

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54227; File No. SR-Amex-2006-65)

July 27, 2006

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Relating to the Suspension of Transaction Charges for Specialist Orders in the Nasdaq-100 Tracking Stock® (QQQQ)

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 July 13, 2006, the American Stock Exchange LLC (“Amex” or “Exchange”) submitted to 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 July 25, 2006, the Exchange submitted Amendment No. 1 to the proposed rule change.³ Amex has designated the proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange pursuant to Section 19(b)(3)(A)(iii) of the Act⁴ and Rule 19b-4(f)(2) thereunder,⁵ which renders it 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange altered the proposed rule text to reflect that the transaction charges have been suspended in the Nasdaq-100 Index Tracking Stock (QQQQ) from July 13, 2006 (rather than July 10, 2006), through August 31, 2006, for specialist orders. The Exchange made corresponding changes to the Purpose section. The Exchange also changed a reference to the annual technology fee in the Purpose section.

⁴ 15 U.S.C. 78s(b)(3)(A)(iii).

⁵ 17 CFR 240.19b-4(f)(2).

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

The Exchange proposes to amend the Amex Exchange Traded Funds and Trust Issued Receipts Fee Schedule (the "ETF Fee Schedule") to suspend transaction charges for specialist orders in connection with the trading of the Nasdaq-100 Index Tracking Stock® (Symbol: QQQQ) from July 13, 2006 through August 31, 2006. The text of the proposed rule change is available on Amex's Web site (<http://www.amex.com>), at Amex's 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, Amex included statements concerning the purpose of, and basis for, the proposed rule change, as amended, and discussed any comments it received on the proposal. 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 Exchange proposes to suspend transaction charges for specialist orders in the QQQQ from July 13, 2006 through August 31, 2006. The previous suspension of specialist transaction charges in the QQQQ terminated on June 30, 2006.

Specialist orders currently are charged \$0.0034 (\$0.34 per 100 shares), capped at \$300 per trade (88,235 shares). Effective December 1, 2004, the Nasdaq-100 Index Tracking Stock®, formerly "QQQ," transferred its listing from Amex to the Nasdaq Stock Market, Inc. It now trades on Nasdaq under the symbol QQQQ. After the transfer, Amex began trading QQQQ on

an unlisted trading privileges basis. Amex previously suspended the transaction charges of specialist orders in connection with the QQQQ through June 30, 2006.⁶

The Exchange asserts that the proposed suspension of transaction fees for specialist orders in connection with the QQQQ is consistent with Section 6(b)(4) of the Act.⁷ Specifically, the Exchange believes that the proposal provides for an equitable allocation of reasonable fees among Exchange members largely based on the fact that a specialist has greater obligations than other members and are also subject to other Exchange fees, in addition to transaction fees.

In connection with the proposal to suspend or waive transaction fees for specialist orders in the QQQQ, the Exchange notes that specialists are subject to a variety of Exchange fees other than transaction charges. For example, the Exchange imposes floor fees solely on specialists such as a floor clerk fee, a floor facility fee, a post fee, and a registration fee.⁸ In addition, for those members on the floor of the Exchange, a technology fee and membership fees are also charged by the Exchange.⁹ Certain market participants, such as customers, non-member broker-dealers and market-makers, and member broker-dealers are not subject to the majority of these fees. In addition, a specialist unit, in order to adequately “make a market” in assigned securities,

⁶ See, e.g., Securities Exchange Act Release No. 53701 (April 21, 2006), 71 FR 25253 (April 28, 2006).

⁷ Section 6(b)(4) states that the rules of a national securities exchange must provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities. 15 U.S.C. 78f(b)(4).

⁸ The floor clerk, floor facility, post, and registration fees, on an annual basis, are \$900, \$2,400, \$1,000 and \$800, respectively.

⁹ A technology fee of \$6,000 per year is assessed on all specialists and other floor participants at the Exchange. Annual membership dues of \$1,500 must be paid by all members while annual membership fees are payable depending on the type of membership and circumstances. Non-members are not subject to these fees.

must be sufficiently staffed¹⁰ and have adequate technology resources to handle the volume of orders (especially in the QQQQ) that are sent to the Exchange. The Exchange believes that these operational costs borne by a specialist further support the Exchange's proposal to temporarily suspend QQQQ transaction fees on specialist orders.

Specialists have certain obligations required by Exchange rules, as well as the Act, that do not exist for other market participants. For example, pursuant to Amex Rule 170, a specialist is required to maintain a fair and orderly market in his or her assigned securities. Other members of the Exchange, as well as non-member market participants, do not have this obligation. As a result, the Exchange believes that the proposed suspension of transaction charges for specialist orders in the QQQQ is reasonable and equitable, given the obligations that specialists must adhere to in making markets. The Exchange further submits that the fee suspension will provide greater incentive to the specialist to continue to provide market liquidity, rendering the Exchange an attractive venue for market participants to execute orders.

2. Statutory Basis

The Exchange believes that the proposed rule change, as amended, is consistent Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Section 6(b)(4) of the Act,¹² in particular, in that it is an equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities.

¹⁰ See Securities Exchange Act Release No. 53386 (February 28, 2006), 71 FR 11250 (March 6, 2006) (requiring specialists to employ an adequate number of clerks).

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(4).

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

The Exchange believes that the proposed rule change does not 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

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

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

The foregoing rule change, as amended, has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act¹³ and subparagraph (f)(2) of Rule 19b-4¹⁴ thereunder because it establishes or changes a due, fee, or other charge imposed by the Exchange. At any time within 60 days of the filing of such 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.¹⁵

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:

¹³ 15 U.S.C. 78s(b)(3)(A)(iii).

¹⁴ 17 CFR 240.19b-4(f)(2).

¹⁵ The effective date of the original proposed rule change is July 13, 2006, and the effective date of Amendment No. 1 is July 25, 2006. For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change, as amended, under section 19(b)(3)(C) of the Act, the Commission considers the period to commence on July 25, 2006, the date on which the Exchange submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

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-2006-65 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-2006-65. 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 Amex. 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-2006-65 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.¹⁶

Nancy M. Morris
Secretary

¹⁶ 17 CFR 200.30-3(a)(12).