

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-55138; File Nos. SR-Amex-2006-119; SR-BSE-2006-55; SR-CBOE-2006-109; SR-ISE-2006-73; and SR-NYSEArca-2007-01)

January 19, 2007

Self-Regulatory Organizations; International Securities Exchange, Inc.: Order Approving Proposed Rule Change; American Stock Exchange LLC; Chicago Board Options Exchange, Incorporated; and NYSEArca, Inc.: Order Granting Accelerated Approval to Proposed Rule Changes; and Boston Stock Exchange, Inc.: Order Granting Accelerated Approval to a Proposed Rule Change, as Amended, Relating to the Definition of “Complex Trade” as Applied to Trades Through the Options Intermarket Linkage

I. Introduction

On December 4, 2006, the International Securities Exchange, Inc. (“ISE”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposal to amend ISE Rule 1900(3) to revise the definition of “Complex Trade” as applied to trades through the Intermarket Options Linkage (“Linkage”). The proposed rule change was published for comment in the Federal Register on December 20, 2006.³ The Commission received no comments regarding the ISE’s proposal.

On December 13, 2006, December 21, 2006, December 28, 2006, and January 3, 2007, the Boston Stock Exchange, Inc. (“BSE”), the Chicago Board Options Exchange, Incorporated (“CBOE”), the American Stock Exchange LLC (“Amex”), and NYSE Arca, Inc. (“NYSEArca”) (with the ISE, collectively, the “Options Exchanges”), respectively,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 54923 (December 12, 2006), 71 FR 76399.

filed proposals to amend their rules⁴ to revise the definition of “Complex Trade” as applied to trades through the Linkage. The BSE filed Amendment No. 1 to its proposal on December 27, 2006. The proposals, including the BSE’s proposal, as amended, were published for comment in the Federal Register on January 5, 2007,⁵ January 8, 2007,⁶ and January 16, 2007.⁷

This order approves the ISE’s proposal and approves the proposals of the Amex, CBOE, NYSEArca, and BSE, as amended, on an accelerated basis.

II. Description of the Proposals

The proposals will revise the rules of each of the Options Exchanges to provide that, for purposes of trades through the Linkage, a “Complex Trade” includes a spread, straddle, or combination order where the number of contracts on the legs of the spread, straddle, or combination order differs by any ratio equal to or greater than one-to-three and less than or equal to three-to-one. There is no Trade-Through liability for Complex Trades.⁸ The proposed definition of “Complex Trade” is generally consistent with the definitions of “ratio order” contained in the rules of the Options Exchanges and used for

⁴ See Amex Rule 940(b)(3); BOX Rules, Chapter XII, Section 1(c); CBOE Rule 6.80(4); and NYSEArca Rule 6.92(a)(4).

⁵ See Securities Exchange Act Release No. 55012 (December 27, 2006), 72 FR 599 (notice of filing of File No. SR-CBOE-2006-109).

⁶ See Securities Exchange Act Release No. 55015 (December 28, 2006), 72 FR 811 (notice of filing of File No. SR-BSE-2006-55).

⁷ See Securities Exchange Act Release Nos. 55048 (January 5, 2007), 72 FR 1784 (notice of filing of File No. SR-Amex-2006-119); and 55051 (January 5, 2007), 72 FR 1796 (notice of filing of File No. SR-NYSEArca-2007-01).

⁸ See Amex Rule 942(b)(7); BOX Rules, Chapter VII, Section 3(b)(vii); CBOE Rule 6.83(b)(7); ISE Rule 1902(b)(7); and NYSEArca Rule 6.94(b)(7).

purposes other than Linkage.⁹

III. Discussion

The Commission finds that the proposed rule changes by the Amex, the CBOE, the ISE, and NYSEArca, and the BSE's proposal, as amended, are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.¹⁰ Specifically, the Commission finds that the proposals are consistent with Section 6(b)(5) of the Act¹¹ in that they are designed to prevent fraudulent and 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. The Commission believes that by defining a "Complex Trade" for Linkage purposes to include spreads, straddles, and combination orders with ratios equal to or greater than one-to-three and less than or equal to three-to-one, and by providing a consistent definition of "Complex Trade" in the rules of the Options Exchanges, the proposals could facilitate the execution of complex orders.

The Commission finds good cause for approving the proposals of the Amex, the CBOE, and NYSEArca, and the BSE's proposal, as amended, prior to the thirtieth day

⁹ See Amex Rule 950—ANTE(e)(vii); CBOE Rule 6.53C(a)(5); ISE Rule 722(a)(6); and NYSEArca Rule 6.62(k). Unlike the rules of the Amex, the CBOE, the ISE, and NYSEArca, which permit ratio orders with ratios equal to or greater than one-to-three and less than or equal to three-to-one, the BOX Rules permit ratio orders with ratios equal to or greater than one-to-two. See BOX Rules, Chapter V, Section 27(a)(vi).

¹⁰ In approving the proposed rule changes, the Commission has considered the proposed rules' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹¹ 15 U.S.C. 78f(b)(5).

after the date of publication of notice of filing thereof in the Federal Register. The proposals of the Amex, the BSE, the CBOE, and NYSEArca propose definitions of “Complex Trade” that are identical to the definition proposed by the ISE. The ISE’s proposal was subject to a 21-day comment period and the Commission received no comments regarding the ISE’s proposal. Accordingly, the Commission finds good cause, consistent with Sections 6(b)(5) and 19(b) of the Act, to approve the proposals of the Amex, the CBOE, and NYSEArca, and the BSE’s proposal, as amended, on an accelerated basis.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹² that the ISE’s proposed rule change (SR-ISE-2006-73), is approved, that the proposed rule changes of the Amex (SR-Amex-2006-119), the CBOE (SR-CBOE-2006-109), and NYSEArca (SR-NYSEArca-2007-01) are approved on an accelerated basis, and that the BSE’s proposed rule change (SR-BSE-2006-55), as amended, is approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Florence E. Harmon
Deputy Secretary

¹² 15 U.S.C. 78s(b)(2).

¹³ 17 CFR 200.30-3(a)(12).