



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

Item 1. Text of Proposed Rule Change

a) The Boston Stock Exchange, Inc. (“Exchange” or “BSE”) proposes to amend Boston Options Exchange Group LLC (“BOX”) Rules Chapter X, Section 2(a) to clarify and strengthen the BOX rules pertaining to Minor Violation Rule Plan sanctions for position limit violations, and to reflect a commitment among certain other self-regulatory organizations to coordinate and harmonize Minor Violation rules. The text of the proposed rule change is appended as Exhibit 5.

b) Not Applicable

c) Not applicable.

Item 2. The Procedures of the Self-Regulatory Organization

The proposed rule change was approved by BOXR Board in accordance with the Board’s standing approval process on October 3, 2008, and by the BOX Committee of the BSE Board of Directors on October 9, 2008.

Item 3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a) The purpose of the proposed rule change is to update the BOX rules to clarify and strengthen sanctions imposed for violations of BOX Rules Chapter III, Section 7 pursuant to the Minor Rule Violation Plan, as found in BOX Rules, Chapter X. The amendment will impose a flat fine amount for a violation, rather than a fine levied per contract. In addition, the proposed amendment will eliminate the current distinction between Customer accounts and Options Participant accounts. The Exchange believes these changes will serve as an effective deterrent to violative conduct.

The Exchange and certain other self-regulatory organizations (“SRO’s”), as members of the Intermarket Surveillance Group (the “ISG”), executed and filed with the Securities and Exchange Commission on October 29, 2007, a final version of the Agreement pursuant to Section 17(d) of the Securities Exchange Act of 1934 (as amended)(the “Agreement”).<sup>1</sup> The members of the ISG intend to enter into an amendment to the 17d-2 Agreement in the near future concerning the surveillance and sanction of Position Limit violations. In anticipation, the SRO’s have agreed that their respective rules concerning position limits concerning options contracts are common rules and should be consistent with one another. The Exchange’s proposed amendment to its Minor Rule violation Plan will result in further consistency of sanctions among the signatories to the 17d-2 Agreement and the forthcoming amendment concerning Position Limit violations.

b) The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>2</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>3</sup> in particular, 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. Specifically, the Exchange believes that the proposed rule change will promote consistency in minor rule violations and respective SRO reporting obligations set forth pursuant to Rule 19d-1(c)(2) under the Act<sup>4</sup>, which governs minor rule plans.

#### Item 4. Self-Regulatory Organization's Statement on Burden on Competition

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<sup>1</sup> See Securities Exchange Act Release No. 56941 (April 11, 2008), 73 FR 75 (April 17, 2008).

<sup>2</sup> 15 U.S.C. 78f(b).

<sup>3</sup> 15 U.S.C. 78f(b)(5).

<sup>4</sup> 17 CFR 240.19d-1(c)(2).

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Item 5. 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 comments on the proposed rule change.

Item 6. Extension of Time Periods for Commission Action

Inapplicable.

Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

This proposed rule change is filed pursuant to paragraph (A) of section 19(b)(3) of the Exchange Act. The Exchange has designated the foregoing rule change as a “non-controversial” rule change pursuant to Section 19(b)(3)(A) of the Act<sup>5</sup> and Rule 19b-4(f)(6) thereunder<sup>6</sup> because the rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; or (iii) become operative for 30 days from the day on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the proposed amendments are “based on and similar to”

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<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

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

the approved amendments to sanctions for violation of position limits pursuant to its Minor Rule Violation plan filed by the Chicago Board Options Exchange (“CBOE”) and International Securities Exchange (“ISE”).<sup>7</sup>

A proposed rule change filed under 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)<sup>8</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange respectfully requests that the Commission waive the 30-day operative delay.

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 furtherance of the purposes of the Act.

Item 8. Proposed Change Based Upon Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

Item 9. Exhibits

1. Form of Notice of the Proposed Rule Change for the Federal Register.
5. Text of the Proposed Rule Change.

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<sup>7</sup> See Securities Exchange Act Release No. 34-58119 (July 8, 2008) 73 FR 40646 (July 15, 2008) (SR-CBOE-2008-53) (“Order Approving Proposed Rule Change Pertaining to the Imposition of Fines for Minor Rule Violations”); Securities Exchange Act Release No. 34-58289 (August 1, 2008) 73 FR 4667 (SR-ISE-2008-62) (“Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rules Related to the Imposition of Fines Related to Minor Rule Violations”).

<sup>8</sup> 17 CFR 240.19b-4(f)(6)(iii).

## EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-\_\_\_\_; File No. SR-BSE-2008-44)

## Self-Regulatory Organizations; Boston Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to its Minor Rule Plan

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 October 10, 2008 the Boston Stock Exchange, Inc. (“BSE” or “Exchange”) 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 BSE. The Exchange has designated the proposed rule change as a “non-controversial” rule change pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Boston Stock Exchange (the “Exchange”) proposes to update the Boston Options Exchange Group LLC (“BOX”) rules to increase and strengthen sanctions imposed pursuant to the Minor Rule Violation Plan in connection with any Options Participant or non-Options Participant customer in accordance with BOX Rules Chapter III, Section 7. The text of the proposed rule change is available on the Exchange’s Web

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

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

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

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

site at [http://nasdaqtrader.com/Trader.aspx?id=Boston\\_Stock\\_Exchange](http://nasdaqtrader.com/Trader.aspx?id=Boston_Stock_Exchange), at the Office of the Secretary, and at the Commission's Public Reference Room.

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

a) The purpose of the proposed rule change is to update the BOX rules to clarify and strengthen sanctions imposed for violations of BOX Rules Chapter III, Section 7 pursuant to the Minor Rule Violation Plan, as found in BOX Rules, Chapter X.

The amendment will impose a flat fine amount for a violation, rather than a fine levied per contract. In addition, the proposed amendment will eliminate the current distinction between Customer accounts and Options Participant accounts. The Exchange believes these changes will serve as an effective deterrent to violative conduct.

The Exchange and certain other self-regulatory organizations ("SRO's"), as members of the Intermarket Surveillance Group (the "ISG"), executed and filed with the Securities and Exchange Commission on October 29, 2007, a final version of the Agreement pursuant to Section 17(d) of the Securities Exchange Act of 1934 (as



amended)(the “Agreement”).<sup>5</sup> The members of the ISG intend to enter into an amendment to the 17d-2 Agreement in the near future concerning the surveillance and sanction of Position Limit violations. In anticipation, the SRO’s have agreed that their respective rules concerning position limits concerning options contracts are common rules and should be consistent with one another. The Exchange’s proposed amendment to its Minor Rule violation Plan will result in further consistency of sanctions among the signatories to the 17d-2 Agreement and the forthcoming amendment concerning Position Limit violations.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>7</sup> in particular, 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. Specifically, the Exchange believes that the proposed rule change will promote consistency in minor rule violations and respective SRO reporting obligations set forth pursuant to Rule 19d-1 (c)(2) under the Act<sup>8</sup>, which governs minor rule plans.

### B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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<sup>5</sup> See Securities Exchange Act Release No. 56941 (April 11, 2008), 73 FR 75 (April 17, 2008).

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

<sup>8</sup> 17 CFR 240.19d-1(c)(2).

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 comments on the proposed rule change.

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

This proposed rule change is filed pursuant to paragraph (A) of section 19(b)(3) of the Exchange Act. The Exchange has designated the foregoing rule change as a “non-controversial” rule change pursuant to Section 19(b)(3)(A) of the Act<sup>9</sup> and Rule 19b-4(f)(6) thereunder<sup>10</sup> because the rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; or (iii) become operative for 30 days from the day on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. Additionally, the proposed amendments are “based on and similar to” the approved amendments to sanctions for violation of position limits pursuant to its Minor Rule Violation plan filed by the Chicago Board Options Exchange (“CBOE”) and International Securities Exchange (“ISE”).<sup>11</sup>

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<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 and Exchange Act Release No. 34-58119 (July 8, 2008) 73 F.R. 40646 (SR-CBOE-2008-53) (“Order Approving Proposed Rule Change Pertaining to the Imposition of Fines for Minor Rule Violations”); Securities and Exchange Act Release No. 34-58289 (August 1, 2008) 73 F.R. 4667 (SR-ISE-2008-62). (“Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Exchange Rules Related to the Imposition of Fines Related to Minor Rule Violations”).

A proposed rule change filed under 19b-4(f)(6) normally may not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii)<sup>12</sup> permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange respectfully requests that the Commission waive the 30-day operative delay.

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 furtherance of the purposes of the Act.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change 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-2008-44 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

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<sup>12</sup> 17 CFR 240.19b-4(f)(6)(iii).

All submissions should refer to File Number SR–BSE-2008-44. 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, on business days between the hours of 10 a.m. and 3 p.m., located at 100 F Street, NE, Washington, DC 20549. 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–2008-44 and should be submitted on or before [date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>13</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).

EXHIBIT 5



New language  
[deleted language]

RULES OF THE BOSTON STOCK EXCHANGE

RULES OF THE BOSTON OPTIONS EXCHANGE FACILITY

Trading of options contracts on BOX

**CHAPTER X. MINOR RULE VIOLATIONS.**

**Sec. 1.** No change

**Sec. 2. Penalty for Rule Violations**

(a) *Position Limit Violations.* Violations of Chapter 3, Section 7 of these Rules (Position Limit) shall be subject to the fines listed below. [that continue over consecutive business days will be subject to a separate fine, pursuant to this paragraph (a), for each day during which the violation occurs and is continuing.]

<u>Number of Violations*</u>	<u>Fine Amount</u>
<u>First Violation</u>	<u>\$500</u>
<u>Second Violation</u>	<u>\$1,000</u>
<u>Third Violation</u>	<u>\$2,500</u>
<u>Fourth and Each Subsequent Violation</u>	<u>\$5,000</u>

\* A violation that consists of (i) a 1 trade date overage, (ii) a consecutive string of trade date overage violations where the position does not change or where a steady reduction in the overage occurs, or (iii) a consecutive string of trade date overage violations resulting from other mitigating circumstances, may be deemed to constitute one offense, provided that the violations are inadvertent.

[i. *Customer Accounts.* For purposes of this subparagraph (i) only, all accounts of non-Options Participant broker-dealers will be treated as

customer accounts. In calculating fine thresholds under this subparagraph (i) for each Options Participant, all violations occurring within the Period in all of that Participant's customer accounts are to be added together. For violations of Chapter 3, Section 7 of these Rules occurring in customer accounts, the Participant shall be subject to fines as follows, with a minimum fine amount of \$100:

Number of Cumulative Violations Within One Period	Fine Amount
1 to 6 (up to 5% in excess of applicable limit)	Letter of Caution
1 to 6 (above 5% in excess of applicable limit)	\$1 per contract
7 to 12	\$1 per contract over limit
13 or more	\$5 per contract over limit

ii. *Options Participant Accounts.* For violations occurring in an Options Participant's account (i.e., proprietary accounts and accounts of other Options Participants), the Options Participant whose account exceeded the limits shall be subject to fines as follows, with a minimum fine amount of \$100. In calculating fine thresholds under this paragraph (ii) for each Options Participant, all violations occurring within the Period in all of that Participant's accounts, (i.e., proprietary accounts and accounts of other Options Participants) are to be added together:

Number of Cumulative Violations Within One Period	Fine Amount
1 to 3 (up to 5% in excess of applicable limit)	Letter of Caution
1 to 3 (above 5% in excess of applicable limit)	\$1 per contract
4 to 6	\$1 per contract over limit
7 or more	\$5 per contract over limit]

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