

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56761; SR-Amex-2007-65; SR-BSE-2007-45; SR-CBOE-2007-64; SR-ISE-2007-44; SR-NYSEArca-2007-65)

November 7, 2007

Self-Regulatory Organizations; American Stock Exchange LLC; Boston Stock Exchange, Inc.; Chicago Board Options Exchange, Incorporated; International Securities Exchange, LLC; Order Approving Proposed Rule Changes; and NYSEArca, Inc.; Order Approving Proposed Rule Change and Amendment No. 1 Thereto Relating to the Definition of a Complex Trade

I. Introduction

On June 27, 2007, September 13, 2007, June 12, 2007, June 1, 2007, and July 6, 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”), and NYSE Arca, Inc. (“NYSE Arca”) (each, an “Exchange” and, collectively, the “Exchanges”), respectively, 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 proposed rule changes to amend each of their respective rules governing the operation of the Intermarket Option Linkage (“Linkage”) to modify the definition of “complex trade” to include stock-option trades. On July 11, 2007, NYSE Arca filed Amendment No. 1 to its proposed rule change.³ The proposed rule changes, as amended, were published for comment in the Federal Register on October 4, 2007.⁴ The Commission received no

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 to SR-NYSEArca-2007-65 effected technical corrections to the proposed rule change.

⁴ Securities Exchange Act Release No. 56555 (September 27, 2007), 72 FR 56814.

comments on the proposed rule changes. This order approves the proposed rule changes, as amended.

II. Description of the Proposals

Under Section 8(c)(iii)(G) of the Plan for the Purpose of Creating and Operating an Intermarket Option Linkage (“Linkage Plan”),⁵ the Linkage Plan participants (“Participants”) may amend the definition of the term “complex trade” from time to time. The Participants have agreed to change the definition of “complex trade” to extend the associated trade-through liability exemption to cover certain stock-option trades. Accordingly, each of the Exchanges has submitted a proposal that would amend each such Exchange’s definition of “complex trade,” set forth in the Exchange’s respective rules pertaining to the Linkage, to include the execution of a stock-option order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock (“convertible security”) coupled with the purchase or sale of option contract(s) on the opposite side of the market representing either (A) the same number of units of the underlying stock or convertible security, or (B) the number of units of the underlying stock or convertible security necessary to create a delta neutral position, but in no case in a ratio greater than eight option contracts per unit of trading of the underlying

⁵ On July 28, 2000, the Commission approved a national market system plan for the purpose of creating and operating the Linkage proposed by Amex, CBOE, and ISE. See Securities Exchange Act Release No. 43086 (July 28, 2000), 65 FR 48023 (August 4, 2000). Subsequently, the Philadelphia Stock Exchange, Inc. (“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).

stock or convertible security established for that series by the Options Clearing Corporation.⁶

III. Discussion

After careful review, 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.⁷ In particular, the Commission finds that the proposed rule changes, as amended, are consistent with the provisions of Section 6(b)(5) of the Act,⁸ which requires, among other things, that national securities exchanges' rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and to 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 by amending the definition of “complex trade” to include certain stock-option orders as described above, and by providing a consistent

⁶ The Exchanges propose to amend their respective rules that define “complex trade” for Linkage purposes, namely Amex Rule 940(b)(3), Boston Options Exchange Rule Chapter XII, Section 1(c), CBOE Rule 6.80(4), ISE Rule 1900(3), and NYSE Arca Rule 6.92(a)(4).

The Phlx filed a proposed rule change with the Commission to amend its definitions of “synthetic option” and “complex trade” to conform such definitions with the related “stock option” and “complex trade” definitions of the Exchanges. See Securities Exchange Act Release No. 56608 (October 3, 2007), 72 FR 57985 (October 11, 2007) (SR-Phlx-2007-40). The Commission is approving proposed rule change SR-Phlx-2007-40 in a separate order today. See Securities Exchange Act Release No. 56760 (November 7, 2007).

⁷ In approving these proposals, the Commission has considered the proposed rules' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78f(b)(5).

definition of “complex trade” in the rules of the Exchanges, the proposals may facilitate the execution of such complex orders.

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule changes (SR-Amex-2007-65; SR-BSE-2007-45; SR-CBOE-2007-64; SR-ISE-2007-44; SR-NYSEArca-2007-65), as amended, are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

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Deputy Secretary

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 17 CFR 200.30-3(a)(12).