

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-53436; File No. SR-BSE-2006-08)

March 7, 2006

Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto to Authorize Entry into Regulatory Services Agreements

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 15, 2006, the Boston Stock Exchange, Inc. (“Exchange” or “BSE”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. On March 2, 2006, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The Exchange filed the proposed rule change as a “non-controversial” rule change under Rule 19b-4(f)(6) under the Act,<sup>4</sup> which rendered the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Exchange proposes to amend its Constitution to permit the Exchange to contract with another self-regulatory organization (“SRO”) for the performance of certain of the Exchange’s regulatory functions. The text of the proposed rule change is available on the BSE’s Web site, <http://www.bostonstock.com>, at the BSE’s Office of the Secretary, and at the Commission’s Public Reference Room.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> In Amendment No. 1, the Exchange made non-substantive changes to the text of the proposed rule change.

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

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 IV 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 proposed rule change would create a mechanism that would allow the BSE to contract with another SRO for the performance of certain of the BSE’s regulatory functions. The purpose of the proposed rule change is to enhance the BSE’s ability to carry out its regulatory obligations under the Act by providing the BSE the ability to contract with another SRO for regulatory services. Under any agreement for regulatory services with another SRO, the BSE would remain an SRO registered under Section 6 of the Act<sup>5</sup> and, therefore, would continue to have statutory authority and responsibility for enforcing compliance by its members, and persons associated with its members, with the Act, the rules thereunder, and the rules of the BSE.

This rule change would have immediate applicability with respect to a Regulatory Services Agreement (“RSA”) between the BSE, the Chicago Board Options Exchange, Incorporated (“CBOE”), and other options markets participating in the proposed Options Regulatory Surveillance Authority national market system plan. The BSE has determined that, to best discharge its SRO responsibilities, it will contract with CBOE, which is subject to

---

<sup>5</sup> 15 U.S.C. 78f.

Commission oversight pursuant to Sections 6 and 19 of the Act,<sup>6</sup> for CBOE to provide certain regulatory services to the BSE, as set forth in the RSA. In performing services under the RSA, CBOE will be operating pursuant to the statutory SRO responsibilities of the BSE under Sections 6 and 19, as well as performing for itself its own SRO responsibilities. The proposed rule change specifically states that any action taken by another SRO, or its employees or authorized agents, operating on behalf of the BSE pursuant to a regulatory services agreement with the BSE (e.g., CBOE under the RSA) will be deemed an action taken by the BSE. The BSE will retain ultimate responsibility for performance of its SRO duties under the RSA, and the proposed rule change states that the BSE will retain ultimate legal responsibility for, and control of, its SRO responsibilities.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>7</sup> in general, and furthers the objectives of Sections 6(b)(1), 6(b)(6) and 6(b)(7) of the Act<sup>8</sup> in particular, in that it will enhance the ability of the Exchange to enforce compliance by its members and persons associated with its members with the provisions of the Act, the rules and regulations thereunder, and the rules of the Exchange; it will help ensure that members and persons associated with members are appropriately disciplined for violations of the Act, the rules and regulations thereunder, and the rules of the Exchange; and it will provide a fair procedure for the disciplining of members and persons associated with members.

---

<sup>6</sup> 15 U.S.C. 78f and 15 U.S.C. 78s.

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(1); 15 U.S.C. 78f(b)(6); and 15 U.S.C. 78f(b)(7).

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the proposed rule change: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>10</sup> The proposed rule change is based on a rule change previously filed by the American Stock Exchange LLC and approved by the Commission.<sup>11</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in the furtherance of the purposes of the Act.

---

<sup>9</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>10</sup> 17 CFR 240.19b-4(f)(6).

<sup>11</sup> See Securities Exchange Act Release No. 50122 (July 29, 2004), 69 FR 47962 (August 6, 2004) (SR-Amex-2004-32).

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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 SR-BSE-2006-08 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 SR-BSE-2006-08. 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. 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-2006-08 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

Nancy M. Morris  
Secretary

---

<sup>12</sup> 17 CFR 200.30-3(a)(12).