

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54915; File No. SR-BSE-2006-54]

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to the Removal of Minimum Volume and Fill-Or-Kill Order Type Designations

December 11, 2006.

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 November 21, 2006, the Boston Stock Exchange, Inc. ("BSE" or "Exchange") submitted to 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. On December 8, 2006, the Exchange submitted Amendment No. 1 to the proposed rule change.³ The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to Section 19(b)(3)(A) of the Act⁴ and Rule 19b-4(f)(6) thereunder,⁵ which renders it effective upon filing with the Commission.⁶ 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

The Exchange proposes to remove the Minimum Volume ("MV") and Fill-Or-Kill ("FOK") order type designations in the Boston Options Exchange ("BOX") Rules. The text of the proposed rule change is available on BSE's Web site (<http://www.bostonstock.com>), at BSE'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, as amended, 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 remove the MV and FOK order type designations contained in Chapter V, Sections 9(a), 14(d)(3)-(4), and 27(b)(iv) of the BOX Rules. The Exchange proposes to remove the MV and FOK order types because they are currently not supported by BOX's new trading system. The Exchange intends to add the MV and FOK order types when that functionality is implemented into the trading system.⁷

2. Statutory Basis

The Exchange believes that the proposed rule change, as amended, is consistent with Section 6(b) of the Act,⁸ in general, and Section 6(b)(5) of the Act,⁹ in particular, in that it is designed to promote just and equitable principles of trade, 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, as amended, will impose any burden on competition 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.

⁷ The Exchange represents that it will submit a proposed rule change to the Commission to add the MV and FOK order types into the BOX rules pursuant to Section 19(b) of the Act. Telephone conversation between Brian Donnelly, AVP Regulation & Compliance, BSE, Terri Evans, Special Counsel, Division of Market Regulation ("Division"), Commission, and Angela Muehr, Attorney, Division, Commission, on December 4, 2006.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

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) of the Act¹⁰ and subparagraph (f)(6) of Rule 19b-4¹¹ thereunder because it does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days after the date of filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange has requested that the Commission waive the five-day pre-filing requirement and the 30-day operative delay.¹² The Commission is exercising its authority to waive the five day pre-filing notice requirement and believes that the waiver of the 30-day operative delay is consistent with the protection of investors and the public interest, because it would allow the BSE to ensure that its rules more accurately reflect its trading system functionality. Therefore, the Commission designates the proposal, as amended, to be operative and effective upon filing with the Commission.¹³

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.¹⁴

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:

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

¹² 17 CFR 240.19b-4(f)(6)(iii).

¹³ For purposes only of waiving the operative delay for this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁴ 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 December 8, 2006, the date on which the Exchange submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange clarified that there is no proposed change to the Supplemental Material following part (c) of Section 27, entitled "Complex Orders."

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(6).

⁶ The Exchange requested the Commission to waive the five-day pre-filing notice requirement and the 30-day operative delay, as specified in Rule 19b-4(f)(6)(iii). 17 CFR 240.19b-4(f)(6)(iii).

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-2006-54 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-BSE-2006-54. 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 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-2006-54 and should be submitted on or before January 8, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Florence E. Harmon,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54919; File No. SR-CBOE-2006-14]

**Self-Regulatory Organizations;
Chicago Board Options Exchange,
Incorporated; Notice of Filing of
Amendment Nos. 1 and 2 to the
Proposed Rule Change Relating to
Customer Portfolio Margining; Order
Granting Accelerated Approval to the
Proposed Rule Change, as Amended**

December 12, 2006.

I. Introduction

On February 2, 2006, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act")¹ and Rule 19b-4² thereunder, a proposed rule change seeking to amend CBOE Rule 12.4 to expand the scope of products that are eligible for treatment as part of CBOE's approved portfolio margin pilot program and to eliminate the requirement for a separate cross-margin account.³ The proposed rule change would expand the scope of eligible products in the pilot to include margin equity securities,⁴ unlisted derivatives, listed options and securities futures.⁵ The proposed rule change was published in the **Federal Register** on April 6, 2006.⁶ The Commission

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Exchange Act Release No. 52032 (July 14, 2005), 70 FR 42118 (July 21, 2005) (SR-CBOE-2002-03). On July 14, 2005, the Commission approved on a pilot basis expiring July 31, 2007, amendments to CBOE's margin rules that permit broker-dealers to determine customer margin requirements for portfolios of listed broad-based securities index options, warrants, futures, futures options and related exchange-traded funds using a specified portfolio margin methodology. The Commission also approved rule amendments to require disclosure to, and written acknowledgment from, customers using a portfolio margin account.

⁴ For purposes of the pilot, a margin equity security is a security that meets the definition of a "margin equity security" under Regulation T of the Federal Reserve Board ("FRB"). See 12 CFR 220.2. An unlisted derivative means "any equity-based (or equity index-based) unlisted option, forward contract or swap that can be valued by a theoretical pricing model approved by the Securities and Exchange Commission." See proposed Rule 12.4(a)(4).

⁵ In addition to CBOE Rule 12.4, the proposed rule change also approves changes to CBOE Rules 9.15, 13.5 and 15.8A.

⁶ See Exchange Act Release No. 53576 (March 30, 2006), 71 FR 17519 (April 6, 2006) (SR-CBOE-2006-14). The New York Stock Exchange LLC ("NYSE") also filed a similar proposed rule filing seeking to expand the scope of eligible products under its portfolio margin pilot program. See Exchange Act Release No. 53577 (March 30, 2006), 71 FR 17539 (April 6, 2006) (SR-NYSE-2006-13).

subsequently extended the comment period for the original proposed rule filing until May 11, 2006.⁷ The Commission received 7 comment letters in response to the **Federal Register** notice.⁸ On July 26, 2006, CBOE filed a response to these comments.⁹ The comment letters and CBOE's response to the comments are summarized below. On August 9, 2006, CBOE filed Amendment No. 1 to the proposed rule change.¹⁰ On September 27, 2006, CBOE filed Amendment No. 2 to the proposed rule change.¹¹

This order provides notice of filing of Amendment Nos. 1 and 2 and solicits comments from interested persons on Amendment Nos. 1 and 2. This order also grants accelerated approval of the proposed rule change, as amended by Amendment Nos. 1 and 2.¹²

II. Description*a. Portfolio Margining*

The proposed rule change consists of amendments to Rule 12.4 to include

⁷ See Exchange Act Release No. 53728 (April 26, 2006), 71 FR 25878 (May 2, 2006).

⁸ See letter from Timothy H. Thompson, Senior Vice President, Chief Regulatory Officer, Regulatory Services Division, CBOE, to Nancy Morris, Secretary, Commission, dated June 5, 2006 ("CBOE Letter"); letter from William H. Navin, Executive Vice President, General Counsel and Secretary, The Options Clearing Corporation ("OCC"), to Nancy M. Morris, Secretary, Commission, dated May 19, 2006 ("OCC Letter"); letter from James Barry, on behalf of the *Ad Hoc* Portfolio Margin Committee, John Vitha, Chair, Derivatives Product Committee and Christopher Nagy, Chair, Options Committee, Securities Industry Association, to Nancy M. Morris, Secretary, dated May 16, 2006 ("SIA Letter"); letter from Gary Alan DeWaal, Group General Counsel and Director of Legal and Compliance, Fimat USA, LLC, to Nancy M. Morris, Secretary, Commission, dated May 11, 2006 ("Fimat Letter"); letter from Stuart J. Kaswell, Partner, Dechert LLP, Counsel for Federated Investors, Inc., to Nancy M. Morris, Secretary, Commission, dated May 10, 2006 ("Federated Letter"); letter from Craig S. Donohue, Chief Executive Officer, Chicago Mercantile Exchange Inc., to Jonathan G. Katz, Secretary, Commission, dated May 9, 2006 ("CME Letter"); and letter from Gerard J. Quinn, Vice President and Associate General Counsel, SIA, to Nancy M. Morris, Secretary, Commission, dated April 21, 2006 ("SIA Extension Letter").

⁹ See letter from Timothy H. Thompson, Senior Vice President, Chief Regulatory Officer, Regulatory Services Division, CBOE, to Nancy M. Morris, Secretary, Commission, dated July 26, 2006 ("CBOE Response").

¹⁰ CBOE filed Amendment No. 1 in response to comments received and to make other clarifying changes to the proposed rule filing. Amendment No. 1 replaced and superseded the original filing in its entirety.

¹¹ CBOE filed partial Amendment No. 2 to conform its day trading language to the NYSE rule language and to request accelerated approval. A clean copy of the proposed rule, as amended by Amendment Nos. 1 and 2, is attached to this order as *Exhibit A*.

¹² By separate order, the Commission also is approving a parallel rule filing by the NYSE (SR-NYSE-2006-13). Exchange Act Release No. 54918; see also *supra* note 6.

¹⁵ 17 CFR 200.30-3(a)(12).