

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-57260; File No. SR-BSE-2008-06)

February 1, 2008

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding a Proposed Combination Between the Montréal Exchange Inc. and TSX Group Inc.

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 January 29, 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 prepared by BSE. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ 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 is submitting the proposed rule change to the Commission to amend the Fifth Amended and Restated Operating Agreement, dated January 26, 2005, as may be amended from time to time (“BOX LLC Agreement”), of the Boston Options Exchange Group LLC (“BOX LLC”), in connection with the proposed business combination (the “Combination”) of

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b-4(f)(6).

the Montréal Exchange Inc.,⁵ a company incorporated in Québec, Canada (“MX”), and TSX Group Inc., a company incorporated in Ontario, Canada (“TSX Group”). The text of the rule proposal, including the proposed Instrument of Accession, is available on the Exchange’s Web site (<http://www.bostonstock.com>), at 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, 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

On January 13, 2004, the Commission approved four BSE proposals that together established, through an operating agreement among its owners, a Delaware limited liability company, BOX LLC, to operate BOX as an options trading facility of the Exchange.⁶ Currently,

⁵ The Montréal Exchange Inc. is also known in French as the Bourse de Montréal Inc.

⁶ See Securities Exchange Act Release Nos. 49066 (January 13, 2004), 69 FR 2773 (January 20, 2004) (establishing a fee schedule for the proposed BOX facility); 49065 (January 13, 2004), 69 FR 2768 (January 20, 2004) (creating Boston Options Exchange Regulation LLC to which the BSE would delegate its self-regulatory functions with respect to the BOX facility); 49068 (January 13, 2004), 69 FR 2775 (January 20, 2004) (approving trading rules for the BOX facility); and 49067 (January 13, 2004), 69 FR 2761 (January 20, 2004) (approving certain regulatory provisions of the operating agreement of BOX LLC).

MX US 2, Inc., a wholly owned U.S. subsidiary of MX (“MX US”), owns a 31.4% ownership interest in BOX LLC.

The Exchange is submitting the proposed rule change to the Commission to amend the BOX LLC Agreement pursuant to the proposed Instrument of Accession in connection with the Combination of MX, the largest derivatives exchange in Canada, and TSX Group, which, among other things, owns Canada's pre-eminent equity market. As a result of the Combination, MX will become a direct⁷ subsidiary of TSX Group, a publicly traded Ontario corporation.⁸

The Combination will be effected through a series of amalgamations⁹ involving intermediate holding companies, which will cease to exist following completion of the Combination. As a result of these transactions, MX will be amalgamated with a direct subsidiary of TSX Group. The amalgamated company also will be named Montréal Exchange Inc. and will be a Québec corporation. Consequently, MX US (including MX US's 31.4% ownership interest in BOX LLC) will become an indirect, wholly owned subsidiary of TSX Group. The Combination is subject to the approval of the Autorité des marchés financiers (the securities regulator for the province of Québec, Canada) and the shareholders of MX, as well as other regulatory approvals.

⁷ Certain non-voting preference shares of MX will be owned by TSX Inc., a direct, wholly owned subsidiary of TSX Group. The share interests of TSX Group and TSX Inc. will together represent the entire ownership interest, voting and non-voting, in MX.

⁸ At its next shareholders' meeting after the effective date of the Combination, TSX Group will propose changing its name to TMX Group Inc.

⁹ The term “amalgamation” refers to the combination of two or more business entities into a single entity pursuant to which the combined entity becomes the successor in interest, by operation of law, to the rights and obligations of the combining entities. Amalgamations are commonly used in Canada to effect business combinations and are similar to mergers in the United States.

Following the Combination, MX, MX US, and TSX Group will continue to operate their respective businesses in substantially the same manner as they had prior to the Combination, and MX and MX US senior management will remain under the stewardship of MX's current chief executive officer.¹⁰ Additionally, the operations of each of MX and TSX Group will continue to be located in the same province in which it is currently located, and each will remain subject to its existing regulatory framework and oversight. Consequently, MX US's management of its ownership interest in BOX shall remain essentially unaffected by the Combination.

Pursuant to Section 8.4(g) of the BOX LLC Agreement, BOX LLC is required to amend the BOX LLC Agreement to make an Acquirer¹¹ a party to the LLC Agreement if such Acquirer acquires a Controlling Interest¹² in a BOX Member who holds a percentage interest in BOX LLC equal to or greater than 20%. Therefore, since TSX Group is acquiring a Controlling Interest in MX, whose wholly owned subsidiary, MX US, owns a 31.4% ownership interest in BOX LLC, TSX Group, as an Acquirer, is required to and will become a party to the BOX LLC Agreement pursuant to the proposed Instrument of Accession. As a result, TSX Group will agree to abide by all the provisions of the BOX LLC Agreement, including those provisions requiring

¹⁰ Organizational changes contemplated in connection with the Combination are described in the TSX Group registration statement separately filed with the Commission regarding the issuance of shares in connection with the Combination.

¹¹ An "Acquirer" is defined as a Person who, alone or together with any Affiliate of such Person, acquires a controlling interest in a Member." See BOX LLC Agreement, Section 8.4(g)(ii).

¹² A "Controlling Interest" is defined as "the ownership by any Person, alone or together with any Affiliate of such Person, of a 25% or greater interest in a Member." See BOX LLC Agreement, Section 8.4(g)(i).

submission to the jurisdiction of the Commission.¹³

For the reasons stated above, BSE is submitting to the Commission the proposed Instrument of Accession, which constitutes an amendment to the BOX LLC Agreement, as a rule change. The proposed rule change is subject to becoming effective and operative pursuant to Section 19(b)(3)(A) of the Act¹⁴ and Rule 19b-4(f)(6)¹⁵ thereunder. BSE proposes to make this proposal operative upon the consummation of the Combination, currently anticipated in late February 2008.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,¹⁶ in general, and furthers the objectives of Section 6(b)(1),¹⁷ in particular, in that it enables the Exchange to be so organized so as to have the capacity to be able to carry out the

¹³ The BOX LLC Agreement states, in part, that “the Members, officers, directors, agents, and employees of Members irrevocably submit to the exclusive jurisdiction of the U.S. federal courts, U.S. Securities and Exchange Commission, and the Boston Stock Exchange, for the purposes of any suit, action or proceeding pursuant to U.S. federal securities laws, the rules or regulations thereunder, arising out of, or relating to, BOX activities or Article 19.6(a), (except that such jurisdictions shall also include Delaware for any such matter relating to the organization or internal affairs of BOX, provided that such matter is not related to trading on, or the regulation, of the BOX Market), and hereby waive, and agree not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claims that they are not personally subject to the jurisdiction of the U.S. Securities and Exchange Commission, that the suit, action or proceeding is an inconvenient forum or that the venue of the suit, action or proceeding is improper, or that the subject matter hereof may not be enforced in or by such courts or agency.” See BOX LLC Agreement, Section 19.6.

¹⁴ 15 U.S.C. 78s(b)(3)(A).

¹⁵ 17 CFR 240.19b-4(f)(6).

¹⁶ 15 U.S.C. 78f(b).

¹⁷ 15 U.S.C. 78f(b)(1).

purposes of the Act and to comply, and to enforce compliance by its exchange members and persons associated with its exchange members, with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange.

The Exchange also believes that this filing furthers the objectives of Section 6(b)(5) of the Act¹⁸ in that it is designed to facilitate transactions in securities, 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 regulating, clearing, settling, processing information with respect to, and 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.

Additionally, the Exchange notes that the provisions of the BOX LLC Agreement, previously approved by the Commission, provide a framework for addressing the Combination. Accordingly, BSE believes the Combination does not present any novel issues that have not been anticipated and addressed by the BOX LLC Agreement.

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 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.

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

¹⁸ 15 U.S.C. 78f(b)(5).

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, it has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁹ and Rule 19b-4(f)(6) thereunder.²⁰

Normally, a proposed rule change filed under Rule 19b-4(f)(6)²¹ may not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)²² permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay. In its filing, the Exchange requested waiver of the 30-day operative delay because the MX shareholders are expected to approve the Combination on February 13, 2008 and subsequent thereto the Combination is expected to close in late February of 2008. Furthermore, BSE believes the Combination does not present any novel issues that have not been anticipated and addressed by the BOX LLC Agreement.

The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because the proposed rule change will allow the

¹⁹ 15 U.S.C. 78s(b)(3)(A).

²⁰ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires that a self-regulatory organization submit to the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Commission notes that BSE has satisfied the five-day pre-filing notice requirement.

²¹ 17 CFR 240.19b-4(f)(6).

²² 17 CFR 240.19b-4(f)(6)(iii).

Exchange to proceed with the Combination, without undue delay, in a manner consistent with the provisions of the BOX LLC Operating Agreement. Accordingly, consistent with the protection of investors and the public interest, the Commission designates the proposed rule change to be operative upon consummation of the Combination.²³

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.

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-2008-06 on the subject line.

Paper Comments:

²³ For the purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

- 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-2008-06. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such 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-2008-06 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.²⁴

Florence E. Harmon
Deputy Secretary

²⁴ 17 CFR 200.30-3(a)(12).