

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53853; File No. SR-Amex-2006-46)

May 23, 2006

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Order Granting Accelerated Approval to a Proposed Rule Change and Amendment No. 1 Thereto Relating to the Elimination of the Prohibition on Computer Generated Orders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 9, 2006, the American Stock Exchange LLC (“Amex” 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 Amex. On May 11, 2006, Amex filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons, and is approving the proposal on an accelerated basis.

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

The Exchange proposes to eliminate Amex Rules 934(b) and 934-ANTE(b) relating to the prohibition of computer generated orders.

The text of the proposed rule change is available on the Amex’s Web site (<http://www.amex.com>), at the Amex’s Office of the Secretary, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 supersedes and replaces the original rule filing in its entirety.

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 Amex included statements concerning the purpose of, and basis for, the proposed rule change, as amended, and discussed any comments it received on the proposed rule change, as amended. The text of these statements may be examined at the places specified in Item III below. The Amex 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 Exchange proposes that the amendment to the Amex Rules pursuant to this proposal be effective on May 8, 2006.

The Exchange proposes to eliminate the prohibition on computer generated orders set forth in Amex Rules 934(b) and 934-ANTE(b). Originally, Amex Rules 934(b) and 934-ANTE(b) were adopted to protect registered options traders ("ROTs") because, at the time, allowing electronic entry directly into the Exchange's order routing system could give customers and broker-dealers with order-generating systems a significant advantage over Amex ROTs. Since the adoption of Amex Rules 934(b) and 934-ANTE(b), the Exchange has implemented ANTE as well as other electronic trading enhancements minimizing the concerns raised by the rules. For example, ANTE permits specialists and ROTs to submit proprietary quotes electronically,⁴ which reduces the risk of multiple executions of orders delivered in rapid succession before the specialist or ROT is able to revise its quotation. In addition, the Exchange recently received Commission approval for an ANTE enhancement known as the "Quote Risk

⁴ See Securities Exchange Act Release No. 49747 (May 20, 2004), 69 FR 30344 (May 27, 2004) (SR-Amex-2003-89).

Manager.” The Quote Risk Manager is a risk management tool allowing specialists and ROTs to automatically adjust their quotes if a certain number of trades are executed within a certain period of time.⁵ Therefore, specialists and ROTs now have the ability to manage their exposure more quickly and efficiently, thereby obviating the need for both Amex Rules 934(b) and 934-ANTE(b). The Exchange also believes that the removal of the prohibition on computer generated orders should enhance access to the Exchange and therefore provide additional liquidity.

2. Statutory Basis

The Exchange believes that the proposed rule change, as amended, is consistent with the provisions of Section 6(b) of the Act,⁶ in general, and with Section 6(b)(5) of the Act,⁷ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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; and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, or to regulate by virtue of any authority conferred by the Act matters not related to the purpose of the Act or the administration of the Exchange.

⁵ See Securities Exchange Act Release No. 53148 (January 19, 2006), 71 FR 4386 (January 26, 2006) (SR-Amex-2005-131).

⁶ 15 U.S.C. 78f(b).

⁷ 15 U.S.C. 78f(b)(5).

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change, as amended, will impose any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comment were solicited or received with respect to the proposed rule change.

III. 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. Please include File Number SR-Amex-2006-46 on the subject line.

Paper comments:

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

All submissions should refer to File Number SR-Amex-2006-46. 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-Amex-2006-46 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

IV. Commission's Findings and Order Granting Accelerated Approval of a Proposed Rule Change

After careful consideration, the Commission finds that the proposed rule change, as amended, is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange.⁸ In particular, the Commission believes that the proposal is consistent with Section 6(b)(5) of the Act,⁹ which requires that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, 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; and are not designed to permit unfair discrimination between customers, issuers brokers, or dealers, or to regulate by virtue of any authority conferred by the Act matters not related to the purposes of the Act or the administration of the Exchange. Specifically, the Commission believes that the

⁸ In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁹ 15 U.S.C. 78f(b)(5).

proposal is designed to permit increased access to the Exchange, and therefore should help provide additional liquidity for orders executed on the Exchange.

Under Section 19(b)(2) of the Act,¹⁰ the Commission may not approve any proposed rule change prior to the thirtieth day after the date of publication of the notice of filing thereof, unless the Commission finds good cause for so doing. The Commission hereby finds good cause for approving the proposed rule change, as amended, prior to the thirtieth day after publishing notice of filing thereof in the Federal Register. The Commission does not believe that the proposal would significantly affect the protection of investors or the public interest, and would not impose any significant burden on competition.

The Commission notes that it has recently approved the deletion of the Chicago Board Options Exchange (“CBOE”) Rule 6.8A¹¹ and the Philadelphia Stock Exchange (“Phlx”) Rule 1080(i).¹² Both of these rules had prohibited the entry of electronically generated orders. The Commission believes that the proposed rule change, as amended, raises no new regulatory issues and that a full notice and comment period is not necessary.

For the reasons set forth above, the Commission finds good cause to accelerate approval of the proposed rule change, as amended, pursuant to Section 19(b)(2) of the Act.

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ See Securities Exchange Act Release No. 51030 (January 12, 2005), 70 FR 3404 (January 24, 2005) (SR-CBOE-2004-91).

¹² See Securities Exchange Act Release No. 48648 (October 16, 2003), 68 FR 60762 (October 23, 2003) (SR-Phlx-2003-37).

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR-Amex-2006-46), as amended, is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Nancy M. Morris
Secretary

¹³ 17 CFR 200.30-3(a)(12).