

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-57900; File No. SR-BSE-2008-32)

June 2, 2008

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to the Liquidity Make or Take Pricing Structure Linkage Fees Portion of the Fee Schedule for Exchange Services

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 May 29, 2008, the Boston Stock Exchange, Inc. (“BSE” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared substantially by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons, and simultaneously granting accelerated approval of the proposed rule change.

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

The Exchange is proposing to amend the Liquidity Make or Take Pricing Structure (“Make or Take Pricing”) - Intermarket Linkage Transaction fees (“Linkage Fees”) portion of the Fee Schedule³ of the Boston Options Exchange (“BOX”) to modify the Linkage Fees associated with the Make or Take Pricing.⁴ The text of the proposed rule

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The BOX Fee Schedule can be found on the BOX Web site at www.bostonoptions.com.

⁴ Capitalized terms not otherwise defined herein shall have the meanings set forth in the BOX Rules.

change is available at the Exchange, the Commission's Public Reference Room, and www.bostonoptions.com.

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 purpose of this filing is to amend Section 7(c) of the BOX Fee Schedule in order to revise the Liquidity Make or Take Pricing - Linkage Fees portion of the BOX Fee Schedule, so as to conform with fee changes the Exchange recently proposed for Liquidity Make or Take Pricing within certain liquid Penny Pilot Program classes.⁵

Executions on BOX resulting from orders sent via the Intermarket Linkage System ("Linkage Orders") are subject to the same billing treatment as other broker-dealer orders. On September 6, 2007, the Exchange introduced the Liquidity Make or Take Pricing for all classes contained in the Penny Pilot Program.⁶ Since Linkage Orders

⁵ See Securities Exchange Act Release No. 57887 (May 30, 2008) (SR-BSE-2008-31) (proposing reduced fees and credits for certain liquid Penny Pilot Program classes).

⁶ Securities Exchange Act Release No. 56371 (September 7, 2007), 72 FR 52401 (September 13, 2007) (SR-BSE-2007-43). The Exchange may trade options contracts in one-cent increments in certain approved issues as part of the Penny

that are sent to and executed on BOX take liquidity, such orders are assessed a \$0.45 per contract fee for executed transactions in issues participating in the Penny Pilot Program.⁷

On May 28, 2008, the Exchange filed a rule proposal with the Commission that reduces the fees and credits that it charges and applies to transactions in the iShares Russell 2000® Index Fund (“IWM”), Powershares® QQQ Trust Series 1 (“QQQQ”) and the Standard & Poor’s Depository Receipts® (“SPY”) (“Tier 2 Classes”) by fifteen cents (\$0.15).⁸ In conjunction with the reduction of these fees and credits for Tier 2 Classes, the Exchange is now proposing to make the applicable fee for Linkage Orders the same as those for classes included in the Liquidity Make or Take Pricing. Specifically, the Exchange proposes to change the fee schedule to state that: “[t]he charge for inbound Linkage Orders in instruments which are contained in the Liquidity Make or Take pricing structure will be the applicable ‘take’ fee for classes included in the Liquidity Make or Take pricing structure.” Consequently, the Exchange is proposing to reduce the fees that it charges for Linkage Orders in Tier 2 Classes by fifteen cents (\$0.15) to thirty cents (\$0.30). The Linkage Fee of forty-five cents (\$0.45) will remain the same for Tier 1

Pilot Program through March 27, 2009. See Securities Exchange Act Release No. 56566 (September 27, 2007), 72 FR 56400 (October 3, 2007) (SR-BSE-2007-40).

⁷ See Securities Exchange Act Release No. 56371 (September 7, 2007), 72 FR 52401 (September 13, 2007) (SR-BSE-2007-43). “Linkage Orders that are not executed upon receipt are rejected back to the sender and are never posted in the BOX Book. Therefore, a Linkage Order would never be eligible to receive a credit of the Transaction Fee.” Id.

⁸ See note 5, supra. Fee changes made pursuant to the proposal, which was effective upon filing, are reflected in the Fee Schedule attached to SR-BSE-2008-31 as Exhibit 5.

classes.⁹ The Exchange is proposing to amend the BOX Fee Schedule, effective June 2, 2008, pending Commission approval.

2. Statutory Basis

The Exchange believes that the proposal is consistent with the requirements of Section 6(b) of the Act,¹⁰ in general, and Section 6(b)(4) of the Act,¹¹ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities for the purpose of executing Linkage Orders that are routed to the Exchange from other market centers.

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

The Exchange does not believe that the proposed rule change will 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

Written comments on the proposed rule change were neither solicited nor received.

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:

⁹ Tier 1 pricing applies to all classes that currently participate in the Penny Pilot, other than the Tier 2 Classes.

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(4).

- 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-2008-32 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-BSE-2008-32. 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 10:00 a.m. and 3:00 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-2008-32 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

IV. Commission's Findings and Order Granting Accelerated Approval of 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 exchange¹² and, in particular, with the requirements of Section 6(b) of the Act.¹³ In particular, the Commission finds that the Exchange's proposal is consistent with Section 6(b)(4) of the Act,¹⁴ 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 notes that this proposal conforms Linkages Fees with those fees charged on other broker-dealer executions.

The Exchange requests that the Commission approve the proposed rule change on an accelerated basis pursuant to Section 19(b)(2) of the Act.¹⁵ The Commission finds good cause, pursuant to Section 19(b)(2)(B) of the Act,¹⁶ for approving the proposed rule change prior to the 30th day after the date of publication of the notice of the filing thereof in the Federal Register. An accelerated approval will allow the Exchange to immediately

¹² In approving this rule, the Commission notes that it has considered its impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹³ 15 U.S.C. 78f(b).

¹⁴ 15 U.S.C. 78f(b)(4).

¹⁵ 15 U.S.C. 78s(b)(2).

¹⁶ 15 U.S.C. 78s(b)(2)(B).

implement a lower fee for market participants executing certain Linkage Orders on the Exchange.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act¹⁷ that the proposed rule change (SR-BSE-2008-32), is hereby approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁸

Florence E. Harmon
Acting Secretary

¹⁷ 15 U.S.C. 78s(b)(2).

¹⁸ 17 CFR 200.30-3(a)(12).