



Weekly Bulletin

November 22, 2013

Issue 2013-047

The Constitution and rules of the Chicago Stock Exchange Inc. (THE "Exchange"), in certain matters require the Exchange to provide notice to the membership. The information contained within this bulletin serves to fulfill this requirement.

THE BULLETIN IS REFLECTED ON THE CHX WEBSITE AND AVAILABLE VIA EMAIL.

Please notify Eileen Daut at edaut@chx.com of your email address.

Chicago Stock Exchange website: www.chx.com

Due Dates of Reports to the Exchange

Members and member organizations for whom the CHX is the designated examining authority (DEA) are reminded of the following report(s) to be filed with the Exchange. The report must be filed on or before the date noted.

October 2013 FOCUS II/IIA due November 25, 2013

Questions can be directed to the Member Regulation staff listed below.

| | |
|------------------|----------------|
| Mike Cardin | (312) 663-2204 |
| Kevin Curtin | (312) 663-2252 |
| Gregory Sabarese | (312) 663-2624 |
| Thomas Tyralski | (312) 663-2560 |

Participant Services Notices

**No notices for week ending November 22, 2013
Last notice – 2013-023 dated October 28, 2013**



L-2013-28
November 20, 2013

NOTICE TO PARTICIPANTS

On November 20, 2013, Chicago Stock Exchange Inc. (“CHX”) filed with the U.S. Securities and Exchange Commission (the “SEC” or the “Commission”) a proposed rule change (SR-CHX-2013-20) to amend Article 1, Rule 1 (Definitions) and Rule 2 (Order Types, Modifiers, and Related Terms) to adopt a Match Trade Prevention order execution modifier for limit and market orders submitted to the CHX Matching System (“Matching System”). The rule change will be operative December 2, 2013.

The text of the proposed rule change is set out below: New text is underlined and deletions are [bracketed].

RULES OF CHICAGO STOCK EXCHANGE, INC.

* * *

ARTICLE 1.

Definitions and General Information

* * *

Rule 1. Definitions

Whenever and wherever used in these Rules, unless the context requires otherwise, the following terms shall have the respective meanings ascribed to them below:

a. – kk. Unchanged

ll. “Trading Account”: means an account under a Trading Permit, identified by a unique CHX account symbol, from which orders are sent to the Exchange’s Trading Facilities. A Participant Trading Permit holder may establish more than one Trading Account per Trading Permit.

mm. “MTP Trading Group”: means a group of one or more Trading Accounts that have been aggregated at the request of all Participant Trading Permit holders that control all Trading Accounts within the proposed group for the purpose of enabling Match Trade Prevention (“MTP”) functionality, pursuant to Article 1, Rule 2(b)(3)(F)(i). A Trading Account may not be assigned to more than one MTP Trading

Group. Any Exchange-approved changes to the composition of an MTP Trading Group shall be effective no earlier than the trading day following the request.

Rule 2. Order Types, Modifiers, and Related Terms

Unless otherwise specifically defined elsewhere in the CHX Rules, the following terms shall have the respective meanings ascribed to them, for purposes of all CHX Rules.

(a) Unchanged

(b) *Order Execution Modifiers.* One or more order execution modifiers may be applied to a general order type, subject to the requirements of Article 20, Rule 4, so long as the modifier is compatible with the general order type and other applicable order modifiers/terms.

(1) – (2) Unchanged

(3) *Applicable to Multiple Order Types*

(A) – (E) Unchanged

(F) *Match Trade Prevention (“MTP”) Modifier*

(i) *Enabling/Disabling MTP.* The MTP modifier shall only be available for an order that originated from a Trading Account, as defined under Article 1, Rule 1(II), that has been assigned to an MTP Trading Group, as defined under Article 1, Rule 1(mm). An order that originated from a Trading Account that is not part of an MTP Trading Group shall not be subject to MTP and any attached MTP modifiers shall be ignored. Any Exchange-approved changes to the applicability of MTP to a Trading Account shall be effective no earlier than the trading day following the request.

(ii) *Triggering MTP.* An MTP modifier is comprised of a compulsory MTP Action, listed under subparagraph (iii), and an optional MTP sublevel designation. The MTP modifier on the incoming order shall control the interaction between the contra-side orders.

An incoming limit or market order marked by an MTP modifier *without* an MTP sublevel designation will be prevented from executing against a resting opposite side order from the same MTP Trading Group. If the incoming order is marked by an MTP modifier *with* an MTP sublevel designation, the order will only be prevented from executing against a resting opposite side order from the same MTP Trading Group if the resting order is marked by the same MTP sublevel designation. MTP shall only be applicable to marketable contra-side orders that are both principal orders or are both agency orders.

(iii) *MTP Actions.* An MTP Trading Group must be assigned a default MTP Action. The following MTP Actions may be applied to any incoming limit or market orders at the MTP Trading Group level as a default or at the individual order level *ad hoc*:

(a) *MTP Cancel Incoming (“N”).* An incoming limit or market order marked “N” will not execute against opposite side resting interest originating from the same MTP Trading Group or MTP sublevel, if applicable. Only the incoming order will be cancelled pursuant to MTP.

(b) MTP Cancel Resting ("O"): An incoming limit or market order marked "O" will not execute against opposite side resting interest originating from the same MTP Trading Group or MTP sublevel, if applicable. Only the resting order will be cancelled pursuant to MTP.

(c) MTP Cancel Both ("B"): An incoming limit or market order marked "B" will not execute against opposite side resting interest originating from the same MTP Trading Group or MTP sublevel, if applicable. The entire size of both orders will be cancelled pursuant to MTP.

(iv) MTP Inactivate ("I"): An incoming limit or market order marked "I" will inactivate the default MTP Action for the incoming order. "I" may only be applied at the order level *ad hoc*. An incoming order marked "I" may be marked by an optional MTP sublevel designation.

(c) – (g) Unchanged

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November 22, 2013
MR-13-10

**Chicago Stock Exchange, Inc.
Market Regulation Department
Information Memorandum**

RE: "Match Trade Prevention" Order Modifier Available for Use on CHX

On December 2, 2013, the Chicago Stock Exchange, Inc., ("CHX" or "the Exchange") will introduce a new functionality on CHX, which is entitled "Match Trade Prevention" ("MTP").¹ CHX's MTP functionality will enable CHX Participants to better manage their order flow and prevent unintended executions with resting orders which they previously submitted to the CHX Matching System.

The MTP functionality is designed to prevent a submitted market or limit order, which is designated with the appropriate MTP modifier, from executing against a resting order that was submitted with the same MTP Trading Group designations as defined under proposed Article 1, Rule 1(mm) (see attached Exhibit 1). After Participants have been enabled to use this functionality by CHX, they will have the ability to select, when they submit an order to the Exchange's Matching System,² a modifier which will determine whether the incoming order, a resting order, or both orders, will be cancelled instead of executed as part of a transaction in which there is no change in beneficial ownership. The MTP modifier on the incoming order shall control the interaction between inbound and resting orders. The text of proposed Article 1, Rule 2(b)(3)(F) describing the MTP modifier is attached as Exhibit 1. This Information Memorandum also provides answers to certain questions related to the functionality of this new service on attached Exhibit 2. Attached as Exhibit 3 is the "Request to Enable Match Trade Prevention" Form, which must be completed prior to using the CHX's MTP functionality; and, at Exhibit 4, the "Request to Disable Match Trade Prevention" Form, which must be completed prior to disabling the CHX's MTP functionality.

Please be advised that CHX's MTP functionality is offered as a service to CHX Participants and that the use of this functionality does not constitute, in and of itself, compliance with a Participant's obligation, pursuant to CHX's Supervisory Rules (Article 6, Rule 5), to ensure that its trading activity does not result in improper wash sales, matched orders or fraudulent, deceptive or manipulative trading practices. In this regard, CHX's Market Regulation Department will continue to employ surveillance, and conduct reviews and examinations concerning these rules, as well as incorporate new protocols concerning Participants' use of this new MTP functionality. Further, please be advised that a pattern or practice of engaging in

¹ See SR-CHX-2013-20, which is the CHX rule filing concerning the proposal and SEC approval of this functionality.

² This functionality would not be available for non-Matching System trading activity.

transactions in which there is no change in beneficial ownership (i.e., non-bona fide or wash transactions) may constitute conduct inconsistent with just and equitable principles of trade in violation of CHX Article 9, Rule 2.

For operational questions concerning the MTP functionality, including help on setting up such functionality at your firm, please contact CHX's Trading Operations Department at (312) 663-2111. For any regulatory questions concerning this Notice, please contact the undersigned at (312) 663-2548.

Marguerite Donovan
Vice President
Market Regulation Department

Additions are underlined; deleted text is [in brackets]

RULES OF CHICAGO STOCK EXCHANGE, INC.

* * *

ARTICLE 1.

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a. – gg. Unchanged

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mm. “MTP Trading Group”: means a group of one or more Trading Accounts that have been aggregated at the request of all Participant Trading Permit holders that control all Trading Accounts within the proposed group for the purpose of enabling Match Trade Prevention (“MTP”) functionality, pursuant to Article 1, Rule 2(b)(3)(F)(i). A Trading Account may not be assigned to more than one MTP Trading Group. Any Exchange-approved changes to the composition of an MTP Trading Group shall be effective no earlier than the trading day following the request.

Rule 2. Order Types, Modifiers, and Related Terms

Unless otherwise specifically defined elsewhere in the CHX Rules, the following terms shall have the respective meanings ascribed to them, for purposes of all CHX Rules.

(a) Unchanged

(b) *Order Execution Modifiers*. One or more order execution modifiers may be applied to a general order type, subject to the requirements of Article 20, Rule 4, so long as the modifier is compatible with the general order type and other applicable order modifiers/terms.

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(A) – (E) Unchanged

(F) *Match Trade Prevention (“MTP”) Modifier*

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(ii) *Triggering MTP.* An MTP modifier is comprised of a compulsory MTP Action, listed under subparagraph (iii), and an optional MTP sublevel designation. The MTP modifier on the incoming order shall control the interaction between the contra-side orders.

An incoming limit or market order marked by an MTP modifier *without* an MTP sublevel designation will be prevented from executing against a resting opposite side order from the same MTP Trading Group. If the incoming order is marked by an MTP modifier *with* an MTP sublevel designation, the order will only be prevented from executing against a resting opposite side order from the same MTP Trading Group if the resting order is marked by the same MTP sublevel designation. MTP shall only be applicable to marketable contra-side orders that are both principal orders or are both agency orders.

(iii) *MTP Actions.* An MTP Trading Group must be assigned a default MTP Action. The following MTP Actions may be applied to any incoming limit or market orders at the MTP Trading Group level as a default or at the individual order level *ad hoc*:

(a) *MTP Cancel Incoming (“N”).* An incoming limit or market order marked “N” will not execute against opposite side resting interest originating from the same MTP Trading Group or MTP sublevel, if applicable. Only the incoming order will be cancelled pursuant to MTP.

(b) *MTP Cancel Resting (“O”).* An incoming limit or market order marked “O” will not execute against opposite side resting interest originating from the same MTP Trading Group or MTP sublevel, if applicable. Only the resting order will be cancelled pursuant to MTP.

(c) MTP Cancel Both ("B"): An incoming limit or market order marked "B" will not execute against opposite side resting interest originating from the same MTP Trading Group or MTP sublevel, if applicable. The entire size of both orders will be cancelled pursuant to MTP.

(iv) MTP Inactivate ("I"): An incoming limit or market order marked "I" will inactivate the default MTP Action for the incoming order. "I" may only be applied at the order level *ad hoc*. An incoming order marked "I" may be marked by an optional MTP sublevel designation.

(c) – (g) *Unchanged*

* * *

Match Trade Prevention – Frequently Asked Questions (“FAQs”)

Q1. What is the Match Trade Prevention functionality?

A1. The Match Trade Prevention (MTP) functionality allows Participants to control whether orders from the same trading group are allowed to match against each other.

Q2. What is an MTP Trading Group?

A2. An MTP Trading Group is an aggregation of one or more trading accounts. Participants will determine which trading accounts are assigned to an MTP Trading Group. A trading account can only be assigned to one MTP Trading Group. A single trading account that has not been assigned to an MTP Trading Group will be treated as its own MTP Trading Group.

Q3. What is necessary to start using the MTP functionality?

A3. To enable MTP functionality, a duly authorized representative of a Participant that controls the trading account must submit a signed “Request to Enable Match Trade Prevention” Form, a sample of which is attached as Exhibit 3, to CHX’s Trading Operations Department. Unless a Participant takes affirmative steps, as described herein, the MTP functionality is disabled for all CHX trading accounts, and any use of MTP action codes and MTP sublevel designations will be ignored and the order will be processed without MTP in effect.

Q4. What triggers MTP functionality?

A4. If MTP functionality is enabled, it would operate to prevent an execution in the CHX Matching System,³ provided that:

1. The incoming order has an “MTP action code” that indicates that an “MTP action” is required;
2. Both the incoming and resting orders are agency orders; both the incoming and resting orders are principal orders; both the incoming and resting orders are riskless principal orders; or the incoming order is an agency order and the resting order is a riskless principal order, or vice versa. (Note: The MTP functionality will not be triggered if the incoming order is an agency order or riskless principal order, and the resting order is a principal order, or vice versa.);
3. The trading account of the incoming order and the trading account of the resting order are in the same MTP Trading Group; and
4. Either the incoming order: (a) does not have a specified “MTP sublevel;” or (b) the MTP sublevels of both the incoming order and the resting order are identical.

Q5. What is an “incoming” order?

A5. The “incoming” order is the most recent, executable, contra-side order received by the Matching System. An “incoming” order may also be a replacement order submitted via a cancel/replace order type. In the case of CHX-only orders, an “incoming” order may be a resting order which has been re-priced in response to market conditions and is now priced to potentially execute against contra-side resting orders in the Matching System.

Q6. What is an MTP action code⁴?

³ This functionality would not be available for non-Matching System trading activity.

A6. An MTP action code is a modifier message to the Matching System directing what action, if any, to take when the MTP functionality is triggered. A default MTP action code can be assigned to an MTP Trading Group. If a default MTP action code is assigned to a given MTP Trading Group, the default MTP action code applies to all Trading Accounts within that MTP Trading Group. During the match process, the Matching System uses the MTP action code to determine whether the MTP functionality for a particular transaction will be triggered, which trading accounts need to be reviewed as part of this process, and what, if any, action will be taken to the orders to prevent the match.

An MTP Trading Group can have a default MTP action code assigned to all accounts within that Trading Group. An MTP action code can also be assigned to an order on an ad hoc basis. The MTP action code on an incoming order always controls what action will be taken by the Matching System. The MTP action code purposely assigned to a specific order that differs from the default MTP action code will always override the default MTP action code of the MTP Trading Group. If an order received by the Matching System does not contain a specific MTP action code, the default MTP action code for the MTP Trading Group, if available, will be assigned to the order.

Q7. What MTP action codes are available and what do they do?

A7. The MTP action code must be one of the following values and the corresponding action sequence will apply if an incoming order is otherwise matchable against the highest priority resting order on the CHX Matching System:

- I:** Inactivates the trading account default MTP action code, thereby allowing the incoming order to match any other resting order. The MTP action code "I" can only be used on an individual order basis. It cannot be the default MTP action code;
- N:** Cancels the incoming order, and the resting order remains on the Matching System;
- O:** Cancels the resting order, and the incoming order remains on the Matching System; or
- B:** Cancels both orders.

*All MTP actions codes are ignored if MTP has not been enabled by the Participant and approved by CHX Operations.

**If a default MTP action code is not specified for a particular trading group, and the incoming order does not have an MTP action code or the MTP action for the order is "I", the incoming order will be allowed to match any resting order.

Q8. What is an MTP sublevel designation?

A8. An MTP sublevel designation allows a Participant to further differentiate the relationships of orders placed from specific trading accounts within the same MTP Trading Group. If the incoming order has an MTP sublevel designation and an MTP Action code of N, O, or B, the MTP sublevel of the resting order must have an identical designation to trigger the MTP

⁴ The MTP code on an order will be represented by a single FIX tag value (see CHX FIX Interface document at http://www.chx.com/content/Trading_Information/Downloadable_Docs/2_TechnicalSpecifications/FIX_Interface_nov2013.pdf).

functionality. The use of the MTP sublevel designation is optional (see the CHX Interface document for the list of allowable sublevel values).⁵

A Participant is expected to keep track of the sublevel designations that it uses for a particular trading account, and the reason for which it uses such designations (e.g., to identify a specific customer or trading strategy).

Q9. Can CHX provide examples of the operation of the MTP functionality?

A9. Yes. In the examples set forth on Chart 1, below, trading accounts AAAA, BBBB, CCCC and DDDD belong to the same trading group. Trading account WXYZ belongs to its own separate trading group.

Example 1 shows that a Participant trading account, AAAA, which is not enabled for MTP, thereby allowing matches with any other trading account.

Example 2 shows that a Participant trading account, AAAA, which has an order marked with an MTP action code of "I" (i.e., Inactivate), thereby overriding the MTP functionality and allowing the order to match with orders of other trading accounts.

Example 3 shows that trading accounts from different MTP Trading Groups are always allowed to match; the use of the MTP functionality in this example does not change this fact.

Examples 4 through 6 illustrates that the MTP action code of the incoming order determines the application of the MTP functionality as between orders from the same trading account.

Examples 7 through 12 illustrate how the MTP sublevel designation determines the application of the MTP functionality for orders from the same trading account (i.e., the sublevel designation of the incoming must be identical to that of the resting order in order to invoke the MTP functionality). Also, please note that the MTP action code of the resting order does not need to match the MTP action code of the incoming order for the MTP functionality to cancel one or both of the orders.

Example 13 demonstrates how the MTP action code of the incoming order determines the application of the MTP functionality for orders from trading accounts which are in the same MTP Trading Group.

Examples 14 through 21 illustrate that a Participant could use multiple MTP sublevel designations to create sublevels within a specific MTP Trading Group, thereby preventing or allowing matches between trading accounts within an MTP Trading Group based on their assigned MTP sublevel.

Examples 22 through 27 illustrate how a Participant could use an MTP sublevel designation to create sublevels within a single trading account. For example, the orders from trading account WXYZ sublevel 1 are not allowed to match other orders designated as WXYZ sublevel 1; however they are allowed to match other orders designated as WXYZ sublevel 2.

⁵ If a Participant requires a greater number of MTP sublevel values than is supported for a given MTP Trading Group, the Participant can establish an additional trading account within the same MTP Trading Group to obtain additional MTP sublevel values.

Example 28 shows that an incoming order marked with an MTP action code of “I” will match a resting order from the same trading account (or MTP Trading Group), even if the resting order is MTP enabled.

Example 29 shows that an incoming MTP enabled order will ignore the MTP action code of a resting order and match from the same trading account (or MTP Trading Group), even if the resting order is MTP disabled.

Examples 30 through 33 are extensions of examples 28 and 29, illustrating how the MTP sublevel for the incoming and resting orders must be identical in order to invoke the MTP functionality; but, when the incoming order is marked with an MTP action code of “I” (inactivate), the MTP sublevels for both orders are irrelevant and a match, therefore, occurs.

Chart 1

| EX | INCOMING ORDER | | | RESTING ORDER | | | MTP ⁶ | TG ⁷ | SL ⁸ | ACTION |
|----|----------------|------------|---------|---------------|------------|---------|------------------|-----------------|-----------------|----------------------|
| | ACCT | MTP ACTION | SUB LVL | ACCT | MTP ACTION | SUB LVL | | | | |
| 1 | AAAA | <none> | | <any> | <any> | <any> | No | N/A | N/A | Allow Match |
| 2 | AAAA | I | | <any> | <any> | <any> | No | N/A | N/A | Allow Match |
| 3 | AAAA | <any> | | WXYZ | <any> | <any> | Yes | No | N/A | Allow Match |
| 4 | AAAA | N | | AAAA | <any> | | Yes | Yes | N/A | Cancel Inbound (NEW) |
| 5 | AAAA | O | | AAAA | <any> | | Yes | Yes | N/A | Cancel Resting (OLD) |
| 6 | AAAA | B | | AAAA | <any> | | Yes | Yes | N/A | Cancel Both (BOTH) |
| 7 | AAAA | N | | AAAA | N | 1 | Yes | Yes | N/A | Cancel Inbound (NEW) |
| 8 | AAAA | N | 1 | AAAA | N | | Yes | Yes | No | Allow Match |
| 9 | AAAA | N | 1 | AAAA | N | 1 | Yes | Yes | Yes | Cancel Inbound (NEW) |
| 10 | AAAA | N | 1 | AAAA | N | 2 | Yes | Yes | No | Allow Match |
| 11 | AAAA | N | 1 | AAAA | B | 1 | Yes | Yes | Yes | Cancel Inbound (NEW) |
| 12 | AAAA | N | 1 | AAAA | B | 2 | Yes | Yes | No | Allow Match |
| 13 | AAAA | N | | BBBB | <any> | | Yes | Yes | N/A | Cancel Inbound (NEW) |
| 14 | AAAA | N | | BBBB | N | 1 | Yes | Yes | N/A | Cancel Inbound (NEW) |
| 15 | AAAA | N | 1 | BBBB | N | | Yes | Yes | No | Allow Match |
| 16 | AAAA | N | 1 | BBBB | N | 1 | Yes | Yes | Yes | Cancel Inbound (NEW) |
| 17 | AAAA | N | 1 | BBBB | N | 2 | Yes | Yes | No | Allow Match |
| 18 | AAAA | N | 1 | CCCC | N | 1 | Yes | Yes | Yes | Cancel Inbound (NEW) |
| 19 | AAAA | N | 1 | CCCC | N | 3 | Yes | Yes | No | Allow Match |
| 20 | AAAA | N | 1 | DDDD | N | 1 | Yes | Yes | Yes | Cancel Inbound (NEW) |
| 21 | AAAA | N | 1 | DDDD | N | 4 | Yes | Yes | No | Allow Match |
| 22 | WXY Z | N | | WXYZ | N | 1 | Yes | Yes | N/A | Cancel Inbound (NEW) |
| 23 | WXY Z | N | 1 | WXYZ | N | | Yes | Yes | No | Allow Match |

⁶ MTP - Incoming order has an MTP action code which indicates that an MTP action is required (i.e., N, O or B).

⁷ TG - Incoming order trading account and resting order trading account are in the same MTP Trading Group.

⁸ SL - Incoming order sublevel and resting order sublevel are identical.

| EX | INCOMING ORDER | | | RESTING ORDER | | | MTP ⁶ | TG ⁷ | SL ⁸ | ACTION |
|----|----------------|------------|---------|---------------|------------|---------|------------------|-----------------|-----------------|----------------------|
| | ACCT | MTP ACTION | SUB LVL | ACCT | MTP ACTION | SUB LVL | | | | |
| 24 | WXY Z | N | 1 | WXYZ | N | 1 | Yes | Yes | Yes | Cancel Inbound (NEW) |
| 25 | WXY Z | N | 1 | WXYZ | N | 2 | Yes | Yes | No | Allow Match |
| 26 | WXY Z | N | 1 | WXYZ | B | 1 | Yes | Yes | Yes | Cancel Inbound (NEW) |
| 27 | WXY Z | N | 1 | WXYZ | B | 2 | Yes | Yes | No | Allow Match |
| 28 | WXY Z | I | | WXYZ | <any> | | No | Yes | Yes | Allow Match |
| 29 | WXY Z | N | | WXYZ | I | | Yes | Yes | Yes | Cancel Inbound (NEW) |
| 30 | WXY Z | I | 1 | WXYZ | <any> | 1 | No | Yes | Yes | Allow Match |
| 31 | WXY Z | N | 1 | WXYZ | I | 1 | Yes | Yes | Yes | Cancel Inbound (NEW) |
| 32 | WXY Z | I | 1 | WXYZ | <any> | 2 | No | Yes | Yes | Allow Match |
| 33 | WXY Z | N | 1 | WXYZ | I | 2 | Yes | Yes | Yes | Allow Match |

Q10. Can CHX show some specific examples of incoming MTP orders interacting with multiple resting orders residing on the top of the Matching System?

A10. Yes. Assume there is an incoming order of 1000 shares which is priced to match three resting orders on the Matching System, as set forth below:

1. The top resting order (by priority) is for 100 shares and belongs to the same MTP Trading Group and sublevel as the incoming order.
2. The second resting order is for 200 shares and is not in the same MTP Trading Group as the incoming order.
3. The third resting order is for 300 shares and is in the same MTP Trading Group and sublevel as the incoming order.

Example 1: If the incoming order has an MTP action code of “N - cancel incoming”, the incoming order of 1000 shares will be canceled, because it is not allowed to match the top resting order which is in the same MTP Trading Group and sublevel as the incoming order.

Example 2: If the incoming order has an MTP action code of “O - cancel resting”, the top resting order of 100 shares will be canceled because it belongs to the same MTP Trading Group and sublevel as the incoming order; the second resting order of 200 shares will be matched because it does not belong to the same MTP Trading Group as the incoming order; and the third resting order of 300 shares will be canceled because it belongs to the same MTP Trading Group and sublevel as the incoming order.

Example 3: If the incoming order has an MTP action code of “B - cancel both”, the incoming order of 1000 shares and the top resting order of 100 shares will both be canceled because the top resting order is in the same MTP Trading Group and sublevel as the incoming order.

Q11. Where can I find more technical information about MTP?

A11. The CHX FIX Interface document can be found on the CHX website at http://www.chx.com/content/Trading_Information/Downloadable_Docs/2_TechnicalSpecifications/FIX_Interface_nov2013.pdf.

The CHX DAS Interface document can be found on the CHX website at http://www.chx.com/content/Trading_Information/Downloadable_Docs/2_TechnicalSpecifications/DAS_Interface_nov2013.pdf.



Chicago Stock Exchange

Exhibit 3 to Information Memorandum 13-10

Version 1.0

November 22, 2013

REQUEST TO ENABLE MATCH TRADE PREVENTION FUNCTIONALITY

_____ (Please Print Firm Name), a Participant of the Chicago Stock Exchange, Inc. (the “Exchange”), assigned Trading Permit No. _____, hereby requests that the Exchange enable Match Trade Prevention (“MTP”) functionality for the following Trading Accounts with the following Trading Account Symbols and aggregated into the following MTP Trading Group(s):

| MTP ¹ | | MTP ¹ | | MTP ¹ | | MTP ¹ | |
|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|
| Trading Account Group | Default MTP ² Action | Trading Account Group | Default MTP ² Action | Trading Account Group | Default MTP ² Action | Trading Account Group | Default MTP ² Action |
| 1 | | 2 | n | 3 | n | 4 | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

1. Please list the Trading Account Symbols you wish to be aggregated into a Trading Account Group. If you wish each Trading Account to be its own Trading Account Group, simply list each Trading Account Symbol separately.
2. You must Specify the default MTP Action for each Trading Group:
 - A. MTP Cancel Incoming (“N”): An incoming limit or market order marked “N” will not execute against opposite side resting interest originating from the same Trading Group or MTP sublevel, if applicable, so long as both contra-side orders are principal (agency) orders. Only the incoming order will be cancelled pursuant to MTP.
 - B. MTP Cancel Resting (“O”): An incoming limit or market order marked “O” will not execute against opposite side resting interest originating from the same Trading Group or MTP sublevel, if applicable, so long as both contra-side orders are principal (agency) orders. Only the resting order will be cancelled pursuant to MTP.
 - C. MTP Cancel Both (“B”): An incoming limit or market order marked “B” will not execute against opposite side resting interest originating from the same Trading Group or MTP sublevel, if applicable, so long as both contra-side orders are principal (agency) orders. The entire size of both orders will be cancelled pursuant to MTP.

The Participant acknowledges that enabling MTP functionality is voluntary and at the discretion of the Participant. The Participant further acknowledges that it understands fully the functionality of MTP, has read and understands the relevant information and documents concerning such functionality including, but not limited to, SR-CHX-2013-20; and Information Notice 2013-10, posted on the Exchange’s website at http://www.chx.com/content/Participant_Information/2013_InformationMemo.html.

The Participant acknowledges that use of MTP functionality may result in the orders of one beneficial order sender being cancelled by the orders of another beneficial order sender, in such cases where a Trading Group is comprised of two or more beneficial order senders. To avoid this scenario, a Participant should consider assigning a unique trading account to represent the order flow of each customer utilizing MTP functionality. Additional accounts are available upon request. In the alternative, if the Participant chooses to maintain two or more order senders in one Trading Group, the Participant may utilize optional MTP sublevel designations and assign order flow from each order sender with a different MTP sublevel designation.

The Participant further acknowledges that the MTP functionality is being offered as part of the Exchange's Trading Facilities, as that term is defined in Exchange Article 1, Rule 1(z). The Participant's use of the Exchange's Trading Facilities are governed by the federal securities laws, rules and regulations; and the Exchange's Rules and any agreements prescribed thereunder. Further the duties and obligations of the Participant and the Exchange pursuant to the aforementioned remain in full force and effect.

This Request to Enable Match Trade Prevention shall not create any new duties or obligations between the Exchange and the Participant that are not set forth in the Exchange's Rules, and proscribed agreements.

NAME OF PARTICIPANT FIRM (Print)

NAME AND TITLE OF AUTHORIZED
PRINCIPAL OF PARTICIPANT
(Print)

SIGNATURE

DATE



Chicago Stock Exchange

Exhibit 4 to Information Memorandum 13-10

Version 1.0

November 22, 2013

REQUEST TO DISABLE MATCH TRADE PREVENTION FUNCTIONALITY

_____ (Please Print Firm Name), a Participant of the Chicago Stock Exchange, Inc. (the "Exchange"), assigned Trading Permit No. _____, hereby requests that the Exchange disable Match Trade Prevention ("MTP") functionality for the following Trading Accounts with the following Trading Account Symbols and aggregated into the following MTP Trading Group(s):

| MTP Trading Account Group 1 | MTP Trading Account Group 2 | MTP Trading Account Group 3 | MTP Trading Account Group 4 |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |

The Participant acknowledges that disabling MTP functionality cannot be performed intraday and that any request to disable MTP functionality will be effective upon the next business day following receipt of this request.

NAME OF PARTICIPANT FIRM (Print)

NAME AND TITLE OF AUTHORIZED
PRINCIPAL OF PARTICIPANT
(Print)

SIGNATURE

DATE



November 21, 2013
ETF-013-326

**CHICAGO STOCK EXCHANGE, INC.
MARKET REGULATION DEPARTMENT
INFORMATION CIRCULAR**

**RE: PROSHARES SHORT TERM USD EMERGING MARKETS BOND ETF TO BEGIN
TRADING ON CHX**

Pursuant to Information Circular MR 08-16, the Chicago Stock Exchange, Inc. ("CHX" or the "Exchange") is issuing this Information Circular to advise that the following securities have been approved for trading on the Exchange as a UTP derivative securities product pursuant to Exchange Article 22, Rule 6:

| | <u>Security</u> | <u>Symbol</u> |
|---------------------------|--|----------------------|
| Security: (the "Shares") | ProShares Short Term USD Emerging Markets Bond ETF | EMSH |
| Commencement of Trading: | November 22, 2013 | |
| Issuer: | ProShares Trust | |
| Issuer Website: | www.ProShares.com | |
| Primary Listing Exchange: | BATS Exchange | |

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in this new product pursuant to the Exchange's unlisted trading privileges, as well as to provide certain characteristics and features of the Shares. For a more complete description of the Issuer, the Shares and the underlying market instruments or indexes, visit the Issuer Website, consult the Prospectus available on the Issuer Website, examine the Issuer Registration Statement or review the most current information bulletin issued by the Primary Listing Exchange (which as of the date hereof is set forth above as the "Primary Exchange Circular"). The Issuer Website, the Prospectus, the Issuer Registration Statement and the Primary Exchange Circular are hereafter collectively referred to as the "Issuer Disclosure Materials."

The Primary Exchange Circular cited above contains the following information:

Background Information on the Fund

The ProShares Trust (the "Trust") is a management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), consisting of several investment portfolios. This circular relates only to the Funds listed above (each, a "Fund" and together, the "Funds"). The shares of the Fund are referred to herein as "Shares."

ProShares Short Term USD Emerging Markets Bond ETF (the “Fund”) seeks investment results, before fees and expenses that track the performance of the DBIQ Short Duration Emerging Market Bond Index (the “Index”).

In seeking to achieve the Fund’s investment objective, ProShare Advisors LLC (“ProShare Advisors”) uses a passive approach to investing that is designed to track the performance of the Index. The Fund attempts to track the performance of the Index by investing all, or substantially all, of its assets in the types of investments that make up the Index. The Fund employs various investment techniques that ProShare Advisors believes should, in the aggregate, simulate the movement of the Index. The investment techniques utilized to simulate the movement of the Index are intended to enhance liquidity, maintain a tax-efficient portfolio and reduce transaction costs while, at the same time, seeking to maintain high correlation with, and similar aggregate characteristics to, the Index. For example, the Fund may gain exposure to only a representative sample of the securities in the Index or may invest in securities not contained in the Index with the intent of obtaining exposure with aggregate characteristics similar to the Index. In addition, the Fund may overweight or underweight certain components contained in the Index.

ProShare Advisors does not invest the assets of the Fund in securities based on ProShare Advisors’ view of the investment merit of a particular security, instrument, or company, other than for cash management purposes, nor does it conduct conventional research or analysis, or forecast market movement or trends, in managing the assets of the Fund. The Fund generally seeks to remain fully invested at all times in securities that ProShare Advisors believes, in combination, should have similar return characteristics to the Index without regard to market conditions, trends, direction or the financial condition of particular U.S. dollar-denominated debt securities issued by emerging market sovereign governments (“Sovereigns”), non-sovereign government agencies and entities (“Sub-Sovereigns”) or corporations with significant government ownership (“Quasi-Sovereigns”). To the extent the Fund is overweight in a security that is perceived by the markets to have increased credit risk, the Fund’s performance will be adversely affected. The Fund does not take temporary defensive positions.

Under normal circumstances, the Fund will invest at least 80% of its total assets in component securities (i.e., securities of the Index) and invest at least 80% of its total assets in emerging market debt securities. The Fund will invest in debt securities that ProShare Advisors believes, in combination, should track the performance of the Index.

- Debt Securities — The Fund invests in U.S. dollar-denominated debt securities issued by Sovereign, Sub-Sovereign or Quasi-Sovereign issuers deemed to be domiciled in “Emerging Markets” by the Index Provider that are offered for sale in the United States. Because the debt securities are U.S. dollar-denominated, fluctuations in currency exchange rates will not directly affect the principal or coupons associated with the debt securities

As described more fully in the Trust’s prospectus and Statement of Additional Information (“SAI”), the Funds issue and redeem Shares at net asset value (“NAV”) only in large blocks of 50,000 Shares (each block of Shares called a “Creation Unit”) or multiples thereof. As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements (called Authorized Participants) can purchase or redeem these Creation Units. Except when aggregated in Creation Units, the Shares may not be redeemed with the Funds.

Shares are held in book-entry form, which means that no Share certificates are issued. The Depository Trust Company or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

The NAV per Share for each Fund is computed by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. The NAV of each Fund is determined each business day after the close of trading (ordinarily 4:00 p.m., Eastern Time or "ET") of the New York Stock Exchange. Any assets or liabilities denominated in currencies other than the U.S. dollar are converted into U.S. dollars at the current market rates on the date of valuation as quoted by one or more sources.

Please see the Fund's prospectus for more information regarding the Fund and its investment objective.

Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations

The Securities and Exchange Commission (the "SEC") has issued letters granting exemptive, interpretive and no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 for exchange-traded securities listed and traded on a registered national securities exchange that meet certain criteria.

AS WHAT FOLLOWS IS ONLY A SUMMARY OF THE RELIEF OUTLINED IN THE NO-ACTION LETTERS REFERENCED ABOVE, THE EXCHANGE ADVISES INTERESTED PARTIES TO CONSULT THE NO-ACTION LETTERS FOR MORE COMPLETE INFORMATION REGARDING THE MATTERS COVERED THEREIN AND THE APPLICABILITY OF THE RELIEF GRANTED IN RESPECT OF TRADING IN SECURITIES. INTERESTED PARTIES SHOULD ALSO CONSULT THEIR PROFESSIONAL ADVISORS.

Regulation M Exemptions

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Fund to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned Fund (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Fund for redemption does not constitute a bid for or purchase of any of the Fund's securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.

Rule 10b-10 (Customer Confirmations for Creation or Redemption of Fund Shares)

Broker-dealers who handle purchases or redemptions of Fund Shares in Creation Unit size for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing Creation Unit Aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust for the Fund to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemption is subject to the following conditions:

- Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;
- Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c); and
- Except for the identity, number, and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

Section 11(d)(1); Rules 11d1-1 and 11d1-2

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has clarified that Section 11(d)(1) does not apply to broker-dealers that are not Authorized Participants (and, therefore, do not create Creation Unit Aggregations) that engage in both proprietary and customer transactions in Shares of a Fund in the secondary market, and for broker-dealer Authorized Participants that engage in creations of Creation Unit Aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an Authorized Participant) does not, directly or indirectly, receive from the Fund complex any payment, compensation or other economic incentive to promote or sell the Shares of a Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(l)(5)(A), (B) or (C). (See letter from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares of a Fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on Shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

Rule 14e-5

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of the Fund (1) to redeem Fund Shares in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Fund Shares during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more Creation Unit Aggregations of Shares, if made in conformance with the following:

- such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchase; or
- purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
- such bids or purchases are not effected for the purpose of facilitating such tender offer.

SEC Rule 15c1-5 and 15c1-6

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See letter from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

Exchange Rules Applicable to Trading in the Shares

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities. The Shares are also a UTP Derivative Securities as specified in Exchange Article 22, Rule 6, and as such are subject to the additional provisions specific to that Rule. In particular, Participants are reminded of their obligations under the following CHX Rules:

Trading Hours

The shares will trade during the Exchange's Early Session (6:00 a.m. to 8:30 a.m. CT); the Regular Trading Session (8:30 a.m. to 3:00 p.m. CT) and the Late Trading Session (commences immediately after the Regular Trading Session and ends at 3:15 p.m. CT). Please note that trading in the Shares during the Exchange's various trading sessions may result in additional trading risks which include: (1) lower liquidity which may impact pricing, (2) higher volatility (3) wider spreads and (4) other risks including among other things, the lack of calculation or dissemination of the intra-day indicative value or a similar value. The minimum trading increment is \$.01.

Customer Dealings - Suitability

Exchange Article 8, Rule 11 provides that prior to the execution of a transaction recommended to a customer, a Participant shall make reasonable efforts to obtain information concerning: (1) the customer's financial status, (2) the customer's tax status, (3) the customer's investment objectives, and (4) such other information used or considered to be reasonable by such Participant in making recommendations to the customer. Based on this information, the Participant must have reasonable grounds to believe that the recommendation is suitable for such customer.

Prospectus Delivery/Product Description

Participants are subject to the prospectus delivery requirements under the Securities Act of 1933, unless the new derivative securities product is the subject of an order by the Securities and Exchange Commission exempting the product from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and the product is not otherwise subject to prospectus delivery requirements under the Securities Act of 1933. The Exchange shall inform its Participants regarding the application of the provisions of this subparagraph to a particular derivative securities product by means of a Regulatory Information Circular:

The Exchange requires that Participants provide to all purchasers of a derivative securities product a written description of the terms and characteristics of those securities, in a form approved by the Exchange or prepared by the open-ended management company issuing such securities, not later than the time a confirmation of the first transaction in such series is delivered to such purchaser. In addition, Participants shall include a written description with any sales material relating to a derivative securities product that is provided to customers or the public. Any other written materials provided by a Participant to customers or the public making specific reference to the derivative securities product as an investment vehicle must include a statement substantially in the following form:

"A circular describing the terms and characteristics of [the derivative securities product] has been prepared by the [open-ended management investment company name] and is available from your broker. It is recommended that you obtain and review such circular before purchasing [the derivative securities product]."

A Participant carrying an omnibus account for a non-Participant is required to inform such non-Participant that execution of an order to purchase a derivative securities product for such omnibus account will be deemed to constitute an agreement by the non-Participant to make such written description available to its customers on the same terms as are directly applicable to the Participant under this rule. Upon request of a customer, a Participant shall also provide a prospectus for the particular derivative securities product.

Upon request of a customer, a Participant shall also provide a prospectus for the particular derivative securities product.

Trading Halts

Exchange Article 22, Rule 6(a)(iii) provides that, in addition to the Exchange's authority to suspend or halt trading under Article 20, Rule 1(d) (Trading Suspensions or Halts) and Article 20, Rule 2 (Trading Halts Due To Extraordinary Market Volatility), if a temporary interruption occurs in the calculation or wide dissemination of the intraday indicative value (or similar value) or the value of the underlying index or instrument and the listing market halts trading in the product, the Exchange, upon notification by the listing market of such halt due to such temporary interruption, also shall immediately halt trading in that product on the Exchange. The Shares will be traded following a trading halt in accordance with Interpretations and Policies .02 of Exchange Article 20, Rule 1.

In addition, for a UTP Derivative Securities product where a net asset value is disseminated, if the primary listing exchange notifies the Exchange that the net asset value is not being disseminated to all market participants at the same time, the Exchange will immediately halt trading in such security. The Exchange may resume trading in the UTP Derivative Security only when the net asset value is disseminated to all market participants at the same time or trading in the UTP Derivative Security resumes on the listing market.

THIS INFORMATION CIRCULAR IS NOT A STATUTORY PROSPECTUS. MEMBERS AND MEMBER ORGANIZATIONS SHOULD CONSULT THE PROSPECTUS AND STATEMENT OF ADDITIONAL INFORMATION FOR ALL RELEVANT INFORMATION RELATING TO SHARES OF THE FUND.

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Inquiries regarding this Information Memo should be directed to Peter D. Santori, Executive Vice President and Chief Regulatory Officer, at (312) 663-2402.