

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52341; File No. SR-BSE-2005-20)

August 26, 2005

Self-Regulatory Organizations; Boston Stock Exchange; Order Granting Approval to Proposed Rule Change Relating to Trade Shredding

I. Introduction

On June 23, 2005, the Boston Stock Exchange (“BSE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, as amended, (“Act”)¹ and Rule 19b-4 thereunder,² the proposed rule change relating to trade shredding. The proposed rule change was published for notice and comment in the Federal Register on July 22, 2005.³ The Commission received no comments on the proposal. This order approves the proposed rule change.

II. Description of the Proposal

The BSE proposed to add language to its existing BSE Rules to prohibit BSE members from splitting large orders into multiple smaller orders for any purpose other than best execution. The text of BSE Rules as the BSE is proposing to amend it is below. New text is in italics.

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Chapter II

Dealings on the Exchange

SEC. 4.

Units of Trading

The unit of trading in bonds shall be \$1000 in par value thereof.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240. 19b-4.

³ See Securities Exchange Act Release No. 52033 (July 14, 2005), 70 FR 42396.

The unit of trading in stocks shall be 100 shares, except that the Exchange may fix a smaller number of shares in any particular instance.

Bids or offers for less than the unit of trading shall specify the par value of the bonds or number of shares of stock covered by the bid or offer.

A customer's order in the unit of trading, or multiples thereof, in any security traded on the Exchange, the primary market for which is on another Exchange, may not be split into odd-lots. A member may not split any order into multiple smaller orders for any purpose other than seeking the best execution of the entire order.

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III. Discussion and Commission Findings

The Commission has reviewed carefully the proposed rule change and finds that it is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange,⁴ particularly Section 6(b)(5) of the Act which, among other things, requires that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating securities transactions, to remove impediments 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.⁵ The Commission believes that the proposed rule change should help eliminate the distortive practice of trade shredding, and, therefore, promote just and equitable principles of trade.

⁴ In approving this 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).

⁵ 15 U.S.C. 78f(b)(5).

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁶ that the proposed rule change (File No. SR-BSE-2005-20), be and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland
Deputy Secretary

⁶ 15 U.S.C. 78s(b)(2).

⁷ 17 CFR 200.30-3(a)(12).