

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
MARKET REGULATION

September 26, 1984

Michael R. Lindburg, Esq.
Vice President and General Counsel
Boston Stock Exchange
One Boston Stock Exchange
Boston, Massachusetts 02108

Dear Mr. Lindburg:

This letter is in response to your letter of August 30, 1984 concerning compliance with Section 15(b)(8) of the Securities Exchange Act of 1934 ("Act") by member specialists of the Boston Stock Exchange, Inc., ("BSE") that are registered broker-dealers. Based on your letter and subsequent conversations, we understand the facts to be as follows.

The BSE has submitted a rule filing seeking to establish an electronic linkage between the floor of the BSE and that of the Montreal Exchange.¹ Under the proposed arrangement, members of the Montreal Exchange would direct orders to the BSE through an existing electronic network. Market orders coming from the Montreal Exchange would be limited to orders for the U.S. - listed Canadian national stocks. These orders would be called out to specialists on the floor of the BSE for execution.²

Section 15(b)(8) of the Act provides that any broker-dealer required by the Act to be registered with the Commission also must become a member of the National Association of Securities Dealers, Inc. ("NASD") unless the broker-dealer effects transactions in securities solely on a national securities exchange of which it is a member. You represent that the

¹ File No. SR-BSE-84-5, Securities Exchange Act Release No. 21324 (September 13, 1984), 49 FR 37200 (September 21, 1984). The Commission is considering the proposal in a separate proceeding. This letter does not constitute approval of File No. SR-BSE-84-5 or any other proposed rule change submitted by the BSE.

² Andrew Company; Blodgett & Company; Feigelman Securities; Ganoudis Securities; Gerard Michaud; HTN Securities; J. Murphy Associates; John N. Aufiero; King Keller; K.&S., Inc.; Mermelstein & Company; Olwell McCallion; Steven J. Agoston; and W.T. Mullin & Co.

specialists executing orders received from the Montreal Exchange are registered broker-dealers and members of the BSE. As such, if their business is limited to effecting transactions in securities solely on the BSE, they are not required to join the NASD.

On the basis of the foregoing representations, the staff will not recommend enforcement action to the Commission if these broker-dealer members of the BSE limit their business to effecting transactions in securities solely on the BSE and do not become NASD members, pursuant to Section 15(b)(8) of the Act. The foregoing is a staff position regarding enforcement action only and should not be understood to express any legal conclusions regarding the applicability of statutory or regulatory provisions of the federal securities laws. Our position is based solely on the representations you have made, any different facts or conditions might require a different response.

Sincerely,

Michael Simon
Assistant Director