

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56299; File No. SR-BSE-2007-42)

August 22, 2007

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Exchange Fees and Charges

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 August 15, 2007, 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, II, and III below, which Items have been substantially prepared by the Exchange. The Exchange filed the proposal pursuant to Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) 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 proposes to amend the Minimum Activity Charge (“MAC”) contained in the Fee Schedule for the Boston Options Exchange (“BOX”). The Exchange proposes to add a seventh category to its MAC table for classes with an Options Clearing Corporation Average Daily Volume (“OCC ADV”) of less than 2,000 contracts. In addition, the Exchange proposes to make a clerical correction to the BOX Fee Schedule to rectify an inadvertent omission from a previous rule filing.⁵

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ See Securities Exchange Act Release No. 55197 (January 30, 2007), 72 FR 5772 (February 7, 2007) (SR-BSE-2007-02) (seeking to change the month in which the MAC reclassifications are calculated from January to July, among other proposed changes).

The text of the proposed rule change is available at BSE, the Commission's Public Reference Room, and www.bostonstock.com.

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 proposed rule change. The text of these statements may be examined at the places specified in Item IV 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend the MAC which is contained in the Fee Schedule for BOX. The MAC is currently determined using six "categories" of options classes listed by BOX. The category for each class is determined by its total trading volume across all U.S. options exchanges as determined by Options Clearing Corporation data. The Exchange now proposes to change the OCC ADV of Category F from less than 5,000 contracts to an OCC ADV between 2,000 and 4,999 contracts. In addition, the Exchange proposes to establish a seventh category, Category G, for options with an OCC ADV of less than 2,000 contracts, which will charge a MAC of \$90 per month.

The purpose of establishing a seventh MAC category is to account for the effect that current market conditions have had on Market Maker participation in the less active options. In order to entice new and existing Market Makers to quote and trade in these less active classes, namely those trading with an OCC ADV of approximately 2,000 contracts or less, the Exchange

believes it is necessary to adjust the Fee Schedule to better reflect the trading costs associated with those classes by applying a smaller MAC than what was previously charged for classes with an OCC ADV of less than 2,000 contracts.

With a more stratified Fee Schedule, Market Makers will now have greater incentive to quote and trade in those relatively less active classes. Therefore, a modified MAC Category F and the reduced MAC for new Category G will encourage more Market Makers into these markets. The Exchange believes that the proposal should promote competition in the less actively traded classes. While the Exchange recognizes that the proposal may increase quote activity in such classes, the Exchange believes that the benefits to increased competition would outweigh any concerns relating to quote capacity. The Exchange further believes that it will not experience an adverse impact on quote capacity as a result of this proposal.

In addition to refining the MAC Categories, the Exchange proposes to amend the BOX Fee Schedule to correct an inadvertent omission from a previous rule filing. The Exchange previously filed a proposed rule change to alter the month in which a class's OCC ADV category would be recalculated, from January to July.⁶ The text of that proposed rule change did not include all of the necessary edits to the BOX Fee Schedule, and the Exchange now proposes to correct this omission.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,⁷ in general, and furthers the objectives of Section 6(b)(4) of the Act,⁸ in

⁶ See id.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(4).

particular, which requires that an exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities.

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 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

The foregoing proposed rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act⁹ and Rule 19b-4(f)(2)¹⁰ thereunder because it changes a fee imposed by the Exchange. At any time within 60 days of the filing of such 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 No. SR-BSE-2007-42 on

⁹ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁰ 17 CFR 240.19b-4(f)(2).

the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File No. SR-BSE-2007-42. 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 a.m. and 3:00 p.m. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. 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 No. SR-BSE-2007-42 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

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

Florence E. Harmon
Deputy Secretary

¹¹ 17 CFR 200.30-3(a)(12).