

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-57858; File No. SR-BSE-2008-30)

May 23, 2008

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Obvious Errors on the Boston Options Exchange

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 22, 2008, the Boston Stock Exchange, Inc. (“BSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)³ of the Act and Rule 19b-4(f)(6) thereunder,⁴ which renders the proposal effective upon filing with the Commission. 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 to amend Section 20 (Obvious Errors) of Chapter V of the Rules of the Boston Options Exchange Group, LLC (“BOX”). The proposed rule change would redefine theoretical price (“Theoretical Price”) for the purposes of determining whether an execution price constitutes an obvious error (“Obvious Error”). The text of the proposed rule

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(6).

change is available at the principal office of the Exchange, the Commission's Public Reference Room, and www.bostonstock.com/regulatory/effective.aspx.

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 Exchange included statements concerning the purpose of, and basis for, the proposed rule change, and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. BSE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The Exchange believes that the Obvious Error rules and procedures on BOX provide objective criteria by which certain transactions may be analyzed if believed to have been executed at erroneously high or low prices. Section 20 of Chapter V of the BOX Rules currently defines the Theoretical Price of an options series, if the series is traded on at least one other options exchange, as "the last bid price with respect to an erroneous sell transaction, and last offer price with respect to an erroneous buy transaction, just prior to the trade disseminated by the competing options exchange that has the most liquidity in that option; or if there are no quotes for comparison purposes, as determined by the MRC."

The proposed rule change would re-define Theoretical Price to mean, with respect to options series traded on at least one other options exchange, either the last National Best Bid price (with respect to an erroneous sell transaction) or the last National Best Offer price (with respect to an erroneous buy transaction), just prior to the trade in question. This would provide the Market Regulation Center ("MRC") with a clearly defined measure of the price on which to

base their determination as to whether or not a particular transaction resulted from an erroneous price and thus was an obvious error.⁵ If approved, this proposal would continue to permit the MRC to establish the Theoretical Price when there are no quotes available for comparison purposes.

As the proposed rule change would eliminate any comparison to the “competing options exchange that has the most liquidity in that option,” the Exchange proposes to remove Supplemental Material .03 to Section 20 of Chapter V of the BOX Rules and modify the formatting of certain portions of the Supplemental Material for the purposes of conforming such formatting to that of the remainder of the BOX Rules. The Exchange also proposes to make a minor change to the rule text to correct an existing typographical error.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁷ in particular, in that it is designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, 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. Specifically, the proposed rule change would establish an objective definition of Theoretical Price when determining whether a particular transaction was or was not an Obvious Error and

⁵ The Exchange notes that the Philadelphia Stock Exchange (“Phlx”), see Phlx Rule 1092(b), uses the NBBO to determine the theoretical price of an option.

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

