SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55472; File No. SR-BSE-2007-08)

March 14, 2007

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Immediate
Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto to Add an Automatic
Quote Cancellation Procedure to the Boston Options Exchange Rules

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 February 15, 2007, 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, II, and III below, which Items

have been substantially prepared by the Exchange. On March 13, 2007, BSE submitted

Amendment No. 1 to the proposed rule change. BSE has filed the proposal pursuant to

Section 19(b)(3)(A) of the Act[3] and Rule 19b-4(f)(5) 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, as amended, from interested persons.

I.   Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed
        Rule Change

BSE proposes to add Section 15, Automatic Quote Cancellation Procedure, to Chapter VI

in the Boston Options Exchange ("BOX") Rules. This proposed addition to the BOX Rules will

provide a BOX Market Maker the option of enabling automatic quote cancellation protection so

its quotes will be automatically cancelled if it is technically disconnected from the BOX Trading

Host. The text of the proposed rule change is below. Proposed new language is in italics.

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[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)(5).

Chapter VI. Market Makers

Sec. 1 through Sec. 14 – No Change.

Sec. 15 Automatic Quote Cancellation Procedure:

(a) The Automatic Quote Cancellation Procedure is enabled (or disabled) for all of a Market Maker's appointed options classes when a Market Maker sends an Automatic Quote Cancellation Procedure enabling (or disabling) message to the Trading Host. The Market Maker must provide in the enable message the duration of no technical connectivity after which the Trading Host should cancel his quotes (set for a duration of between one and nine seconds). Unless enabled, the Automatic Quote Cancellation Procedure is disabled for all options classes.

(b) When the Automatic Quote Cancellation Procedure has been enabled, the Trading Host will automatically cancel all quotes posted by the Market Maker in all of the Market Maker's appointed options classes when there has been no technical communication with the Trading Host for the time indicated by the Market Maker as described in section 15(a) above.

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

In its filing with the Commission, BSE 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 proposed addition to the BOX Rules will provide a BOX Market Maker protection when it becomes disconnected from the BOX Trading Host. The proposed rule will allow a BOX Market Maker the option to turn on the automatic quote cancellation protection by sending an enabling message to the BOX Trading Host. The enabling message must provide the duration of no technical connectivity (between one and nine seconds) after which the BOX Trading Host will cancel all of the Market Maker's quotes. Once the Market Maker enables this protection, the BOX Trading Host will count the number of seconds since the last quote message or heartbeat ("Message") received from the Market Maker. Each Market Maker Message received by the BOX Trading Host will restart the counter. A Market Maker's quotes will be automatically canceled if the BOX Trading Host counter reaches the Market Maker's specified timeframe. There is no outgoing message sent by the BOX Trading Host which will trigger the automatic quote cancellation procedure. The Exchange believes that this proposed rule change will benefit the marketplace, as it reduces the chance of erroneous or stale quotes if a BOX Market Maker loses technical connectivity.

The following example illustrates how the Automatic Quote Cancellation Procedure will work:

START OF THE DAY

11:37:05:82 – Market Maker sends a message enabling the automatic quote cancellation procedure, setting the BOX Trading Host counter for 5 seconds of no activity

Counter starts

11:37:09:26 – Market Maker sends a Bulk Quote on class 1

Counter re-starts

11:37:10:06 – Market Maker sends a Panic Quote on class 1

Counter re-starts

11:37:12:06 – Market Maker sends a Bulk Quote on class 2

Counter re-starts

11:37:13:06 – Market Maker sends a Heartbeat

Counter re-starts

11:37:18:07 - Nothing received from the Market Maker.

The Box Trading Host cancels all of the Market Maker's quotes.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the provisions of Section 6(b) of the Act,[5] in general, and with Section 6(b)(5) of the Act,[6] in particular, in that the proposal is designed to prevent fraudulent an manipulative acts and practices, to promote just and equitable principles of trade, 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.

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.

C. 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 comments on the proposed rule change.

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[5]   15 U.S.C. 78f(b).

[6]   15 U.S.C. 78f(b)(5).

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

Because the proposed rule change does not: (1) significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) have the effect of limiting the access to or availability of an existing order entry or trading system of the Exchange, the foregoing rule change has become effective immediately pursuant to Section 19(b)(3)(A)(iii) of the Act[7] and Rule 19b-4(f)(5) thereunder.[8] At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.[9]

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. Please include File Number SR-BSE-2007-08 on the subject line.

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[7]   15 U.S.C. 78s(b)(3)(A)(iii).

[8]   17 CFR 240.19b-4(f)(5).

[9]   15 U.S.C. 78s(b)(3)(C). For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposal, the Commission considers the period to commence on March 13, 2007, the date on which the Exchange submitted Amendment No. 1.

<u>Paper comments</u>:

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

All submissions should refer to File Number SR-BSE-2007-08. 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 Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of the filing also will be available for inspection and copying at the principal office of BSE. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-BSE-2007-08 and should be submitted on or before [insert date 21 days from publication in the <u>Federal</u> <u>Register</u>].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[10]

Florence E. Harmon
Deputy Secretary

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[10] 17 CFR 200.30-3(a)(12).