

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>4</sup>

**Jonathan G. Katz,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-50211; File No. 4-429]

### Joint Industry Plan; Notice of Filing of Amendment No. 13 to the Options Intermarket Linkage Plan Regarding Natural Size

August 18, 2004.

Pursuant to Section 11A of the Securities Exchange Act of 1934 (the "Act")<sup>1</sup> and Rule 11Aa3-2 thereunder,<sup>2</sup> notice is hereby given that on May 10, 2004, May 11, 2004, June 22, 2004, July 21, 2004, August 12, 2004, and August 16, 2004, the International Securities Exchange LLC ("ISE"), Chicago Board Options Exchange, Inc. ("CBOE"), American Stock Exchange LLC ("Amex"), Pacific Exchange, Inc. ("PCX"), Philadelphia Stock Exchange, Inc. ("Phlx"), and Boston Stock Exchange, Inc. ("BSE") (collectively the "Participants") respectively submitted to the Securities and Exchange Commission ("Commission") Amendment No. 13 to the Plan for the Purpose of Creating and Operating an Intermarket Options Linkage (the "Linkage Plan").<sup>3</sup> The amendment proposes to modify the definitions of Firm Customer Quote Size ("FCQS") and Firm Principal Quote Size ("FPQS").<sup>4</sup> The Commission is publishing this notice to solicit comments from interested persons on the proposed Linkage Plan amendment.

#### I. Description and Purpose of the Amendment

The Participants propose to modify the definitions of FCQS and FPQS to accommodate the "natural size" of

quotations. The Linkage Plan currently requires that the Participants be firm for both Principal Acting as Agent and Principal Orders for at least 10 contracts. The proposed Amendment would permit exchanges to be firm for the actual size of their quotation, even if this amount is less than 10 contracts.

The Participants represent that they adopted the "10-up" requirement for the Linkage Plan at a time when all the Participants had rules requiring that their quotations be firm for customer orders for at least 10 contracts. The Participants further represent that they either have amended, or are in the process of amending, such rules. Therefore, the Participants are seeking to conform the quotation requirements for incoming Linkage Orders to be consistent with the quotation requirements for other orders.

Specifically, the proposed Amendment seeks to change to the definitions of both FCQS and FPQS. While the proposed Amendment would maintain a general requirement that the FCQS and FPQS be at least 10 contracts, that requirement would not apply if a Participant were disseminating a quotation of fewer than 10 contracts. In that case, the Participant may establish a FCQS or FPQS equal to its disseminated size.

As with Linkage orders today, if the order is of a size eligible for automatic execution at both the sending and receiving exchanges, the receiving exchange must provide an automated execution of the Linkage order. If this is not the case (for example, the receiving exchange's auto-ex system is not engaged), the receiving exchange may allow the order to drop to manual handling. However, the receiving exchange still must provide a manual execution for at least the FCQS or FPQS, as appropriate (in this case, the size of its disseminated quotation of less than 10 contracts).

#### II. Implementation of the Plan Amendment

The Participants intend to make the proposed amendment to the Linkage Plan reflected in this filing effective when the Commission approves the amendment.

#### 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](mailto:rule-comments@sec.gov). Please include File Number 4-429 on the subject line.

#### Paper Comments

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609.

All submissions should refer to File Number 4-429. 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal offices of the Amex, BSE, CBOE, ISE, PCX and Phlx. 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 4-429 and should be submitted on or before September 14, 2004.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

**J. Lynn Taylor,**

Assistant Secretary.

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<sup>4</sup> 17 CFR 200.30-3(a)(1).

<sup>1</sup> 15 U.S.C. 78k-1.

<sup>2</sup> 17 CFR 240.11Aa3-2.

<sup>3</sup> On July 28, 2000, the Commission approved a national market system plan for the purpose of creating and operating an intermarket options market linkage proposed by the Amex, CBOE, and ISE. See Securities Exchange Act Release No. 43086 (July 28, 2000), 65 FR 48023 (August 4, 2000). Subsequently, upon separate requests by the Phlx, PCX, and BSE, the Commission issued orders to permit these exchanges to participate in the Linkage Plan. See Securities Exchange Act Release Nos. 43573 (November 16, 2000), 65 FR 70850 (November 28, 2000), 43574 (November 16, 2000), 65 FR 70851 (November 28, 2000) and 49198 (February 5, 2004), 69 FR 7029 (February 12, 2004).

<sup>4</sup> Sections 2 (11) and (12) of the Linkage Plan.

<sup>5</sup> 17 CFR 200.30-3(a)(29).