

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54884; File No. SR-BSE-2006-52)

December 6, 2006

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Relating to the Time a Marketable Order is Exposed on the BOX Book

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 November 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 BSE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and is approving the proposal on an accelerated basis.

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

The Exchange proposes to amend Section 16 (Execution and Price/Time Priority) of Chapter V of the Rules of the Boston Options Exchange (“BOX”) to reduce the time that an order is exposed in the internal BOX market when BOX is not matching the national best bid or offer (“NBBO”) from three seconds to one second. The text of the proposed rule change is available on the Exchange’s Internet Web site (<http://www.bostonstock.com>), at the Exchange’s principal office, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 III below. The Exchange 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend Section 16 (Execution and Price/Time Priority) of Chapter V of the BOX Rules to reduce the time that an order is exposed in the internal BOX market when the BOX best bid and offer (“BBO”) is not matching the NBBO from three seconds to one second.³ The Exchange’s experience with the Filter has shown that one second is ample time for any party interested in trading with the exposed order at the NBBO to generate and send its contra-side order to the BOX Trading Host for matching. Consequently, the Exchange believes that a reduction in this exposure time will not result in an appreciable difference in the number of executions on BOX through the use of the Filter. In addition, the reduction in exposure time will permit the earlier generation and sending of an InterMarket Linkage P/A Order in the case where BOX is unable to provide the NBBO price. Therefore, the Exchange believes that the filtered order would have an improved chance of being executed at the NBBO

³ See BOX Rules, Chapter V, Section 16(b) “Filtering of BOX In-Bound Orders to Prevent Trade-Throughs.” This rule and the mechanism utilized by BOX for this purpose are called the “Filter.”

before the market moves to the disfavor of the order.⁴

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)⁵ of the Act, in general, and furthers the objectives of Section 6(b)(5)⁶ in particular in that it is designed to promote just and equitable principles of trade, and 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 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 written comments on the proposed rule change.

III. 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

⁴ The Exchange asked the Commission to incorporate in the Purpose section of this notice the purpose discussion in the Form 19b-4 submitted for this filing rather than the discussion in the Exhibit 1 for the filing. E-mail communication between Brian Donnelly, AVP Regulation & Compliance, BSE, and Leah Mesfin, Special Counsel, Division of Market Regulation, Commission on December 5, 2006.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-BSE-2006-52 on the subject line.

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-2006-52. 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 Commissions 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-2006-52 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the proposed rule change is consistent with the requirements

of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁷ Specifically, the Commission believes that the proposal is consistent with Section 6(b)(5) of the Act,⁸ which requires, among other things, that the rules of national securities exchange be designed to prevent fraudulent and manipulative practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The foregoing proposed rule change would reduce the time that a marketable order is exposed on the BOX Book in the event that the BBO is not at the NBBO. Currently, when the BOX market is not at the NBBO, a marketable order that would sit on the BOX Book for three seconds before being routed to an exchange displaying the NBBO or returned to the Options Participant. The proposed rule change would reduce the amount of time that such order would sit on the BOX Book to one second. The Commission notes that the Exchange has represented that one second is ample time for any party interested in trading with the exposed BOX order at the NBBO to send in a contra-side order to the BOX Trading Host for matching. The Exchange has also stated that, consequently, it believes that the reduction in exposure time will not result in an appreciable difference in the number of executions on BOX through the use of the Filter. The Commission also notes that the Exchange has argued that the reduction in exposure time on the BOX Book would improve the chances of a marketable order being executed at the NBBO before the market moves and (potentially) disfavors the order.

The Commission finds good cause, pursuant to Section 19(b)(2) of the Act,⁹ for

⁷ In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78f(b)(5).

⁹ 15 U.S.C. 78s(b)(2).

approving the proposed rule change prior to the 30th day of the date of publication of the notice thereof in the Federal Register. The Commission notes that the proposal does not alter the order handling and routing procedures of the Filter in any other way than to reduce the exposure time for a marketable order on the BOX Book. The Commission believes that the proposed reduction in exposure time on the BOX Book should improve the efficient handling of marketable orders and minimize the risk of such orders failing to receive their expected execution at the NBBO. The Commission also notes that granting accelerated approval to this proposal would allow the Exchange to implement this change in the Filter's functionality without any further delay.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-BSE-2006-52) is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Florence E. Harmon
Deputy Secretary

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).