

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-56808; File Nos. SR-Amex-2007-117; SR-BSE-2007-44; SR-CBOE-2007-121; SR-ISE-2007-92; SR-NYSEArca-2007-109; SR-Phlx-2007-86)

November 16, 2007

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

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 1, 2007, September 19, 2007, October 9, 2007, October 1, 2007, October 18, 2007, and November 14, 2007, American Stock Exchange LLC (“Amex”), Boston Stock Exchange, Inc. (“BSE”), Chicago Board Options Exchange, Incorporated (“CBOE”), International Securities Exchange, LLC (“ISE”), NYSE Arca, Inc. (“NYSE Arca”), and 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, which Items have been substantially prepared by the Exchanges. On November 13, 2007, November 6, 2007, and November 16, 2007, BSE, NYSE Arca, and Phlx respectively, filed Amendment No. 1 to their proposed rule changes. On November 16, 2007, BSE filed Amendment No. 2 to its proposed rule change. The Commission is publishing this notice to solicit comments on the proposed rule changes, as amended, from interested persons and is approving the proposed rule changes, as amended, on an accelerated basis.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

Each Exchange proposes to eliminate a restriction on Principal Order (“P Order”)³ access through Linkage. The text of the proposed rule changes are available at the Exchanges’ Web sites,⁴ 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 these 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.

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

1. Purpose

The Exchanges propose to eliminate the Linkage Class Gate restriction from their respective rules.⁵ These changes will conform the Exchanges’ rules to changes recently

³ See Section 2(16)(b) of the Plan for the Purpose of Creating and Operating an Intermarket Option Linkage (“Linkage Plan”).³ 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), 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).

⁴ 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>.

⁵ See Amex Rule 941(c)(2); Boston Options Exchange Facility Rule, Chapter XII, Section 2(d)(ii); CBOE Rule 6.81(c)(2); ISE Rule 1901(d)(2); NYSE Arca Rule 6.93(c)(2); and Phlx Rule 1084(d)(2).

approved by the Commission to Section 7(a)(ii)(C) of the Linkage Plan.⁶

Each Exchange currently has a rule which provides that, once the Exchange automatically executes a P Order in a series of an Eligible Option Class,⁷ it may reject any other P Orders sent in the same Eligible Option Class by the same Exchange for 15 seconds after the initial execution unless there is a price change in the receiving Exchange's disseminated offer (bid) in the series in which there was the initial execution and such price continues to be the national best bid or offer. After the 15-second period, and until the sooner of one minute after the initial execution or a change in its disseminated offer (bid), each Exchange's rule provides that the Exchange that provided the initial execution is not obligated to automatically execute any P Orders received from the same Exchange in the same Eligible Option Class. The Exchanges proposed to eliminate the Class Gate provision from their rules, because all Exchanges have removed restrictions on non-customer access to the automatic execution systems, rendering the Class Gate restriction unnecessary.

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.⁸ Specifically, the Exchanges believe the proposed rule changes are consistent with the requirements of Section 6(b)(5) of the Act⁹ that the rules of an exchange be designed to prevent fraudulent and manipulative acts, to promote just and

⁶ See Securities Exchange Act Release No. 56806 (November 16, 2007) (Joint Amendment No. 24 of the Linkage Plan).

⁷ See Section 2(8) of the Linkage Plan.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

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.

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-2007-117; SR-BSE-2007-44; SR-CBOE-2007-121; SR-ISE-2007-92; SR-NYSEArca-2007-109; and SR-Phlx-2007-86 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 Numbers SR-Amex-2007-117; SR-BSE-2007-44; SR-CBOE-2007-121; SR-ISE-2007-92; SR-NYSEArca-2007-109; and SR-Phlx-2007-86. 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 submissions, all subsequent amendments, all written statements with respect to the proposed rule changes that are filed with the Commission, and all written communications relating to the proposed rule changes 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 20549-1090, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filings also will be available for inspection and copying at the principal offices 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-2007-117; SR-BSE-2007-44; SR-CBOE-2007-121; SR-ISE-2007-92; SR-NYSEArca-2007-109; and SR-Phlx-2007-86 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 Changes

After careful consideration, the Commission finds that the proposed rule changes, as amended, are consistent with the requirements of the Act and the rules and regulations thereunder, applicable to national securities exchanges.¹⁰ In particular, the Commission finds that the proposals are consistent with the provisions of Section 6(b)(5) of the Act¹¹ in that they

¹⁰ In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹¹ 15 U.S.C. 78f(b)(5).

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 recognizes that, at the time of the creation of the Linkage, certain Exchanges had restrictions on non-customer access to their automatic execution systems. The Class Gate restriction in the Exchanges' rules served to protect those Exchanges that did not limit non-customer access against being obligated to automatically execute an unlimited number of P Orders. Since the implementation of the Linkage, all Exchanges have removed restrictions on non-customer access to their automatic execution systems. All of the Exchanges, therefore, allow access to their trading platforms orders on behalf of non-member market makers. The Commission believes that the greater access to automatic execution systems has rendered the Class Gate provision unnecessary and that its elimination should facilitate a more efficient operation of the options markets.

The Commission also finds good cause, consistent with Section 19(b)(2) of the Act¹² 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 Joint Amendment No. 24 to the Linkage Plan.¹³

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the

¹² 15 U.S.C. 78s(b)(2).

¹³ See note 6, supra.

proposed rule changes (SR-Amex-2007-117; SR-BSE-2007-44; SR-CBOE-2007-121; SR-ISE-2007-92; NYSEArca-2007-109; and SR-Phlx-2007-86), as amended, are hereby approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Florence E. Harmon
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).