

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52714; File No. SR-OPRA-2005-04)

November 1, 2005

Options Price Reporting Authority; Notice of Filing of Proposed Amendment to the Best Bid and Offer Guidelines Adopted Pursuant to the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information

Pursuant to Section 11A of the Securities Exchange Act of 1934 ("Act")¹ and Rule 608 thereunder,² notice is hereby given that on October 31, 2005, the Options Price Reporting Authority ("OPRA") submitted to the Securities and Exchange Commission ("Commission") a proposal to amend Guideline No. 1 of the Best Bid and Offer Guidelines ("BBO Guidelines") previously adopted by OPRA under Section II(o) of the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information ("OPRA Plan").³ The proposed amendment would reduce from five cents to one cent the minimum price differential by which a bid or offer must improve a current quote in order to displace the current quote in the consolidated BBO. OPRA also proposes to make a minor editorial correction to the introductory paragraph of the BBO Guidelines. The Commission is publishing this notice to solicit comments from interested persons on the proposed amendment.

¹ 15 U.S.C. 78k-1.

² 17 CFR 242.608.

³ The OPRA Plan is a national market system plan approved by the Commission pursuant to Section 11A of the Act and Rule 608 thereunder (formerly Rule 11Aa3-2). See Securities Exchange Act Release No. 17638 (March 18, 1981), 22 S.E.C. Docket 484 (March 31, 1981). The full text of the OPRA Plan is available at <http://www.opradata.com>.

The OPRA Plan provides for the collection and dissemination of last sale and quotation information on options that are traded on the participant exchanges. The six participants to the OPRA Plan are the American Stock Exchange LLC, the Boston Stock Exchange, Inc., the Chicago Board Options Exchange, Inc., the International Securities Exchange, Inc., the Pacific Exchange, Inc., and the Philadelphia Stock Exchange, Inc.

I. Description and Purpose of the Amendment

According to OPRA, the purpose of the proposed amendment is to amend Guideline No. 1 of OPRA's BBO Guidelines to reduce from five cents to one cent the minimum price differential by which a bid or offer must improve a current quote in order to displace the current quote in the consolidated BBO. In addition, the proposed amendment will revise the introductory paragraph of the BBO Guidelines to correctly refer to the section of the OPRA Plan where the definition of "BBO" is set forth.

Under the current rules of the exchanges that are parties to the OPRA Plan, the minimum quoting increment for options is five cents (ten cents for options quoted at \$3 or higher), and no exchange currently quotes options in penny increments. Before any exchange could quote options in penny increments, it would first have to file a proposed rule change to that effect with the Commission, and the Commission would have to approve that filing. In the absence of this amendment, if penny quoting were to be introduced on one or more exchange and if an exchange were to improve the current best quote on another exchange by less than five cents, the original quote and not the improved quote would continue to be disseminated over OPRA's BBO service as the "best" even though a better quote would in fact be available. This amendment would assure that, in the event penny quoting is introduced in the options markets, OPRA's BBO service would disseminate the actual best-priced bids and offers at any given point in time.

OPRA believes it is important to note that unless and until at least one exchange begins to quote options in pennies, the proposed amendment to the BBO Guidelines will have no practical effect. However, amending the BBO Guidelines at this time assures that if the Commission approves exchange rules providing for quoting options in pennies, the BBO Guidelines will already have been amended to take penny quoting into account.

The text of the proposed amendment to the BBO Guidelines is set forth below. Text additions are underlined; deletions are in [brackets].

* * * * *

Section V(c)(i) of the OPRA Plan provides for the dissemination by OPRA of, among other things, a consolidated BBO. Section II(o) [III(s)] of the OPRA Plan defines the BBO as the highest bid and lowest offer for a series of options available in one or more of the options markets maintained by the parties, as determined in accordance with “BBO Guidelines” adopted by the parties to the Plan. The BBO Guidelines as currently in effect are as follows:

1. Price/Time Priority. The BBO is determined on the basis of the best price (highest bid and lowest offer) quoted in time by a market, provided that in order to displace the current best bid or offer, a quote must improve the current quote by no less than one [five] cent[s].

Example 1. Assume the disseminated BBO is \$2.00 bid and \$2.25 offered (50 x 50) on Exchange A, which was the first to quote at those prices. If Exchange B improves the bid to \$2.01 [5] while also offering at \$2.25 (50 x 50), the best bid will become Exchange B’s while the best offer will continue to be Exchange A’s, since Exchange B will have improved the bid by one [five] cent[s] while Exchange A remains first at the offered price.

2.-5. [No Change]

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II. Implementation of the OPRA Plan Amendment

The proposed amendment to the BBO Guidelines will be effective upon its approval by the Commission pursuant to Section 11A of the Act⁴ and Rule 608 thereunder.⁵

⁴ 15 U.S.C. 78k-1.

⁵ 17 CFR 242.608.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed amendment 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-OPRA-2005-04 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-OPRA-2005-04. 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 plan amendment that are filed with the Commission, and all written communications relating to the proposed plan amendment 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. Copies of such filing also will be available for inspection and copying at the principal office of OPRA. 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-OPRA-2005-04 and should be submitted on or before [insert 21 days from date of publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Jonathan G. Katz
Secretary

⁶ 17 CFR 200.30-3(a)(29).