

respond to a Linkage Order and the amount of time a member sending a Linkage Order must wait before trading through a nonresponsive Participant should facilitate the more timely execution of orders across the options markets. In addition, the Commission finds that it is appropriate to summarily put into effect Joint Amendment No. 25 upon publication of this notice on a temporary basis for 120 days. The Commission believes that such action is appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, because it will facilitate implementation of the Joint Amendment No. 25 in conjunction with the recent expansion of the options penny quoting pilot program.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether proposed Joint Amendment No. 25 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 4-429 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 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 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 filings also will be available for inspection and copying at the principal offices of the Amex, BSE, CBOE, ISE, NYSE Arca, 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 publicly available. All submissions should refer to File Number 4-429 and should be submitted on or before January 2, 2008.

V. Conclusion

It is therefore ordered, pursuant to Section 11A of the Act¹⁰ and Rule 608(b)(4) thereunder,¹¹ that Joint Amendment No. 25 is summarily put into effect until April 9, 2008.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹²

Florence E. Harmon,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56898; File Nos. SR-Amex-2007-124; SR-BSE-2007-50; SR-CBOE-2007-144; SR-ISE-2007-108; SR-NYSEArca-2007-116; SR-Phlx-2007-88]

Self-Regulatory Organizations; American Stock Exchange LLC: Notice of Filing and Order Granting Accelerated Approval to Proposed Rule Change, as Amended, Relating to Linkage Order; Boston Stock Exchange, Inc., Chicago Board Options Exchange, Incorporated; International Securities Exchange, LLC, NYSE Arca, Inc., and Philadelphia Stock Exchange, Inc.: Notice of Filing and Order Granting Accelerated Approval to a Proposed Rule Change Relating to Linkage Orders

December 5, 2007.

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 28, 2007, November 28, 2007, November 27, 2007, November 13, 2007, December 4, 2007, and November 27, 2007, the American Stock Exchange LLC ("Amex"), the Boston Stock Exchange, Inc. ("BSE"), the Chicago Board Options Exchange, Incorporated ("CBOE"); the

International Securities Exchange, LLC ("ISE"), the NYSE Arca, Inc. ("NYSE Arca"), and the Philadelphia Stock Exchange, Inc. ("Phlx") (each, an "Exchange" and, collectively, the "Exchanges"), respectively, filed with the Securities and Exchange Commission ("Commission") the proposed rule changes as described in Items I and II below. On December 4, 2007, Amex filed Amendment No. 1 to its proposed rule change. The Commission is publishing this notice to solicit comments on the proposed rule changes from interested persons and is approving the proposed rule changes on an accelerated basis.

I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Changes

The Exchanges propose to amend their respective rules pertaining to the Intermarket Options Linkage ("Linkage") to conform such rules to Joint Amendment No. 25³ of the Plan for the Purpose of Creating and Operating an Intermarket Option Linkage ("Linkage Plan").⁴ The text of the proposed rule changes are available at the Exchanges' Web sites,⁵ the Exchanges' principal offices, and at the Commission's Public Reference Room.

II. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In its filing with the Commission, each Exchange included statements concerning the purpose of, and basis for, its proposed rule change and discussed any comments it received on the proposed rule change. The text of the statements may be examined at the places specified in Item III below. The Exchanges have prepared summaries, set forth in Sections A, B, and C, below, of the most significant aspects of such statements.

³ See Securities Exchange Act Release No. 56893 (December 4, 2007).

⁴ On July 28, 2000, the Commission approved a national market system plan for the purpose of creating and operating an intermarket options market linkage ("Linkage") proposed by Amex, CBOE, and ISE. See Securities Exchange Act Release No. 43086 (July 28, 2000), 65 FR 48023 (August 4, 2000). Subsequently, Phlx, Pacific Exchange, Inc. (n/k/a NYSE Arca, Inc.), and BSE joined the Linkage Plan. See Securities Exchange Act Release Nos. 43573 (November 16, 2000), 65 FR 70851 (November 28, 2000); 43574 (November 16, 2000), 65 FR 70850 (November 28, 2000); and 49198 (February 5, 2004), 69 FR 7029 (February 12, 2004).

⁵ See <http://www.amex.com>, <http://www.bostonstock.com>, <http://www.cboe.com>, <http://www.iseoptions.com>, <http://www.nyse.com>, and <http://www.phlx.com>.

¹⁰ 15 U.S.C. 78k-1.

¹¹ 17 CFR 242.608(b)(4).

¹² 17 CFR 200.30-3(a)(29).

¹⁵ U.S.C. 78s(b)(1).

²⁷ 17 CFR 240.19b-4.

A. Self-Regulatory Organizations' Statement for the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchanges propose to reduce certain "turn-around" times in the Linkage to 3 seconds. Specifically, if a member⁶ of an Exchange does not receive a response to its Linkage Order⁷ seconds, that member would be able to reject any response purporting to be an execution received thereafter. The member would also be able to trade through the Exchange that failed to respond within 3 seconds after receiving that order and, if the Exchange that sent the Linkage Order cancels such response, the member would be required to cancel any purported trade resulting from that order. The Exchanges state that, as they have become more automated, experience with Linkage indicates that reducing the turn-around time to 3 seconds is expected to facilitate speedy executions of orders while not adversely affecting the ability of members to make markets on their Exchanges. The Exchanges submitted the proposed rule changes in conjunction with Joint Amendment No. 25 to the Linkage Plan.⁸

2. Statutory Basis

The Exchanges believe the proposed rule changes are consistent with the Act and the rules and regulations under the Act applicable to national securities exchanges and, in particular, the requirements of Section 6(b) of the Act.⁹ Specifically, the Exchanges believe the proposed rule changes are consistent with the requirements of Section 6(b)(5) of the Act¹⁰ that the rules of an exchange be designed to prevent fraudulent and manipulative acts, 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

⁶ The term "member," as used herein, includes NYSE Arca OTP Holders and OTP Firms and Boston Options Exchange ("BOX") Options Participants. See NYSE Arca Rules 1.1(q) and 1.1(r) and Chapter 1, Sec. 1(a)(40) of BOX Rules, respectively.

⁷ See Section 2(16) of the Linkage Plan. For the purposes of these proposed rule changes only, references to "Linkage Orders" herein pertain to Principal Acting as Agent ("P/A") Order and Principal Orders. See Section 2(16)(a) and (b) of the Linkage Plan, respectively, for definitions of "P/A Order" and "Principal Order."

⁸ Joint Amendment No. 25 to the Linkage Plan became summarily effective for a period not to exceed 120 days on December 4, 2007. See *supra* note 3.

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

system, and, in general, to protect investors and the public interest.

B. Self-Regulatory Organizations' Statement on Burden on Competition

The Exchanges believe that the proposed rule changes would impose no burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organizations' Statement on Comments on the Proposed Rule Changes Received From Members, Participants or Others

The Exchanges have neither solicited nor received comments on these proposals.

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule changes are 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 Numbers SR-Amex-2007-124; SR-BSE-2007-50; SR-CBOE-2007-144; SR-ISE-2007-108; SR-NYSEArca-2007-116; SR-Phlx-2007-88 in 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 Numbers SR-Amex-2007-124; SR-BSE-2007-50; SR-CBOE-2007-144; SR-ISE-2007-108; SR-NYSEArca-2007-116; SR-Phlx-2007-88. These file numbers 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, 100 F Street, NE., Washington, DC 20549-1090 on 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 Exchanges. 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 Numbers SR-Amex-2007-124; SR-BSE-2007-50; SR-CBOE-2007-144; SR-ISE-2007-108; SR-NYSEArca-2007-116; SR-Phlx-2007-88 and should be submitted on or before January 2, 2008.

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

After careful consideration, the Commission finds that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder, applicable to national securities exchanges.¹¹ In particular, the Commission finds that the proposals are consistent with the provisions of Section 6(b)(5) of the Act¹² in that they are 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 in general, to protect investors and the public interest. The Commission believes that reducing the time required by an Exchange to respond to a Linkage Order and reducing the amount of time a member sending a Linkage Order must wait before trading through a nonresponsive Exchange should facilitate the more timely execution of orders across the Exchanges.

The Commission also finds good cause, pursuant to Section 19(b)(2) of the Act¹³ for approving the proposal prior to the thirtieth day after the date of publication of the notice of the filing thereof in the **Federal Register**. Granting accelerated approval would facilitate the implementation of these changes in conjunction with the implementation of Joint Amendment No. 25 to the Linkage Plan.¹⁴

¹¹ In approving these proposed rule changes, the Commission has considered their impact on efficiency, competition, and capital formation. See U.S.C. 78c(f).

¹² 15 U.S.C. 78f(b)(5).

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ See *supra* note 8.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-Amex-2007-124), as amended, and proposed rule changes (SR-BSE-2007-50; SR-CBOE-2007-144; SR-ISE-2007-108; SR-NYSEArca-2007-116; SR-Phlx-2007-88) are hereby approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Florence E. Harmon,
Deputy Secretary.

[FR Doc. E7-23923 Filed 12-10-07; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-56903; File No. SR-CBOE-2007-68]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Order Approving Proposed Rule Change, as Modified by Amendment No. 1, Relating to Stock-Option Orders

December 5, 2007.

I. Introduction

On June 20, 2007, 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"),¹ and Rule 19b-4 thereunder,² a proposal to amend its rules to provide for the electronic handling and execution of stock-option orders. The CBOE filed Amendment No. 1 to the proposal on October 19, 2007.³ The proposed rule change, as modified by Amendment No. 1, was published for comment in the *Federal Register* on October 31, 2007.⁴ The Commission received no comments regarding the proposed rule change, as amended. This order approves the proposed rule change, as modified by Amendment No. 1.

II. Description of the Proposal

Currently, stock-option orders⁵ are handled manually on the CBOE and the

options component is traded in open outcry. The CBOE proposes to amend CBOE Rule 6.53C, "Complex Orders on the Hybrid System," to allow stock-option orders to be submitted to the Complex Order Book ("COB") or executed via a Complex Order Auction ("COA").⁶ The stock component of a stock-option order will be executed electronically on the CBOE's electronic stock trading facility, the CBOE Stock Exchange ("CBSX"), consistent with CBSX's order execution rules.⁷ A stock-option order will not be executed on the CBOE's Hybrid System unless the stock leg is executable on CBSX at the price(s) necessary to achieve the desired net price.⁸

An electronic stock-option order accepted by the Hybrid System will be auctioned in a COA when the requirements for an auction are met. An unexecuted stock-option order also could be maintained in the COB or on a PAR workstation, either of which would monitor the marketability of the order, taking into account the CBSX market for the execution of the stock component of the order.

Under the proposal, the CBOE proposes to process stock-option orders in a manner that is substantially similar to the way that the CBOE currently processes complex orders comprised solely of options. However, a stock-option order submitted to the COB would seek to trade first against other stock-option orders in the COB, and second against individual orders or quotes on the CBOE.⁹ Similarly, a stock-option order submitted to a COA would trade in the sequence set forth in CBOE Rule 6.53C(d)(v)(1)-(4), except that subparagraph (d)(v)(1), relating to individual orders and quotes residing in the EBook, would be applied last in sequence.¹⁰ The CBOE believes that

related security coupled with either (a) the purchase or sale of option contract(s) on the opposite side of the market representing either the same number of units of the underlying or related security or the number of units of the underlying security necessary to create a delta neutral position or (b) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price, expiration date and each representing the same number of units of stock as, and on the opposite side of the market from, the underlying security or related security portion of the order. See CBOE Rule 1.1(ii) and CBOE Rule 6.53C(a)(10).

⁶ See CBOE Rule 6.53C, Commentary .06 (c) and (d).

⁷ See CBOE Rule 6.53C, Commentary .06(a).

⁸ See CBOE Rule 6.53C, Commentary .06(a).

⁹ See CBOE Rule 6.53C, Commentary .06(c). In contrast, a complex order comprised solely of options would seek to execute first against orders and quotes in the EBook, if possible, and then against other complex orders in the COB. See CBOE Rule 6.53C(c)(ii).

¹⁰ See CBOE Rule 6.53C, Commentary .06(d).

because a portion of a stock-option order would be executed on a different platform (CBSX), it is more practical to execute resting stock-option orders against other stock-option orders received by the Hybrid System before scanning for executions against the legs on the CBSX book and the Hybrid options book.

The options leg of a stock-option order will not trade ahead of any public customer option resting on the Hybrid book. Specifically, the options leg of a stock-option order will not be executed on the Hybrid System at the CBOE's best bid (offer) in a series if one or more public customer orders are resting on the electronic book at that price, unless the options leg trades with such public customer order(s).¹¹ Accordingly, the CBOE notes that the proposal is consistent with CBOE Rule 6.45A(b)(iii), which provides the options leg of a stock-option order with priority over bids (offers) in the trading crowd at the same price, but not over public customer bids (offers) in the limit order book at the same price.¹²

III. Discussion

After careful review, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.¹³ In particular, the Commission finds that the proposal is consistent with section 6(b)(5) of the Act,¹⁴ which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, 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

¹¹ See CBOE Rule 6.53C, Commentary .06(b).

¹² The CBOE provides the following example to illustrate how the Hybrid System would protect the priority of a resting public customer options order: a customer enters a stock-option order to buy 100 shares of XYZ (trading at around \$40) and sell a 45 call with a net price of \$39.00. A public customer order to sell the 45 call for \$1 is resting on the Hybrid book. When executing the stock-option order against auction responses, the Hybrid System will not allow the options leg of the transaction to trade at \$1 or higher, thereby preserving the resting limit order's priority at that price. An execution could occur where the options leg prints at \$0.99 and the stock trade prints at \$39.99, in accordance with CBSX priority rules. This execution would meet the stock-option order's limit price and would not violate priority on CBOE or CBSX.

¹³ In approving the proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹⁴ 15 U.S.C. 78f(b)(5).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 replaces the original filing in its entirety.

⁴ See Securities Exchange Act Release No. 56701 (October 25, 2007), 72 FR 61694.

⁵ A stock-option order is an order to buy or sell a stated number of units of an underlying or a