establish separation of functions and provide for waivers.

Proposed Rule 10.9216(b)(4) would provide that if the letter is accepted by the CRO, it would be deemed final and that any fine imposed pursuant to the proposed Rule and not contested would not be publicly reported, except as may be required by Rule 19d-1 under the Act , and as may be required by any other regulatory authority.

Proposed Rule 10.9216(b)(4) would further provide that if the letter is rejected by the CRO, the Exchange may take any other appropriate disciplinary action with respect to the alleged violation or violations. Subsection (b)(4) would also provide that if the letter is rejected, the Participant, Participant Firm or covered person would not be prejudiced by the execution of the minor rule violation letter under proposed paragraph (b)(1) and that the letter may not be introduced into evidence in connection with the determination of the issues set forth in any complaint or in any other proceeding.

As noted above, proposed Rule 10.9216(b) is substantially the same as NYSE Arca Rule 10.9216(b).

#### Proposed Rule 10.9217

The Exchange also proposes to adopt Rule 10.9217 based on NYSE Arca Rule 10.9217, which would be titled “Violations Appropriate for Disposition Under Rule 10.9216(b)”.

Proposed Rule 10.9217(a) would provide that any Participant, Participant Firm or covered person may be subject to a fine, not to exceed \$5,000,<sup>17</sup> under Rule 10.9216(b) with respect to any rules listed below and that the fine amounts and fine levels set forth below would apply to the fines imposed.

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<sup>17</sup> See note 8, supra.

Proposed Rule 10.9217(b) would provide that Regulatory Staff designated by the Exchange would have the authority to impose a fine pursuant to the proposed Rule.

Proposed Rule 10.9217(c) would provide that any person or organization found in violation of a minor rule would not be required to report such violation on SEC Form BD or Form U-4 if the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person or organization has not sought an adjudication, including a hearing, or otherwise exhausted the administrative remedies available with respect to the matter. Subsection (c) would further provide that any fine imposed in excess of \$2,500 would be subject to current rather than quarterly reporting to the Commission pursuant to Rule 19d-1 under the Act.

Proposed Rule 10.9217(d) would provide that nothing in the proposed Rule would require the Exchange to impose a fine for a violation of any rule under this Minor Rule Plan and that if the Exchange determines that any violation is not minor in nature, the Exchange may, at its discretion, proceed under the proposed Rule 10.9000 Series rather than under proposed Rule 10.9217.

The next section would be titled “List of Rule Violations and Fines Applicable Thereto” and would provide that any Participant, Participant Firm or covered person may be subject to a fine under proposed Rule 10.9216(b) with respect to any rules listed below.

Proposed Rule 10.9217(e) would be titled “Exchange Rules and Policies subject to a Minor Rule Violation” and would set forth the list of rules under which a Participant, Participant Firm or covered person may be subject to a fine under a minor rule violation letter as described in proposed Rule 10.9216(b). The Exchange would retain the list of

rules currently set forth in Article 12, Rule 8(h) under the existing headings for “Reporting and Record Retention Violations” and “Minor Trading Rule Violations” with the following additions and changes.

First, the Exchange would add subsection (b) of Article 6, Rule 2 (Registration and Approval of Participant Personnel) to proposed Rule 10.9217(e)(13).

Article 6, Rule 2 currently sets forth certain employee registration, approval and other exchange requirements. Specifically, Article 6, Rule 2(a) governs registration of representatives, as defined in Article 6, Rule 14(b)(1), with the Exchange and is currently eligible for a minor rule fine under Article 12, Rule 8(h). Article 6, Rule 2(b) provides for the registration of principals, as defined in Article 6, Rule 14(a)(1). The Exchange proposes that the registration requirements of principals set forth in Article 6, Rule 2(b) be eligible for a minor rule fine. The proposed change would be consistent with the practice on the Exchange’s affiliates whose comparable rule requiring the registration of principals is eligible for a minor rule fine.<sup>18</sup>

Second, the Exchange would add subsections (a) and (b) of Article 6, Rule 5 (Supervision of Representatives and Branch and Resident Offices) to proposed Rule 10.9217(e)(14). As discussed below, the Exchange’s current minor rule incorrectly references Article 6, Rule 5(b) for violations relating to written supervisory procedures. The correct reference should be to Article 6, Rule 5(c), which the Exchange proposes to retain as proposed Rule 10.9217(e)(15).

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<sup>18</sup> See, e.g., NYSE National Rules 2.2(c) (Obligations of ETP Holders and the Exchange) and 10.9217(f). The entirety of NYSE National Rule 2.2 is eligible for minor rule treatment; registration of principals under NYSE Nationals’ rules is governed by subsection (c).



Article 6, Rule 5(a) (Adherence to Law) provides that no Participant shall engage in conduct in violation of the Act, as amended, rules or regulations thereunder, the Bylaws or the Rules of the Exchange, or any written interpretation thereof and that every Participant is responsible for reasonably supervising its associated persons to prevent such violations. The requirement to reasonably supervise individuals to ensure compliance with applicable laws, rules and regulations, is currently eligible for minor rule fines in the rules of the Exchange's affiliate NYSE Arca.<sup>19</sup>

Article 6, Rule 5(b) (Designation of persons with supervisory authority) provides that each Participant Firm must designate a principal executive officer, general partner or managing partner to hold overall authority and responsibility for the firm's internal supervision and compliance with securities laws and regulations. This designated supervisor may formally delegate his or her supervisory duties and authority to other persons within the firm. The Rule further provides that Participants must maintain, for a period of not less than six years (the first two years in an easily accessible place), records of the names of all persons who are designated as supervisory personnel and the dates for which those designations are effective. In the absence of such designation by a Participant Firm, the Firm's General Partner(s), President, Chief Executive Officer or other principal executive officer shall be deemed to be responsible for a Firm's internal supervision and compliance function. In addition, each Participant Firm shall designate and specifically identify to the Exchange on Schedule A of Form BD one or more principals to serve as a Chief Compliance Officer. The requirement in Article 6, Rule 5(b) to designate and specifically identify persons with supervisory responsibility is

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<sup>19</sup> See NYSE Arca Rule 11.18(a) (Supervision) and 10.9217(g)(8).

currently eligible for minor rule fines in the rules of the Exchange's affiliate NYSE Arca.<sup>20</sup> The Exchange accordingly proposes to permit minor rule fines for violations of Article 6, Rule 5(b).

As noted, Article 12, Rule 8(h)(1)(N) of the Exchange's current minor rule plan makes failure to establish, maintain and enforce written supervisory procedures under Article 6, Rule 5(b) eligible for a minor rule fine. However, as described above Article 6, Rule 5(b) relates to the designation of persons with supervisory authority and not written supervisory procedures, which is governed by Article 6, Rule 5(c). In 2011, Article 12, Rule 8 was amended to include, among other things, new reporting and recordkeeping provisions, which included "written supervisory procedures (Article 6, Rule 5(b))."<sup>21</sup> At the time, Article 6, Rule 5(b) was titled "Written supervisory procedures" and contained the text of current subsection (c). In 2013, the Exchange filed to amend Article 6, Rule 5. As part of that filing, subsection (a), which was titled "Designation of persons with supervisory authority," became new subsection (b), and old subsection (b), which was titled "Written supervisory procedures," became current subsection (c).<sup>22</sup> The Exchange did not, however, update Article 12, Rule 8 to reflect that Article 6, Rule 5(b) had become Article 6, Rule 5(c). The Exchange proposes to make that correction in the text of proposed Rule 10.9217(e)(15). The Exchange notes that the requirement to establish,

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<sup>20</sup> See NYSE Arca Rule 11.18(b)(2) & (4) (Supervision) and 10.9217(g)(8).

<sup>21</sup> See Securities Exchange Act Release No. 64370 (April 29, 2011), 76 FR 25727, 25727 (May 5, 2011) (SR-CHX-2011-07) (Notice); Securities Exchange Act Release 64686 (June 16, 2011), 76 FR 36596 (June 22, 2011) (SR-CHX-2011-07) (Order). See generally note 7, *supra*.

<sup>22</sup> See Securities Exchange Act Release No. 70597 (October 2, 2013), 78 FR 62728, 62732 (October 22, 2013) (SR-CHX-2013-14) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change).

maintain and enforce written procedures is also currently eligible for minor rule fines in the rules of the Exchange's affiliate NYSE Arca.<sup>23</sup>

Finally, the Exchange proposes a new subsection (f) titled "Recommended Fine Schedule" that would reproduce the current Recommended Fine Schedule from the Fee Schedule with the following changes and corrections. The Recommended Fine Schedule in the Fee Schedule would be deleted:

- The Exchange would add a new sub-heading titled "Reporting and Record Retention Violations"<sup>24</sup> that would set forth the corresponding fines for first, second and third and subsequent violations for the rules set forth under the heading "Reporting and Record Retention Violations" in proposed Rule 10.9217(e).
- The first 12 entries as well as entries 16 through 23 would be reproduced without change from the current Recommended Fine Schedule in the Fee Schedule.
- Item 13 would be "Registration and Approval of Participant Personnel (Article 6, Rule 2(a) & (b))". The proposed first, second and third level fines for violations of Article 6, Rule 2(b) of \$250 for the first violation, \$750 for the second violation and \$1,500 for the third and subsequent violations would be the same as those in the Exchange's current

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<sup>23</sup> See NYSE Arca Rule 11.18(c) (Supervision) and 10.9217(g)(8).

<sup>24</sup> Immediately before the new sub-heading, the Exchange would include the following text based on NYSE Arca Rule 10.9217: "These fines are intended to apply to minor violations. For more serious violations, other disciplinary action may be sought."

Recommended Fine Schedule in the Fee Schedule for violations of Article 6, Rule 2(a).

- Items 14 and 15 -- “Failure to Comply with Supervision Requirements (Article 6, Rule 5(a) & (b))” and “Written Supervisory Procedures (Article 6, Rule 5(c)),” respectively -- would be added to proposed Rule 10.9271(f) consistent with the changes to proposed Rule 10.9217(e)(14) and (15) described above. The proposed first, second and third level fines for violations of Article 6, Rule 5(a) and (b) in proposed Rule 10.9217(e)(14) and Article 6, Rule 5(c) in proposed Rule 10.9217(e)(15) would be \$500 for the first violation, \$1,000 for the second violation and \$2,500 for the third and subsequent violations. These fine levels would be the same as the current fines in the Recommended Fine Schedule in the Fee Schedule for violations of Article 6, Rule 5(b).
- Finally, item 24 would be “Consolidated Audit Compliance Rule (Rule 6.6800 Series).” The corresponding fine “Up to \$2,500.00” would be transposed from current Article 12, Rule 8 to new footnote \*\* following “Rule 6.6800 Series.”<sup>25</sup> The Exchange would also add the current text from Article 12, Rule 8(a) providing that “For failures to comply with the Consolidated Audit Trail Compliance Rule requirements of the Rule

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<sup>25</sup> In 2020, the Exchange added the Consolidated Audit Trail (“CAT”) industry member compliance rules to the list of minor rule violations in Article 12, Rule 8 and the corresponding fine up to \$2,500. At the time, the Exchange inadvertently did not amend the Recommended Fine Schedule in the Fee Schedule. See Securities Exchange Act Release No. 89410 (July 28, 2020), 85 FR 46741 (August 3, 2020) (SR-CHX-2020-21).

6.6800 Series, the Exchange may impose a minor rule violation fine of up to \$2,500. For more serious violations, other disciplinary action may be sought” to new footnote \*\*.

- The Exchange would add a new second sub-heading titled “Minor Trading Rule Violations” that would set forth the corresponding fines for first, second and third and subsequent violations for the 11 rules set forth under the heading “Minor Trading Rule Violations” in proposed Rule 10.9217(e), with the following changes and corrections:
  - The entry for “Failure to clear the Matching System (Article 20, Rule 7)” and corresponding fines would not be included. This rule was deleted from Article 12, Rule 8 8(h)(2)(F) in 2019 as part of the transition of trading on the Exchange to the Pillar trading platform but the Exchange inadvertently failed to update the Recommended Fine Schedule in the Fee Schedule.<sup>26</sup>
  - The Exchange would include “Short Sales (Rule 7.16)” as item 10. Rule 7.16 was added to Article 12, Rule 8 in 2019 as part of the transition of trading on the Exchange to the Pillar trading platform but the Exchange inadvertently failed to update the Recommended Fine Schedule in the Fee Schedule.<sup>27</sup> The proposed first, second and third level fines for violations of Rule 7.16 of \$500 for the first violation, \$1,000 for the second violation and \$2,500 for the third

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<sup>26</sup> See Securities Exchange Act Release No. 87264 (October 9, 2019), 84 FR 55345, 55349 (October 16, 2019) (SR-CHX-2019-08).

<sup>27</sup> See id.

and subsequent violations are the same as those in NYSE Arca Rule 10.9217(i)(1)1. for violations of NYSE Arca Rule 7.16-E.<sup>28</sup>

- Finally, the Exchange would include “Failure to comply with Authorized Trader requirements (Rule 7.30)” as item 11. Rule 7.30 was also added to Article 12, Rule 8 as part of the transition to Pillar in 2019 but the Exchange inadvertently failed to update the Recommended Fine Schedule in the Fee Schedule.<sup>29</sup> The proposed first, second and third level fines for violations of Rule 7.30 of \$1,000 for the first violation, \$2,500 for the second violation and \$3,500 for the third and subsequent violations are the same as those in NYSE Arca Rule 10.9217(i)(1)5. for violations of NYSE Arca Rule 7.30-E.<sup>30</sup>

As noted, proposed subsection (a) of proposed Rule 10.9217 is substantially the same as NYSE Arca Rule 10.9217(a) except for changes reflecting the Exchange’s membership. The Exchange proposes that a fine thereunder would not exceed \$5,000 (the amount reflected in current Article 12, Rule 8).<sup>31</sup>

Proposed subsections (b), (c) and (d) are also substantially the same as NYSE Arca Rule 10.9217(b), (c) and (d) with the only changes reflecting the Exchange’s membership.

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<sup>28</sup> See NYSE Arca Rule 7.16-E (Short Sales) & 10.9217(i)(1)1.

<sup>29</sup> See Securities Exchange Act Release No. 87264 (October 9, 2019), 84 FR 55345, 55349 (October 16, 2019) (SR-CHX-2019-08).

<sup>30</sup> See NYSE Arca Rule 7.30-E (Authorized Traders) & 10.9217(i)(1)5.

<sup>31</sup> See note 8, supra.

Unlike current Article 12, Rule 8(e) described above, proposed Rule 10.9216(b) and Rule 10.9217 would not permit a Respondent to contest a minor rule violation letter. Rather, as proposed, if the Respondent rejects the minor rule violation letter, then a complaint must be filed under proposed Rule 10.9211, and the minor rule violation letter may not be introduced into evidence.<sup>32</sup> The Exchange believes the proposed rule is appropriate because it will harmonize the Exchange's minor rule violation process with its affiliates' rules.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,<sup>33</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>34</sup> in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

Minor rule fines provide a meaningful sanction for minor or technical violations of rules. The Exchange believes that the proposed rule change will strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation. Specifically, the proposed rule change is designed to prevent

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<sup>32</sup> See proposed Rule 10.9216(b)(4).

<sup>33</sup> 15 U.S.C. 78f(b).

<sup>34</sup> 15 U.S.C. 78f(b)(5).

fraudulent and manipulative acts and practices because it will provide the Exchange the ability to issue a minor rule fine for violations of its rules governing reporting, record retention and trading in situations where either a cautionary action letter or a more formal disciplinary action may not be warranted or appropriate.

As noted, the Exchange would retain its list of minor rule violations with certain technical and conforming amendments, while adopting its affiliates' process for imposing minor rule violation fines.<sup>35</sup> In addition, as set forth in the Exchange's companion filing and herein, the Exchange believes that adding certain rules to its list of eligible minor rule violations based on the rules of its affiliate will strengthen the Exchange's ability to carry out its oversight and enforcement responsibilities in cases where full disciplinary proceedings are unwarranted in view of the minor nature of the particular violation.

Specifically, the proposed additions are designed to prevent fraudulent and manipulative acts and practices because it will provide the Exchange the ability to issue a minor rule fine for violations of its rules governing general registration and supervision requirements in situations where a more formal disciplinary action may not be warranted or appropriate. As provided for in proposed Rule 10.9217(d), nothing in proposed Rule 10.9217 would require the Exchange to impose a minor rule fine for a violation of any eligible rule and that if the Exchange determines that any violation is not minor in nature, the Exchange may, at its discretion, proceed with formal disciplinary action rather than under proposed Rule 10.9217.

The Exchange also believes that adding rules based on the rules of its affiliate to

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<sup>35</sup> See NYSE Arca Rule 10.9216(b), NYSE Rule 9216(b), & NYSE American Rule 9216(b). See also generally FINRA Rule 9216(b).



its list of eligible minor rule violations would promote fairness and consistency in the marketplace by permitting the Exchange to issue a minor rule fine for violations of substantially similar rules that are eligible for minor rule treatment on the Exchange's affiliate, thereby harmonizing minor rule plan fines across affiliated exchanges for the same conduct. As noted above, Article 6, Rule 2(b), 5(a) and 5(b) are substantially similar to NYSE National and NYSE Arca rules of similar purpose, which are each separately eligible for a minor rule fine under the respective market's version of proposed Rule 10.9217.<sup>36</sup>

Further, the Exchange believes that the proposed additions to its list of rules eligible for minor rule fines based on the rules of its affiliate are consistent with Section 6(b)(6) of the Act,<sup>37</sup> which provides that members and persons associated with members shall be appropriately disciplined for violation of the provisions of the rules of the exchange, by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction. As noted, the proposed rule change would provide the Exchange ability to sanction minor or technical violations pursuant to the Exchange's rules and would increase the amounts of fines in order for the Exchange to better deter violative activity and to harmonize its rules with that of its affiliates.

The Exchange believes that moving the Recommended Fine Schedule for minor rule violations from the Fee Schedule to proposed Rule 10.9217 and removing it from the Fee Schedule would add clarity and transparency to the Exchange's rules by reflecting

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<sup>36</sup> See text accompanying notes 18-23, *supra*.

<sup>37</sup> 15 U.S.C. 78f(b)(6).

the recommended fines for minor rule violations in the same place in the Exchange's rules. Similarly, updating the Recommended Fine Schedule to delete obsolete rules and add recommended fines for rules that were added to the list of minor rules but inadvertently omitted from the Recommended Fine Schedule would also add clarity and transparency to the Exchange's rules. The Exchange believes that adding such clarifying language would also be consistent with the public interest and the protection of investors because investors will not be harmed and in fact would benefit from increased transparency, thereby reducing potential confusion.

Further, the Exchange believes that adding recommended fines for Rule 7.16 and Rule 7.30 that were inadvertently omitted from the current Recommended Fine Schedule based on the fines for the same rules set forth in the rules of its affiliate would promote fairness and consistency in the marketplace by permitting the Exchange to issue a minor rule fine for violations of substantially similar rules that are eligible for minor rule treatment on the Exchange's affiliate, thereby harmonizing minor rule plan fines across affiliated exchanges for the same conduct. As noted above, the proposed first, second and third level fines for violations of Rule 7.16 are the same as those in NYSE Arca Rule 10.9217(i)(1)1. for violations of NYSE Arca Rule 7.16-E, and the proposed first, second and third level fines for violations of Rule 7.30 are the same as those in NYSE Arca Rule 10.9217(i)(1)5. for violations of NYSE Arca Rule 7.30-E.<sup>38</sup>

Finally, the Exchange also believes that the proposed changes are designed to provide a fair procedure for the disciplining of members and persons associated with

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<sup>38</sup> See notes 27-29, supra.

members consistent with Sections 6(b)(7) and 6(d) of the Act.<sup>39</sup> Proposed Rules 10.9216(b) and 10.9217 would not preclude a Participant, Participant Firm or covered person from rejecting an alleged violation and receiving a hearing on the matter with the same procedural rights through a litigated disciplinary proceeding.

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. The proposed change is not designed to address any competitive issue but rather to update the Exchange's rules to strengthen the Exchange's ability to carry out its oversight and enforcement functions and deter potential violative conduct and to harmonize its rules with the rules of its affiliate.

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

Within 45 days of the date of publication of this notice in the Federal Register or 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

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<sup>39</sup> 15 U.S.C. 78f(b)(7) & 78f(d).

- (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 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 Number SR-NYSECHX-2022-08 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-NYSECHX-2022-08. 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 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSECHX-2022-08 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>40</sup>

Eduardo A. Aleman  
Deputy Secretary

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<sup>40</sup> 17 CFR 200.30-3(a)(12).

Additions underlined.  
Deletions [bracketed].

Rules of NYSE Chicago, Inc.

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## **RULE 10 DISCIPLINARY PROCEEDINGS, OTHER HEARINGS AND APPEALS**

### **Rule 10.9216. Acceptance, Waiver, and Consent; Procedure for Imposition of Fines for Minor Violation(s) of Rules**

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#### **(b) Procedure for Imposition of Fines for Minor Violation(s) of Rules**

(1) Notwithstanding Rule 10.9211, the Exchange may, subject to the requirements set forth in paragraphs (b)(2) through (b)(4), impose a fine in accordance with the fine amounts and fine levels set forth in Rule 10.9217 and/or a censure on any Participant, Participant Firm or covered person with respect to any rule listed in Rule 10.9217. If Enforcement has reason to believe a violation has occurred and if the Participant, Participant Firm or covered person does not dispute the violation, Enforcement may prepare and request that the Participant, Participant Firm or covered person execute a minor rule violation letter accepting a finding of violation, consenting to the imposition of sanctions, and agreeing to waive such Participant's, Participant Firm's or covered person's right to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel, and any right of review by the Exchange Board of Directors, the SEC, and the courts, or to otherwise challenge the validity of the letter, if the letter is accepted. The letter shall describe the act or practice engaged in or omitted, the rule, regulation, or statutory provision violated, and the sanction or sanctions to be imposed. Unless the letter states otherwise, the effective date of any sanction(s) imposed will be a date to be determined by Regulatory Staff.

(2)(A) If a Participant, Participant Firm or covered person submits an executed minor rule violation letter, by the submission such Participant, Participant Firm or covered person also waives:

(i) any right to claim bias or prejudgment of the CRO, the Exchange Board of Directors, Counsel to the Exchange Board of Directors, or any Director, in connection with such

person's or body's participation in discussions regarding the terms and conditions of the minor rule violation letter or other consideration of the minor rule violation letter, including acceptance or rejection of such minor rule violation letter; and

(ii) any right to claim that a person violated the ex parte prohibitions of Rule 10.9143 or the separation of functions prohibitions of Rule 10.9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation letter or other consideration of the minor rule violation letter, including acceptance or rejection of such minor rule violation letter.

(B) If a minor rule violation letter is rejected, the Participant, Participant Firm or covered person shall be bound by the waivers made under paragraphs (b)(1) and (b)(2)(A) for conduct by persons or bodies occurring during the period beginning on the date the minor rule violation letter was executed and submitted and ending upon the rejection of the minor rule violation letter.

(3) If the Participant, Participant Firm or covered person executes the minor rule violation letter, it shall be submitted to the CRO. The CRO, on behalf of the SRO Board, may accept or reject such letter.

(4) If the letter is accepted by the CRO, it shall be deemed final. Any fine imposed pursuant to this Rule and not contested shall not be publicly reported, except as may be required by Rule 19d-1 under the Securities Exchange Act of 1934, and as may be required by any other regulatory authority. If the letter is rejected by the CRO, the Exchange may take any other appropriate disciplinary action with respect to the alleged violation or violations. If the letter is rejected, the Participant, Participant Firm or covered person shall not be prejudiced by the execution of the minor rule violation letter under paragraph (b)(1) and the letter may not be introduced into evidence in connection with the determination of the issues set forth in any complaint or in any other proceeding.

**Rule 10.9217. Violations Appropriate for Disposition Under Rule 10.9216(b)**

(a) Any Participant, Participant Firm or covered person may be subject to a fine, not to exceed \$5,000, under Rule 10.9216(b) with respect to any rules listed below. The fine amounts and fine levels set forth below shall apply to the fines imposed.

(b) Regulatory Staff designated by the Exchange shall have the authority to impose a fine pursuant to this Rule.

(c) Any person or organization found in violation of a minor rule is not required to report such violation on SEC Form BD or Form U-4 if the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person or organization has not sought an adjudication, including a hearing, or otherwise exhausted the administrative remedies available with respect to the matter. Any fine imposed in excess of \$2,500 is subject to current rather than quarterly reporting to the Commission pursuant to Rule 19d-1 under the Act.

(d) Nothing in this Rule shall require the Exchange to impose a fine for a violation of any rule under this Minor Rule Plan. If the Exchange determines that any violation is not minor in nature, the Exchange may, at its discretion, proceed under the Rule 10.9000 Series rather than under this Rule.

### **List of Rule Violations and Fines Applicable Thereto**

Any Participant, Participant Firm or covered person may be subject to a fine under Rule 10.9216(b) with respect to any rules listed below.

(e) Exchange Rules and Policies subject to a Minor Rule Violation

### **Reporting and Record Retention Violations**

1. Notice of Death or Retirement of Partner, Officer or Director (Article 3, Rule 9)
2. Filing Requirements/Parties Bound by Rules of Exchange (Article 3, Rule 4)
3. Failure to Notify Exchange of Request to Withdraw Capital Contribution (Article 3, Rule 6(b))
4. Failure to Request Exchange Approval of Transfer of Equity Securities of Participant Firm (Article 3, Rule 11)
5. Reporting of Loans (Article 3, Rule 12)
6. Record of Margin Calls and Receipt of Margin (Article 10, Rule 2)
7. Record of Orders and Executions (Article 11, Rule 3)
8. Designation of E-mail Addresses (Article 3, Rule 13)
9. Failure to provide Exchange with Information (Article 6, Rule 7)
10. Financial and Operational Reports (Article 7, Rule 4)
11. Notification of Change in Bond Coverage (Article 7, Rule 6)
12. Filing Requirements on Change of Examining Authority (Article 7, Rule 7)
13. Registration and Approval of Participant Personnel (Article 6, Rule 2(a) & (b))
14. Failure to Comply with Supervision Requirements (Article 6, Rule 5(a) & (b))
15. Written Supervisory Procedures (Article 6, Rule 5(c))
16. Impede or delay an Exchange Examination, Inquiry or Investigation (Article 6, Rule 9)
17. Failure to Report Short Positions (Article 7, Rule 9)
18. Furnishing of Records (Article 11, Rule 1)
19. Maintenance of Books & Records (Article 11, Rule 2)



20. Participant Communications (Article 11, Rule 4)
21. Registration of Market Makers and Market Maker Authorized Traders (Article 16, Rules 1 and 3)
22. Market Maker Reporting of Position Information (Article 16, Rule 6)
23. Institutional Broker Registration and Appointment (Article 17, Rule 1)
24. Consolidated Audit Compliance Rule (Rule 6.6800 Series)

### **Minor Trading Rule Violations**

1. Reporting of Transactions (Article 9, Rule 13)
2. Violations of the Rule Relating to Conduct on Exchange Premises or Involving Participants or Exchange Employees (Article 8, Rule 16)
3. Failure by Participants to Comply with Rules Relating to Short Sales (Article 9, Rule 23)
4. Failure to Comply with Minimum Order Increments (Article 20, Rule 4 or Rule 7.6)
5. Institutional Broker Responsibilities for Entry of Orders into an Automated System (Article 17, Rule 3(a))
6. Institutional Broker Responsibilities for Handling Orders within an Integrated System (Article 17, Rule 3(b))
7. Trading Ahead of Customer Orders (Article 9, Rule 17)
8. Failure to Comply with the Firm Quote Rule (Reg. NMS Rule 602)
9. Institutional Broker Obligations in Handling Orders (Best Execution) (Article 17, Rule 3(d))
10. Short Sales (Rule 7.16)
11. Failure to comply with Authorized Trader requirements (Rule 7.30)

These fines are intended to apply to minor violations. For more serious violations, other disciplinary action may be sought.

### **(f) Recommended Fine Schedule**

### **Reporting and Record Retention Violations**

<b><u>Rule Violation</u></b>	<b><u>Fine for First Violation*</u></b>	<b><u>Fine for Second Violation*</u></b>	<b><u>Fine for Third and Subsequent Violation*</u></b>
<u>1. Notice of death or retirement of partner, officer or director (Article 3, Rule 9)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>2. Filing Requirements / Parties Bound by Rules of the Exchange (Article 3, Rule 4)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>

<u>3. Failure to Notify Exchange of Request to Withdraw Capital contribution</u> (Article 3, Rule 6(b))	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>4. Failure to Request Exchange Approval of Transfer of Equity Securities of a Participant Firm</u> (Article 3, Rule 11)	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>5. Reporting of loans</u> (Article 3, Rule 12)	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>6. Record of margin calls and receipt of margin</u> (Article 10, Rule 2)	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>7. Records of orders and executions</u> (Article 11, Rule 3)	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>8. Designation of E-mail Addresses</u> (Article 3, Rule 13)	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>9. Failure to provide information to the Exchange</u> (Article 6, Rule 7)	<u>\$500</u>	<u>\$1000</u>	<u>\$2500</u>
<u>10. Financial and Operational Reports</u> (Article 7, Rule 4)	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>11. Notification of change in bond coverage</u> (Article 7, Rule 6)	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>12. Filing requirements on change of examining authority</u> (Article 7, Rule 7)	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>13. Registration and approval of Participant Personnel</u> (Article 6, Rule 2(a) & (b))	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>

<u>14. Failure to Comply with Supervision Requirements (Article 6, Rule 5(a) &amp; (b))</u>	<u>\$500</u>	<u>\$1000</u>	<u>\$2500</u>
<u>15. Written Supervisory Procedures (Article 6, Rule 5(c))</u>	<u>\$500</u>	<u>\$1000</u>	<u>\$2500</u>
<u>16. Impede or delay an Exchange examination, inquiry or investigation (Article 6, Rule 9)</u>	<u>\$500</u>	<u>\$1000</u>	<u>\$2500</u>
<u>17. Failure to report short positions (Article 7, Rule 9)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>18. Furnishing of records (Article 11, Rule 1)</u>	<u>\$500</u>	<u>\$1000</u>	<u>\$2500</u>
<u>19. Maintenance of books &amp; records (Article 11, Rule 2)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>20. Participant Communications (Article 11, Rule 4)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>21. Registration of Market Maker and Market Maker Authorized Traders (Article 16, Rules 1 and 3)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>22. Reporting of Position Information by Market Makers (Article 16, Rule 6)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>23. Institutional Broker registration and appointment (Article 17, Rule 1)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>24. Consolidated Audit Compliance Rule (Rule 6.6800 Series)**</u>			

\*\* For failures to comply with the Consolidated Audit Trail Compliance Rule requirements of the Rule 6.6800 Series, the Exchange may impose a minor rule violation fine of up to \$2,500. For more serious violations, other disciplinary action may be sought.

**Minor Trading Rule Violations**

<u>1. Reporting of transactions (Article 9, Rule 13)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>2. Violations of the rule relating to conduct on Exchange premises or involving Participants or Exchange employees (Article 8, Rule 16)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>3. Failure by Participants to comply with rules relating to short sales (Article 9, Rule 23)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>4. Failure to comply with minimum order increments (Article 20, Rule 4)</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>5. Institutional Broker responsibilities for entry of orders into an automated system (Article 17, Rule 3(a))</u>	<u>\$250</u>	<u>\$750</u>	<u>\$1500</u>
<u>6. Institutional Broker responsibilities for handling orders within an integrated system (Article 17, Rule 3(b))</u>	<u>\$500</u>	<u>\$1000</u>	<u>\$2500</u>
<u>7. Trading ahead of customer orders (Article 9, Rule 17)</u>	<u>\$1000</u>	<u>\$2500</u>	<u>\$5000</u>
<u>8. Failure to comply with the firm quote rule (Reg NMS Rule 602)</u>	<u>\$500</u>	<u>\$1000</u>	<u>\$2500</u>
<u>9. Institutional Broker obligations in handling orders (best execution) (Article 17, Rule 3(d))</u>	<u>\$500</u>	<u>\$1000</u>	<u>\$2500</u>
<u>10. Short Sales (Rule 7.16)</u>	<u>\$500</u>	<u>\$1000</u>	<u>\$2500</u>

<u>11. Failure to comply with Authorized Trader requirements (Rule 7.30)</u>	<u>\$1,000</u>	<u>\$2,500</u>	<u>\$3,500</u>
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\*The number of violations shall be calculated on a 24-month rolling basis.

**RULE 11 BUSINESS CONDUCT**

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**FEE SCHEDULE OF NYSE CHICAGO, INC.**

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**[Q. Minor Rule Violation Plan**

<b>MINOR RULE VIOLATION PLAN</b>			
<b>RECOMMENDED FINE SCHEDULE</b>			
(Pursuant to Article 12, Rule 8(h))			
<b>Rule Violation</b>	<b>Fine for First Violation*</b>	<b>Fine for Second Violation*</b>	<b>Fine for Third and Subsequent Violation*</b>
Notice of death or retirement of partner, officer or director (Article 3, Rule 9)	\$250	\$750	\$1500
Filing Requirements / Parties Bound by Rules of the Exchange (Article 3, Rule 4)	\$250	\$750	\$1500
Failure to Notify Exchange of Request to Withdraw Capital contribution (Article 3, Rule 6(b))	\$250	\$750	\$1500
Failure to Request Exchange Approval of Transfer of Equity Securities of a Participant Firm (Article 3, Rule 11)	\$250	\$750	\$1500
Reporting of loans (Article 3, Rule 12)	\$250	\$750	\$1500
Record of margin calls and receipt of margin	\$250	\$750	\$1500

(Article 10, Rule 2)			
Participant Communications (Article 11, Rule 4)	\$250	\$750	\$1500
Failure to provide information to the Exchange (Article 6, Rule 7)	\$500	\$1000	\$2500
Financial and Operational Reports (Article 7, Rule 4)	\$250	\$750	\$1500
Notification of change in bond coverage (Article 7, Rule 6)	\$250	\$750	\$1500
Filing requirements on change of examining authority (Article 7, Rule 7)	\$250	\$750	\$1500
Designation of E-mail Addresses (Article 3, Rule 13)	\$250	\$750	\$1500
Registration and approval of Participant Personnel (Article 6, Rule 2(a))	\$250	\$750	\$1500
Written Supervisory Procedures (Article 6, Rule 5(b))	\$500	\$1000	\$2500
Impede or delay an Exchange examination, inquiry or investigation (Article 6, Rule 9)	\$500	\$1000	\$2500
Failure to report short positions (Article 7, Rule 9)	\$250	\$750	\$1500
Furnishing of records (Article 11, Rule 1)	\$500	\$1000	\$2500
Maintenance of books & records (Article 11, Rule 2)	\$250	\$750	\$1500
Records of orders and executions (Article 11, Rule 3)	\$250	\$750	\$1500

Registration of Market Maker and Market Maker Authorized Traders (Article 16, Rules 1 and 3)	\$250	\$750	\$1500
Reporting of Position Information by Market Makers (Article 16, Rule 6)	\$250	\$750	\$1500
Institutional Broker registration and appointment (Article 17, Rule 1)	\$250	\$750	\$1500
Reporting of transactions (Article 9, Rule 13)	\$250	\$750	\$1500
Violations of the rule relating to conduct on Exchange premises or involving Participants or Exchange employees (Article 8, Rule 16)	\$250	\$750	\$1500
Failure by Participants to comply with rules relating to short sales (Article 9, Rule 23)	\$250	\$750	\$1500
Failure to clear the Matching System (Article 20, Rule 7)	\$250	\$750	\$1500
Failure to comply with minimum order increments (Article 20, Rule 4)	\$250	\$750	\$1500
Institutional Broker responsibilities for entry of orders into an automated system (Article 17, Rule 3(a))	\$250	\$750	\$1500
Institutional Broker responsibilities for handling orders within an integrated system (Article 17, Rule 3(b))	\$500	\$1000	\$2500
Trading ahead of customer orders (Article 9, Rule 17)	\$1000	\$2500	\$5000



Failure to comply with the firm quote rule (Reg NMS Rule 602)	\$500	\$1000	\$2500
Institutional Broker obligations in handling orders (best execution) (Article 17, Rule 3(d))	\$500	\$1000	\$2500
*The number of violations shall be calculated on a 24-month rolling basis.]			

Co-Location Fees

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