

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52900; File No. SR-OPRA-2005-04)

December 6, 2005

Options Price Reporting Authority; Order Approving an Amendment to the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information ("OPRA Plan") to Amend Guideline No. 1 of the Best Bid and Offer Guidelines Adopted Pursuant to the OPRA Plan

On October 31, 2005, the Options Price Reporting Authority ("OPRA") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 11A of the Securities Exchange Act of 1934 ("Act")¹ and Rule 608 thereunder,² an amendment to the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information ("OPRA Plan").³ The proposed amendment would amend Guideline No. 1 of the Best Bid and Offer Guidelines ("BBO Guidelines") previously adopted by OPRA under Section II (o) of the OPRA Plan and make a minor editorial correction to the introductory paragraph of the BBO Guidelines. Notice of the proposal was published in the Federal Register on November 7, 2005.⁴ The Commission received no comment letters on the proposed OPRA Plan amendment. This order approves the proposal.

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, Incorporated, the International Securities Exchange, Inc., the Pacific Exchange, Inc., and the Philadelphia Stock Exchange, Inc.

⁴ See Securities Exchange Act Release No. 52714 (November 1, 2005), 70 FR 67501.

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. 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.

After careful review, the Commission finds that the proposed OPRA Plan amendment is consistent with the requirements of the Act and the rules and regulations thereunder.⁵ The Commission finds that the proposed OPRA Plan amendment is consistent with Section 11A of the Act⁶ and Rule 608 thereunder⁷ in that it is appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments

⁵ In approving this proposed OPRA Plan Amendment, the Commission has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁶ 15 U.S.C. 78k-1.

⁷ 17 CFR 242.608.

to, and perfect the mechanism of, a national market system. Specifically, the Commission finds that it is reasonable and appropriate to amend the BBO Guidelines at this time to ensure that, should the options exchanges receive Commission approval to quote options in penny increments, OPRA would be able to disseminate the actual best-priced bids and offers through its BBO service.

IT IS THEREFORE ORDERED, pursuant to Section 11A of the Act,⁸ and Rule 608 thereunder,⁹ that the proposed OPRA Plan amendment (SR-OPRA-2005-04) be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Jonathan G. Katz
Secretary

⁸ 15 U.S.C. 78k-1.

⁹ 17 CFR 242.608.

¹⁰ 17 CFR 200.30-3(a)(29).