

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55950; File No. SR-BSE-2007-09)

June 25, 2007

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Order Approving a Proposed Rule Change as Modified by Amendment No. 1 Thereto Relating to Appointment of Market Makers

I. Introduction

On February 20, 2007, the Boston Stock Exchange, Inc. (“BSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), 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> a proposed rule change to grant the authority for the Exchange to approve Market Maker appointments instead of the Board or a committee designated by the Board and to provide a process for those Market Makers who wish to withdraw from trading an option issue within their appointment. The Exchange filed Amendment No. 1 to the proposed rule change on May 11, 2007. The proposed rule change, as amended, was published for comment in the Federal Register on May 23, 2007.<sup>3</sup> The Commission received no comments on the proposal.

II. Description of the Proposal

The Exchange proposes to amend Section 4 (Appointment of Market Makers) of Chapter VI of the BOX Rules to grant the authority for the Exchange to approve Market Maker appointments instead of the Board or committee designated by the Board, as the rule currently states. This proposed change would allow the regulatory staff of the Exchange to approve Market Maker appointments. According to the Exchange, the BSE

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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> See Securities Exchange Act Release No. 55774 (May 16, 2007), 72 FR 29019.

regulatory staff is more accessible than the Board and this change would help with the expediency of the Market Marker allocation approval process.

The Exchange also has proposed to add a provision to establish a process for those Market Makers who wish to withdraw from trading an option issue within their appointment.<sup>4</sup> A Market Maker may withdraw from an appointment as long as the Market Maker provides BOX with three business days written notice of its intent to withdraw from an appointment. If such written notice is not provided to BOX, then the Market Maker may be subject to formal disciplinary action.

### **III. Discussion**

After careful review, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange<sup>5</sup> and, in particular, the requirements of Section 6 of the Act.<sup>6</sup> Specifically, the Commission finds that the proposal is consistent with Section 6(b)(5) of the Act,<sup>7</sup> in that the proposal has been designed to promote just and equitable principles of trade, and to protect investors and the public interest. The Commission believes the proposal to grant the Exchange the authority to approve Market Maker appointments, instead of the Board, should help make the Market Marker allocation approval process more efficient, thereby potentially increasing liquidity on the Exchange. The proposal also provides transparency to the Exchange's process governing Market Makers who wish to withdraw from trading an option issue within their appointment.

<sup>4</sup> See Proposed Section 4, subparagraph (i), Chapter VI of the BOX Rules.

<sup>5</sup> The Commission has considered the amended proposed rule change's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(5).

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-BSE-2007-09), as modified by Amendment No. 1, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>8</sup> 15 U.S.C. 78s(b)(2).

<sup>9</sup> 17 CFR 200.30-3(a)(12).