

2007, through 11:59 p.m. EDT on August 1, 2007.

By the Commission.

**Nancy M. Morris,**  
*Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56086; File No. SR-BSE-2007-36]

### Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Permit the Listing and Trading of Quarterly Options Series

July 17, 2007.

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> notice is hereby given that on July 17, 2007, the Boston Stock Exchange, Inc. (“Exchange” or “BSE”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been substantially prepared by the Exchange. The Exchange has designated the proposed rule change as a non-controversial rule change pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposed rule change 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 rules of the Boston Options Exchange (“BOX”), including Rule Chapter I Section 1 (“Definitions”); Chapter IV Section 6 (“Series of Options Contracts Open for Trading”); Chapter VII Section 1 (“Exercise of Options Contracts”); and Chapter XIV, Section 2 (“Definitions”), Section 5 (“Position Limits for Broad-Based Index Options”), Section 6 (“Position Limits for Industry Index Options”), and Supplemental Material to Section 10 (“Terms of Index Options Contracts”) to establish a pilot program (“BOX Pilot”) which would accommodate the listing and trading of

options series that may be opened for trading on any business day and that expire at the close of business on the last business day of a calendar quarter (“Quarterly Options” or “Quarterly Options Series”). The pilot program (the “BOX Pilot”) will commence the day the Exchange first initiates trading in a Quarterly Options Series and will continue through July 10, 2008.<sup>5</sup> The text of the proposed rule change is available on the Exchange’s Web site (<http://www.bostonoptions.com>), at the Exchange’s principal office, and at the Commission’s Public Reference Room.

#### 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 purpose of the proposed rule change is to amend the Exchange’s Rules, including BOX Rules Chapter I

<sup>5</sup> The BOX proposal is substantially similar to a proposal by the Philadelphia Stock Exchange (“Phlx”) to list Quarterly Options Series on a pilot basis through July 24, 2007. See Securities Exchange Act Release No. 55301 (February 15, 2007), 72 FR 8238 (February 23, 2007) (SR-Phlx-2007-08) (notice of filing and immediate effectiveness). The Commission has approved a substantially similar Quarterly Options Series pilots on behalf of the International Securities Exchange. See Securities Exchange Act Release No. 54113 (July 7, 2006), 71 FR 39694 (July 13, 2006) (SR-ISE-2006-24) (order approving proposal). In addition, the Chicago Board Options Exchange, NYSE Arca, and the American Stock Exchange have filed substantially similar proposals. See Securities Exchange Act Releases No. 54123 (July 11, 2006), 71 FR 40558 (July 17, 2006) (SR-CBOE-2006-65) (notice of filing and immediate effectiveness); 54166 (July 18, 2006), 71 FR 42151 (July 25, 2006) (SR-NYSEArca-2006-45) (notice of filing and immediate effectiveness); and 54137 (July 12, 2006), 71 FR 41283 (July 20, 2006) (SR-Amex-2006-67) (notice of filing and immediate effectiveness). The Phlx proposal also incorporates certain changes made by CBOE to its version of the Quarterly Options Series pilot (e.g., limiting Quarterly Options Series based on an underlying index to five strike prices above or below the value of the index). See Securities Exchange Act Release No. 54762 (November 16, 2006), 71 FR 67663 (November 22, 2006) (SR-CBOE-2006-93) (notice of filing and order granting accelerated approval).

Section 1, Chapter IV Section 6, Chapter VII Section 1, and Chapter XIV Section(s) 2, 5, 6, and Supplemental Material to Section 10, to establish the Pilot Program, which would accommodate the listing of Quarterly Options Series that would expire at the close of business on the last business day of a calendar quarter.

Quarterly Options Series could be opened on any approved options class<sup>6</sup> on a business day (“Quarterly Options Opening Date”) and would expire at the close of business on the last business day of a calendar quarter (“Quarterly Options Expiration Date”). The Exchange would list series that expire at the end of the next four consecutive calendar quarters, as well as the fourth quarter of the next calendar year.

Quarterly Options Series listed on approved options classes would be P.M.-settled and, in all other respects, would settle in the same manner as do the monthly expiration series in the same options class.

The proposed rule change would allow BOX to open up to five currently listed options classes that are either options on exchange traded funds (“ETFs”) or options on indexes. With respect to quarterly options on ETFs, the strike price for each series would be fixed at a price per share, with at least two strike prices above and two strike prices below the approximate value of the underlying security at about the time that a Quarterly Options Series is opened for trading on BOX. BOX may list strike prices for a Quarterly Options Series based on an underlying ETF that are within \$5 from the closing price of the underlying security on the preceding trading day.

With respect to Quarterly Options Series based on an underlying index, the proposed rule change would allow BOX to list not more than five strike prices above and not more than five strike prices below the value of the underlying index at the time the series is initially listed.

The proposal would permit BOX to open for trading additional Quarterly Options Series of the same class when the Exchange deems it necessary to maintain an orderly market, to meet customer demand, or when the current market price of the underlying security or index moves substantially from the exercise prices of those Quarterly Options Series that already have been opened for trading on BOX. The exercise price of each Quarterly Options Series on an underlying index would be

<sup>6</sup> Quarterly Options Series may be opened in options on indexes or options on ETFs that satisfy the applicable listing criteria under BOX rules.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

required to be reasonably related to the current index value of the index at or about the time such series of options were first opened for trading on BOX. For purposes of the BOX Pilot, the term "reasonably related to the current index value of the underlying index" means that the exercise price is within 30 percent of the current index value.

BOX would also be permitted to open for trading additional Quarterly Options Series on an underlying index that are more than 30 percent away from the current index value, provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate, or individual customers or their brokers.<sup>7</sup> Market-makers trading for their own account shall not be considered when determining customer interest under this provision. BOX may list additional strike prices for Quarterly Options Series on indexes above the value of the underlying index provided that the total number of strike prices above the value of the underlying index is no greater than five. Similarly, BOX may list additional Quarterly Options Series strike prices on indexes below the value of the underlying index provided that the total number of strike prices below the value of the underlying index is no greater than five.

The interval between strike prices on Quarterly Options Series would be the same as the interval for strike prices for series in the same options class that expires in accordance with the normal monthly expiration cycles.

Because monthly options series expire on the third Friday of their expiration month, a Quarterly Options Series (which would expire on the last business day of the quarter) could never expire in the same week in which a monthly options series in the same class expires.

The Exchange believes that Quarterly Options Series would provide investors with a flexible and valuable tool to manage risk exposure, minimize capital outlays, and be more responsive to the timing of events affecting the securities that underlie option contracts. At the same time, the Exchange is cognizant of the need to be cautious in introducing a product that can increase the number of outstanding strike prices. For that reason, the Exchange is proposing a limited pilot program for Quarterly Options Series. Under the terms of the BOX Pilot, BOX could select up to five option classes on which Quarterly

Options Series may be opened on any Quarterly Options Opening Date. BOX would also be allowed to list those Quarterly Options Series on any options class that is selected by another securities exchange with a similar pilot program under its rules. The Exchange believes that limiting the number of options classes in which Quarterly Options Series may be opened would help to ensure that the addition of the new series through the BOX Pilot will have only a negligible impact on BOX's and the Option Price Reporting Authority's ("OPRA") quoting capacity. Also, limiting the term of the BOX Pilot to a finite period will allow the Exchange and the Commission to determine whether the program should be extended, expanded, and/or made permanent.

If the Exchange were to propose an extension or an expansion of the BOX Pilot, or were to propose to make the BOX Pilot permanent, along with any filing proposing such amendments, the Exchange would submit a BOX Pilot Report ("Report") that would provide an analysis of the pilot program covering the entire period during which the BOX Pilot was in effect. The Report would include, at a minimum: (1) Data and written analysis on the open interest and trading volume in the classes for which Quarterly Option Series were opened; (2) an assessment of the appropriateness of the options classes selected for the BOX Pilot; (3) an assessment of the impact of the BOX Pilot on the capacity of BOX, OPRA, and on market data vendors (to the extent data from market data vendors is available); (4) any capacity problems or other problems that arose during the operation of the BOX Pilot and how BOX addressed such problems; (5) any complaints that the Exchange received during the operation of the BOX Pilot and how BOX addressed them; and (6) any additional information that would assist in assessing the operation of the BOX Pilot. The Report must be submitted to the Commission at least 60 days prior to the expiration date of the BOX Pilot.

Alternately, at the end of the BOX Pilot, if the Exchange determines not to propose an extension or an expansion of the BOX Pilot, or if the Commission determines not to extend or expand the BOX Pilot, BOX would no longer list any additional Quarterly Options Series and would limit all existing open interest in Quarterly Options Series to closing transactions only.

Finally, the Exchange represents that it has the necessary systems capacity to support new options series that will result from the introduction of Quarterly

Options Series. The Exchange has provided to the Commission information in a confidential submission that supports its system capacity representations.

## 2. Statutory Basis

The Exchange believes that its proposal to list and trade Quarterly Options Series will satisfy institutional demand for such options and provide additional flexibility, risk management, and hedging tools to investors. Accordingly, the Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act<sup>8</sup> in general, and Section 6(b)(5) of the Act<sup>9</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, 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 result in 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 Exchange has designated the proposed rule change as one that: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days from the date of filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Therefore, the foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>10</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>11</sup> The Exchange has asked the Commission to waive the operative delay to permit the Pilot Program

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

<sup>9</sup> 15 U.S.C. 78f(b)(5).

<sup>10</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>11</sup> 17 CFR 240.19b-4(f)(6).

<sup>7</sup> The "within 30 percent" requirement is proposed specifically for the BOX Pilot and is not otherwise in the Exchange's options rules. See Chapter XIV, Supplemental Materials to Section 10.

extension to become operative prior to the 30th day after filing.<sup>12</sup>

The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest.<sup>13</sup> The Commission notes that the proposal is substantially identical to existing pilot programs currently in place at other SROs.<sup>14</sup> Thus, the Exchange's proposal raises no new issues of regulatory concern. Moreover, waiving the operative delay will allow the Exchange to immediately compete with other exchanges that list and trade quarterly options under similar programs, and consequently will benefit the public. Therefore, the Commission designates the proposal operative upon filing.<sup>15</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate the 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](mailto:rule-comments@sec.gov). Please include File No. SR-BSE-2007-36 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.

<sup>12</sup> As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change at least five business days before doing so.

<sup>13</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>14</sup> See *supra* note 5.

<sup>15</sup> As set forth in Part I above, if the Exchange were to propose an extension, an expansion, or permanent approval of the Pilot Program, the Exchange would submit, along with any filing proposing such amendments to the program, a report that would provide an analysis of the Pilot Program covering the entire period during which the Pilot Program was in effect.

All submissions should refer to File Number SR-BSE-2007-36. 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 a.m. and 3 p.m. Copies of such filing also will 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 Number SR-BSE-2007-36 and should be submitted on or before August 13, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>16</sup>

**Florence E. Harmon,**  
Deputy Secretary.

[FR Doc. E7-14132 Filed 7-20-07; 8:45 am]

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56071; File No. SR-NYSEArca-2007-59]

#### Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto Relating to Amendments to Rule 12 To Provide Guidance Regarding New and Pending Arbitration Claims in Light of the Consolidation of NYSE Regulation Into NASD DR

July 13, 2007.

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the

<sup>16</sup> 17 CFR 200.30-3(a)(12).

<sup>15</sup> 15 U.S.C.78s(b)(1).

“Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that on June 26, 2007, NYSE Arca, Inc. (“NYSE Arca” or “Exchange”) filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which Items have been prepared by NYSE Arca. On July 13, 2007, the NYSEArca filed Amendment No. 1 to the proposed rule change.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

NYSE Arca proposes to amend NYSE Arca Rule 12.

NYSE Regulation, Inc. (“NYSE Regulation”) administers an arbitration program for NYSE Arca. As part of the consolidation of the member firm regulation function of NYSE Regulation with the National Association of Securities Dealers, Inc. (“NASD”), NYSE Regulation will cease to provide an arbitration program, and its existing arbitration department (“NYSE Arbitration”) will be consolidated with that of NASD Dispute Resolution, Inc. (“NASD DR”).

The proposed amendments provide that: (i) All arbitrations filed with NYSE Arca after January 31, 2007 and prior to the later of the effective date of the consolidation or approval of this proposed rule change (the “Effective Date”), shall continue to be governed by the Code of Arbitration contained in the 600 series of the New York Stock Exchange LLC Rules (“NYSE Arbitration Rules”); (ii) arbitrations filed on or prior to January 31, 2007 shall continue to be governed by NYSE Arca Rule 12 as it was in effect on or prior to January 31, 2007; and (iii) from and after the Effective Date, disputes between NYSE Arca Option Trading Permit (“OTP”) holders and NYSE Arca OTP firms, associated persons, and/or their customers will be arbitrated under the NASD DR Codes of Arbitration Procedure. The text of the proposed rule change is set forth below. Proposed new language is in italics; proposed deletions are in brackets.

\* \* \* \* \*

#### Rule 12 Arbitration

(a) General. All arbitrations filed with NYSE Arca after January 31, 2007 and

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

<sup>4</sup> In Amendment No. 1, which supplemented the original filing, the Exchange clarified the applicability of Rule 12 as it was in effect on or prior to January 31, 2007.