

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-53557; File No. SR-BSE-2006-09)

March 28, 2006

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Chapter VII, Section 1(g) Relating to the Exercise of Options Contracts

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 15, 2006, 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 the Exchange. The BSE filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission.<sup>5</sup> 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 BSE, pursuant to Section 19(b)(1) of the Act<sup>6</sup> and Rule 19b-4 thereunder,<sup>7</sup> proposes to amend the Rules of the Boston Options Exchange (“BOX”), an options trading facility of the

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> As required by Rule 19b-4(f)(6)(iii), 17 CFR 240.19b-4(f)(6)(iii), the BSE submitted 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.

<sup>6</sup> 15 U.S.C. 78s(b)(1).

<sup>7</sup> 17 CFR 240.19b-4.

BSE, to amend Chapter VII, Section 1(g) relating to the exercise of options contracts and the deadline within which one may make a final decision to exercise or not exercise an expiring option. The text of the proposed rule change is available on the BSE's Web site at (<http://bostonstock.com>), at the BSE's principal office, and at the Commission's Public Reference Room.<sup>8</sup>

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 proposal. The text of these statements may be examined at the places specified in Item IV below. The 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 BSE proposes to amend Chapter VII, Section 1(g) of the BOX Rules to clarify the amount of time that is set forth as the deadline to make a final decision to exercise or not exercise an options contract.

On January 11, 2006, the BSE filed a proposed rule change, which the Commission subsequently approved on an accelerated basis, relating to the change in the closing time for

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In its proposal, the Exchange indicated that no change is being made to subsections .01 and .02 of the Supplementary Material following Chapter VII, Section 1 of the BOX Rules. During a telephone conversation on March 21, 2006, the Exchange clarified that no change is to be made to subsections .03 through .05 of the Supplementary Material following Chapter VII, Section 1 of the BOX Rules. Telephone conversation between Bill Meehan, General Counsel, BSE, and Johnna B. Dumler, Attorney, Division of Market Regulation ("Division"), Commission, on March 21, 2006.

trading options on individual stocks from 4:02 p.m. Eastern Time (“ET”) to 4:00 p.m. ET.<sup>9</sup> However, that proposed rule change did not address a corresponding change to Chapter VII, Section 1(g) of the BOX Rules relating to the time frame within which to exercise or not exercise an options contract. Therefore, the BSE now seeks to amend this rule text for purposes of consistency with the new hours of trading in equity options on individual stocks. The BSE proposes to change all references in Chapter VII, Section 1(g) from 28 minutes to 30 minutes to reflect the two minute change in the closing time for trading of options on individual stocks.

According to the Exchange, the proposed rule change is based on similar rule changes submitted by the Pacific Exchange, Inc., the Philadelphia Stock Exchange, Inc. and the International Securities Exchange, Inc.<sup>10</sup>

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>11</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>12</sup> in particular, because it is designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and

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<sup>9</sup> See Securities Exchange Act Release No. 53245 (February 7, 2006), 71 FR 8010 (February 15, 2006) (approving SR-BSE-2006-02). The BSE filed SR-BSE-2006-02 on January 11, 2006 and subsequently filed a partial amendment on February 2, 2006, which requested the implementation date for the new closing time be changed from February 1, 2006, as originally proposed, to February 13, 2006.

<sup>10</sup> See Securities Exchange Act Release Nos. 53249 (February 7, 2006), 71 FR 8035 (February 15, 2006) (SR-PCX-2005-138); 53407 (March 3, 2006), 71 FR 12764 (March 13, 2006) (SR-Phlx-2006-12); 53439 (March 7, 2006), 71 FR 13643 (March 16, 2006) (SR-ISE-2006-11). See also 53438 (March 7, 2006), 71 FR 13641 (March 16, 2006) (SR-CBOE-2006-19).

<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(5).

open market and a national market system, and, in general, to protect investors and the public interest.<sup>13</sup>

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 BSE 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

Because the foregoing proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) by its terms does not become operative for 30-days after 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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(6) thereunder.<sup>15</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>16</sup> normally does not become operative prior to 30-days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of

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<sup>13</sup> The Exchange clarified that it is relying on the statutory bases set forth above, as opposed to the factors enumerated in the "Basis" Section of Exhibit 1. Telephone conversation between Bill Meehan, General Counsel, BSE, and Johnna B. Dumler, Attorney, Division, Commission, on March 21, 2006.

<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

<sup>16</sup> Id.

investors and the public interest. The BSE has asked the Commission to waive the 30-day operative delay. The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because such waiver will allow the BSE to immediately clarify its rule and conform it to the industry-wide close of trading times now in effect. Accelerating the operative date will facilitate efficient and effective market operation by offering clarity and internal consistency with existing BSE rules. For these reasons, the Commission designates the proposed rule change as effective and operative immediately upon filing with the Commission.<sup>17</sup>

At any time within 60-days after 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](mailto:rule-comments@sec.gov). Please include File Number SR-BSE-2006-09 on the subject line.

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<sup>17</sup> For the purposes only of waiving the 30-day operative date of this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

Paper Comments:

- 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-2006-09. 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 such filing also will be available for inspection and copying at the principal office of the 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-2006-09 and should be submitted on or before [insert date 21 days after the date of publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>18</sup>

Nancy M. Morris  
Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12).