

the Act, that do not exist for other market participants. For example, pursuant to Amex Rule 170, a specialist is required to maintain a fair and orderly market in his or her assigned securities. Other members of the Exchange, as well as non-member market participants, do not have this obligation. As a result, the Exchange believes that the proposed suspension of transaction charges for specialist orders in the QQQQ is reasonable and equitable, given the obligations that specialists must adhere to in making markets. The Exchange further submits that the fee suspension will provide greater incentive to the specialist to continue to provide market liquidity, rendering the Exchange an attractive venue for market participants to execute orders.

2. Statutory Basis

The Exchange believes that the proposed rule change, as amended, is consistent Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Section 6(b)(4) of the Act,¹² in particular, in that it is an 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 believes that the proposed rule change does not 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

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change, as amended, has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹³ and subparagraph (f)(2) of Rule 19b-4¹⁴ thereunder because it establishes or changes a due, fee, or other charge 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.¹⁵

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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 Number SR-Amex-2006-65 on 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 Number SR-Amex-2006-65. 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. Copies of such filing also will be available for inspection and copying at the principal office of Amex. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You

¹⁵ The effective date of the original proposed rule change is July 13, 2006, and the effective date of Amendment No. 1 is July 25, 2006. For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change, as amended, under section 19(b)(3)(C) of the Act, the Commission considers the period to commence on July 25, 2006, the date on which the Exchange submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Amex-2006-65 and should be submitted on or before August 24, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁶

J. Lynn Taylor,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54225; File No. SR-BSE-2006-26]

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change To Extend the Linkage Fee Pilot Program

July 27, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 28, 2006, 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 and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and is approving the proposal on an accelerated basis for a pilot period through July 31, 2007.

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

The BSE proposes to amend the fee schedule of the Boston Options Exchange ("Fee Schedule"), the options trading facility of the BSE ("BOX"), to extend until July 31, 2007, the current pilot program applicable to the options intermarket linkage ("Linkage") fees and to make some technical changes to the Fee Schedule. The text of the proposed rule change is available on the BSE's Web site at (<http://www.bostonstock.com>), at the offices of the Exchange, and at the Commission's Public Reference Room.

¹⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(4).

¹³ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁴ 17 CFR 240.19b-4(f)(2).

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 III 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's fees for Principal ("P") and Principal Acting as Agent ("P/A") Orders³ executed on BOX currently operate under a pilot program scheduled to expire on July 31, 2006.⁴ The BSE proposes to extend the current pilot program for such Linkage fees through July 31, 2007. Because all Linkage Orders received by BOX are for the account of a market maker on another exchange, Linkage fees that are applicable to P and P/A Orders are the same as fees applicable to market makers on other exchanges that submit orders to BOX outside of Linkage. The side of a BOX trade opposite an inbound P or P/A Order would be billed normally as any other BOX trade. Consistent with the Linkage Plan, no fees will be charged to a party sending a Satisfaction Order to BOX. Rather, a fee will be charged to the BOX Options Participant that was responsible for the trade-through that caused the Satisfaction Order to be sent.

³ Under Chapter XII, Section 1(j) of the BOX Rules, a "Linkage Order" means an Immediate or Cancel order routed through Linkage. There are three types of Linkage Orders:

(i) "P/A Order," which is an order for the principal account of a Market Maker (or equivalent entity on another Participant Exchange that is authorized to represent Public Customer orders), reflecting the terms of a related unexecuted Public Customer order for which the Market Maker is acting as agent;

(ii) "P Order," which is an order for the principal account of a market maker (or equivalent entity on another Participant exchange) and is not a P/A Order; and

(iii) "Satisfaction Order," which is an order sent through the Linkage to notify a Participant Exchange of a Trade-Through and to seek satisfaction of the liability arising from that Trade-Through.

⁴ See Securities Exchange Act Release No. 52147 (July 28, 2005) 70 FR 44706 (August 3, 2005) (SR-BSE 2005-28).

The BSE believes that extending the Linkage fee pilot program until July 31, 2007 will give the Exchange and the Commission additional time and opportunity to evaluate the appropriateness of Linkage fees.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Section 6(b)(4) of the Act,⁶ in particular, in that the proposed rule change provides for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange believes that the proposed rule change does not 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 this proposed rule change.

III. 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 Number SR-BSE-2006-26 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.

All submissions should refer to File Number SR-BSE-2006-26. 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. Copies of the 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-2006-26 and should be submitted on or before August 24, 2006.

IV. Commission's Findings and Order Granting Accelerated Approval of the Proposed Rule Change

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange,⁷ and, in particular, the requirements of Section 6(b) of the Act⁸ and the rules and regulations thereunder. The Commission finds that the proposed rule change is consistent with Section 6(b)(4) of the Act,⁹ which requires that the rules of the Exchange provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities. The Commission believes that the extension of the Linkage fee pilot until July 31, 2007 will give the Exchange and the Commission further opportunity to evaluate whether such fees are appropriate.

The Commission finds good cause, pursuant to Section 19(b)(2) of the Act,¹⁰ for approving the proposed rule change prior to the thirtieth day after publication of notice thereof in the

⁷ In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(4).

¹⁰ 15 U.S.C. 78s(b)(2).

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(4).

Federal Register.¹¹ The Commission believes that granting accelerated approval of the proposed rule change will preserve the Exchange's existing pilot program for Linkage fees without interruption as the Exchange and the Commission further considers the appropriateness of Linkage fees.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹² that the proposed rule change (SR-BSE-2006-26) is hereby approved on an accelerated basis for a pilot period to expire on July 31, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

J. Lynn Taylor,

Assistant Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54229; File No. SR-CBOE-2005-90]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Granting Approval of a Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendments No. 1, 2, and 3 Thereto To Adopt a Simple Auction Liaison System to Auction Qualifying Marketable Orders for Potential Price Improvement

July 27, 2006.

I. Introduction

On October 26, 2005, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change seeking to amend its rules to adopt a Simple Auction Liaison ("SAL") system to auction qualifying inbound orders for potential price improvement.

The proposed rule change was published in the **Federal Register** on

November 29, 2005.³ The Commission received two comment letters on the proposed rule change.⁴ The Exchange responded to the comments, in part, on January 26, 2006.⁵ On March 2, 2006, the Exchange submitted Amendment No. 1 to the proposed rule change ("Amendment No. 1");⁶ on May 25, 2006, the Exchange submitted Amendment No. 2 to the proposed rule change ("Amendment No. 2");⁷ and on May 31, 2006, the Exchange submitted Amendment No. 3 to the proposed rule change ("Amendment No. 3").⁸ This order approves the proposed rule change; issues notice of, and solicits comments on, Amendments No. 1, 2, and 3; and approves the amendments on an accelerated basis.

II. Description of the Proposed Rule Change

The Exchange proposes to amend its rules to implement SAL, a penny auction system for price improvement over the NBBO for eligible inbound orders, and to clarify the Exchange's policy of automatically executing

eligible orders in a crossed market when the Exchange is at the NBBO.

SAL would automatically initiate an auction process for any order that is eligible for automatic execution by the Hybrid System ("Agency Order"), unless the Exchange's disseminated quotation on the opposite side of the market from the Agency Order does not contain sufficient quotation size from CBOE Market-Makers to satisfy the entire Agency Order. SAL would stop the Agency Order at the NBBO against the market maker quotations displayed at the NBBO and would not allow such quotations to be cancelled or to move to an inferior price or size throughout the duration of the auction. The Agency Order would not be stopped against customer orders that are displayed at the NBBO because the Exchange does not have the ability to prevent a customer order from being cancelled or changed to an inferior price or size.

The auction would last for a period of time to be determined by the Exchange, but would not exceed two seconds. Auction responses would be permitted to be submitted by market makers with an appointment in the relevant option class and by CBOE Members acting as agent for orders resting at the top of the Exchange's book opposite the Agency Order. With respect to responses, the following would apply: (i) Responses would not be visible to other auction participants and would not be disseminated to the Options Price Reporting Authority ("OPRA"); (ii) responses would be submitted in one-cent increments (and not less than one-cent increments); (iii) multiple responses would be allowed; (iv) responses would be permitted to be cancelled prior to the conclusion of the auction; and (v) responses would not be permitted to cross the Exchange's disseminated quotation on the opposite side of the market.

At the conclusion of the auction period, the Agency Order would be executed at the best auction response prices and could be executed at multiple prices, if necessary. The Agency Order would be allocated in two rounds at each price point. Participation in the first round (the "First Allocation Round") would be limited to those parties that constituted the Exchange's NBBO quote (on the side of the market opposite the Agency Order) at the time the SAL auction commenced ("Original Quoters"). During the First Allocation Round: (i) The Agency Order would be allocated pursuant to the matching algorithm in effect for the class under CBOE Rules 6.45A or 6.45B, as appropriate; (ii) an Original Quoter would be permitted to participate in a

³ See Securities Exchange Act Release No. 52823 (November 22, 2005), 70 FR 71565 (November 29, 2005).

⁴ See letters to Jonathan G. Katz, Secretary, Commission, from Matthew B. Hinerfield, Managing Director and Deputy General Counsel, Citadel Investment Group, L.L.C. ("Citadel"), dated December 19, 2005 ("Citadel Letter") and Will Easley, Senior Managing Director, Boston Options Exchange Group LLC, dated December 22, 2005 ("BOX Letter").

⁵ See letter to Nancy Morris, Secretary, Commission, from Angelo Evangelou, Assistant General Counsel, Legal Division, Exchange, dated January 26, 2006 ("Response Letter").

⁶ In Amendment No. 1, the Exchange further responds to comments, clarifies the way the proposed rule would work in practice, and proposes to revise the rule text. The proposed revisions submitted in Amendment No. 1 include a provision stating that SAL would not allow market maker quotes comprising the National Best Bid or Offer ("NBBO") to be cancelled during an auction, provisions describing how orders would be executed in the event a SAL auction terminates early because of a quote lock or a response that matches the Exchange's disseminated quote on the opposite side of the market from the response, and several other minor clarifications of the proposed rule text.

⁷ In Amendment No. 2, the Exchange proposes amendments to the rule text to clarify that the Exchange will submit eligible orders for SAL auctioning and automatically execute eligible orders even if the Exchange's disseminated market is crossed by, or crosses, the disseminated market of another options exchange, provided that the Exchange is at the NBBO for the relevant side of the market.

⁸ In Amendment No. 3, the Exchange proposes an amendment to the text of its order protection rule to add an exception to trade-through liability in the case of a trade-through that results from an automatic execution when the Exchange's disseminated market is the NBBO and is crossed by, or crosses, the disseminated market of another options exchange. See *infra* Part II for a complete discussion of the proposed rule change, as amended.

¹¹ BSE requested that the Commission find good cause, pursuant to Section 19(b)(2) of the Act, for approving the proposed rule change prior to the thirtieth day after publication of notice thereof in the **Federal Register**. Telephone conversation between Bill Meehan, General Counsel, BSE, and Ronesha A. Butler, Special Counsel, Division of Market Regulation, Commission on July 24, 2006.

¹² *Id.*

¹³ 17 CFR 200.30-3(a)(12).

¹⁴ 15 U.S.C. 78s(b)(1).

¹⁵ 17 CFR 240.19b-4.