

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54943; File No. SR-Amex-2006-90)

December 15, 2006

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing of a Proposed Rule Change as Revised by Amendment Nos. 1 and 2 Thereto Relating to the Listing and Trading of Notes Linked to the Performance of the Hang Seng China Enterprises Index

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, as amended (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 22, 2006, the American Stock Exchange LLC (“Amex” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II below, which Items have been substantially prepared by Amex. On November 15, 2006, Amex submitted Amendment No. 1 to the proposed rule change.³ On December 12, 2006, Amex submitted Amendment No. 2 to the proposed rule change.⁴ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Exchange proposes to list and trade notes linked to the performance of the Hang Seng China Enterprises Index (“Index”). The text of the proposed rule change (including Appendix A) is available on Amex’s Web site at <http://www.amex.com>, at Amex’s principle office, 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.

⁴ Amendment No. 2 supersedes and replaces the original rule filing and Amendment No. 1 in their 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, Amex 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 III below. 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

Under Section 107A of the Amex Company Guide, the Exchange may approve for listing and trading securities which cannot be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures, or warrants.⁵ Amex proposes to list for trading under Section 107A of the Company Guide notes linked to the performance of the Index (“Notes”). Citigroup Funding Inc. (“Issuer”) will issue the Notes under the name “Stock Market Upturn Notes.” The Notes provide for a multiplier of any positive performance of the Index during the stated term, subject to a maximum payment amount or ceiling to be determined at the time of issuance (“Capped Value”).⁶

⁵ See Securities Exchange Act Release No. 27753 (March 1, 1990), 55 FR 8626 (March 8, 1990) (order approving File No. SR-Amex-89-29).

⁶ The Exchange submits that the proposal is similar to several instruments that it currently lists and trades. See Securities Exchange Act Release No. 51563 (April 15, 2005), 70 FR 21257 (April 25, 2005) (SR-Amex-2005-01); Securities Exchange Act Release No. 51227 (February 18, 2005), 70 FR 9395 (February 25, 2005) (SR-Amex-2005-010); and Securities Exchange Act Release No. 50016 (July 14, 2004), 69 FR 43639 (July 21, 2004) (SR-Amex-2004-43).

The Notes would conform to the initial listing guidelines under Section 107A⁷ and continued listing guidelines under Sections 1001-1003⁸ of the Company Guide. The Notes would be senior non-convertible debt securities of the Issuer. The Issuer would issue the Notes on an “Issue Date” approximately three business days after the “Trade Date” (as defined below) in denominations of whole units, with each unit representing a single Note. The Notes would mature on March 7, 2008 (“Maturity Date”) approximately 1.5 years after the Issue Date. The original public offering price would be \$10 per Note. The Notes would entitle the owner at maturity to receive an amount based upon the percentage change of the Index. The Notes would not have a minimum principal amount that would be repaid; accordingly, payment on the Notes prior to or at maturity might be less than the original

⁷ The initial listing standards for the Notes require: (1) a market value of at least \$4 million and (2) a minimum public distribution requirement of one million trading units with a minimum of 400 public shareholders. In addition, the listing guidelines require that the issuer have assets in excess of \$100 million and stockholders’ equity of at least \$10 million, and pre-tax income of at least \$750,000 in the last fiscal year or in two of the three prior fiscal years. In the case of an issuer which is unable to satisfy the earning criteria stated in Section 101 of the Company Guide, the Exchange requires the issuer to have the following: (1) assets in excess of \$200 million and stockholders’ equity of at least \$10 million; or (2) assets in excess of \$100 million and stockholders’ equity of at least \$20 million.

⁸ The Exchange’s continued listing guidelines are set forth in Sections 1001 through 1003 of Part 10 to the Exchange’s Company Guide. Section 1002(b) of the Company Guide states that the Exchange would consider removing from listing any security where, in the opinion of the Exchange, it appears that the extent of public distribution or aggregate market value has become so reduced to make further dealings on the Exchange inadvisable. With respect to continued listing guidelines for distribution of the Notes, the Exchange would rely, in part, on the guidelines for bonds in Section 1003(b)(iv). Section 1003(b)(iv)(A) provides that the Exchange would normally consider suspending dealings in, or removing from the list, a security if the aggregate market value or the principal amount of bonds publicly held is less than \$400,000.

issue price of the Notes.⁹ The Notes would not be callable by the issuer, Citigroup, or redeemable by the holder.

The payment that a holder or investor of a Note would be entitled to receive (“Redemption Amount”) would depend on the relation of: (1) the level of the Index at the close of the market on a single business day, March 4, 2008 (“Valuation Date”), shortly prior to maturity of the Notes (“Final Index Level”); and (2) the closing value of the Index on the date the Notes are priced for initial sale to the public (“Initial Index Level”). If there is a “Market Disruption Event” (as defined below) when determining the Final Index Level, the Final Index Level may be deferred up to two business days if deemed appropriate by the calculation agent.

Depending upon whether the Final Index Level (as defined below) is less than or equal to or greater than the Initial Index Level (as defined below), the Notes would entitle the owner at maturity to receive:

- If the Final Index Level is less than or equal to Initial Index Level:

$$\$10 + \left(\$10 \times \left(\frac{\text{Final Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}} \right) \right)$$

- If the Final Index Level is greater than Initial Index Level:

$$\$10 + \left(\$10 \times \left(\frac{\text{Final Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}} \right) \times \text{Participation Rate} \right), \text{ not to}$$

exceed the Capped Value

The Initial Index Level would be the closing level of the Index on August 24, 2006, the date the Notes priced for initial sale to the public (“Trade Date”) and the Final Index

⁹ A negative return of the Index would reduce the redemption amount at maturity with the potential that the holder of the Note could lose his entire investment amount.

Level would be the closing level of the Index on the Valuation Date on March 4, 2008. The Participation Rate (in the formula above) is 300%.

The Hang Seng China Enterprises Index

The Hang Seng China Enterprises Index was launched on August 8, 1994, to track the performance of the shares of all Chinese enterprises listed on the Stock Exchange of Hong Kong (“H-Shares”). This was one year after the first H-Share company was listed on the Stock Exchange of Hong Kong. Before the launch of the 200-stock Hang Seng Composite Index (“HSCI”) on October 3, 2001, the Index included all H-Shares listed on the Main Board of the Stock Exchange of Hong Kong, but after the launch of the HSCI, the Index contains only those components that are included in the HSCI. Constituents of the Index comprise only the largest H-Shares companies that are included in the HSCI. The Index is a capitalization-weighted index. The base value of the Index is 2000 as of January 3, 2000. The Index replaced the old HSCE index on October 3, 2001. The Index components are subject to review semi-annually at the same time as the HSCI. H-Share companies joining or leaving the HSCI are automatically included or excluded from the Index.

As of July 31, 2006, the Index consisted of H-Shares of 38 separate entities. Information relating to the Index and components is available on the Web site for the Stock Exchange of Hong Kong at <http://www.hkex.com.hk>, Hang Seng Indexes at <http://www.hsi.com.hk>, as well as various market data vendors and financial news publications.

Annual Reweighting and Rebalancing of the Index

The Index is published and compiled by HSI Services Limited, a wholly owned subsidiary of Hang Seng Bank.¹⁰ The Index is reviewed twice each year at the same time the HSCI is reviewed. As previously mentioned, H-Share companies joining or leaving the HSCI are automatically included or excluded from the Index. The weightings (freefloat-adjusted market capitalization weightings, described below) for the Index, as well as any associated Cap Factors (described below), are reviewed and announced generally twice each year within the first six weeks of Q1 and Q3 under the supervision of HSI Services Limited. The current weightings, as listed in Appendix A, were updated on August 11, 2006, which resulted in 37 companies being included in the Index.

To ensure that no H-Share company has a weighting exceeding 15%, a Cap Factor (“CF”) is calculated based on market value as of each regular semi-annual review date. A review of the CF is conducted semi-annually to coincide with the regular review of the freefloat-adjusted market capitalization weightings for the Index. For constituents whose weightings do not exceed 15% of the Index, the CF is set at 100% and for those constituents whose weightings exceed 15% of the Index, the CF is set so as to ensure the weighting does not exceed 15% as of the semi-annual review date. Individual constituent weightings may exceed 15% during the periods between the semi-annual reviews. The current CFs for the Index were set as of September 8, 2006, with a CF of 100% for all constituent companies other than PetroChina (CF of 77.66%).

¹⁰ HSI Services Limited is a member of the Hang Seng Bank Group and affiliated with broker dealers. HSI Services Limited has represented to the Exchange that the following exist: (1) appropriate firewalls to ensure independence of operations among different units within the Hang Seng Group; and (2) policies and procedures containing among other things, insider trading prohibitions, designed to prevent conflicts of interest.

A freefloat-adjusted market capitalization weighting with a cap of 15% for the H-Share portion of each constituent company has been adopted for the Index calculation since March 6, 2006. The freefloat adjustment is calculated by excluding the following types of holdings:

- Shares held by strategic shareholder(s) who individually or collectively control more than 30% of the shareholdings (“Strategic Holdings”);
- Shares held by director(s) who individually control more than 5% of the shareholdings (“Directors’ Holdings”);
- Shares held by a Hong Kong-listed company which controls more than 5% of the shareholdings as investments (“Cross-Holdings”); and
- Shares held by shareholder(s) who individually or collectively represent more than 5% of the shareholdings in the company and with a publicly disclosed lock-up arrangement (“Lock-Up Shares”).

The data used for the freefloat adjustment are taken from publicly available sources, including annual reports and Securities Notification History Reports from Hong Kong Exchanges and Clearing Limited.

Index Calculation Disruption Events

From time to time, disruptions can occur in trading on exchanges. The daily calculation of the Index would be adjusted in the event of the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by any relevant exchange or market or otherwise) of, or the unavailability, through a recognized system of public dissemination of transaction information, for a period longer than two hours, or during the one-half hour period preceding the close of trading, on

the applicable exchange or market, of accurate price, volume or related information in respect of:

(1) stocks which then comprise 20% or more of the value of the Hang Seng China Enterprises Index or any successor index;

(2) any options or futures contracts, or any options on such futures contracts relating to the Hang Seng China Enterprises Index or any successor index; or

(3) any options or futures contracts relating to stocks which then comprise 20% or more of the value of the Hang Seng China Enterprises Index or any successor index on any exchange or market, if in each case, any such suspension, limitation, or unavailability is considered to be material by Citigroup Global Markets (each, a “Market Disruption Event”).¹¹

In the case of a temporary disruption in connection with the trading of the H-Shares comprising the Index or a Market Disruption Event, the Exchange believes that it is unnecessary for a filing pursuant to Section 19(b) under the Act to be submitted to the Commission. The Exchange submits that for a temporary disruption of said securities or a Market Disruption Event, the Exchange would typically use the last available price, except that if and to the extent determined by Citigroup Global Markets the value of the Index for that day would be the arithmetic mean of the value of the Index obtained from as many dealers in equity securities, but not exceeding three such dealers (“fair value” pricing). The Exchange represents that, if the use of the last available price or “fair value” pricing for an Index constituent or the Index is more than of a temporary nature, the Exchange will submit

¹¹ Options and futures contracts relating to the Index, the Hang Seng China Enterprises Index, or stocks comprising the Hang Seng Enterprises Index are indicators of the liquidity of said stocks or indexes.

a proposed rule change pursuant to Rule 19b-4 seeking the Commission's approval to continue to trade the Notes. Unless approved for continued trading, the Exchange would commence delisting proceedings.

Exchange Rules Applicable to the Notes

The Notes are cash-settled in U.S. dollars and do not give the holder any right or other ownership interest in the Index or commodities comprising the Index. The Notes are designed for investors who desire to participate in, or gain exposure to, an index composed of H-Shares and are willing to hold the investment to maturity.

The Notes would trade as equity securities subject to Amex equity trading rules including, among others, rules governing priority, parity, and precedence of orders; specialist responsibilities; account opening, and customer suitability requirements. In addition, the Notes would be subject to the equity margin rules of the Exchange.¹² The Exchange would, prior to trading the Notes, distribute a circular to the membership providing guidance with regard to member firm compliance responsibilities (including suitability recommendations) when handling transactions in the Notes and highlighting the special risks and characteristics of the Notes. With respect to suitability recommendations and risks, the Exchange would require members, member organizations, and employees thereof recommending a transaction in the Notes: (1) to determine that such transaction is suitable for the customer; and (2) to have a reasonable basis for believing that the customer can evaluate the special characteristics of, and is able to bear the financial risks of, such transaction. In addition, the Issuer would deliver a prospectus in connection with the initial sales of the Notes.

¹² See Amex Rule 462.

Criteria for Initial and Continued Listing

The Exchange represents that it prohibits the initial and/or continued listing of any security that is not in compliance with Rule 10A-3 under the Securities Act of 1934.¹³ The Exchange also has a general policy that prohibits the distribution of material, non-public information by its employees.

The Exchange represents that it would file a proposed rule change pursuant to Rule 19b-4 under the Act, seeking approval to continue trading the Notes and unless approved, the Exchange would commence delisting the Notes if:

- HSCI substantially changes either the index component selection methodology or the weighting methodology;
- If a new component is added to the Index (or pricing information is used for a new or existing component) that constitutes more than 10% of the weight of the Index with whose principal trading market the Exchange does not have a comprehensive surveillance sharing agreement; or
- If a successor or substitute index is used in connection with the Notes. The filing would address, among other things the listing and trading characteristics of the successor or substitute index and the Exchange's surveillance procedures applicable thereto.

If the Index value does not change during some or all of the period when trading is occurring on the Exchange because of time zone differences or holidays in Hong Kong, then the last official calculated Index value would remain available throughout Exchange trading hours.

¹³ See 17 CFR 240.10A-3(c)(1).

Trading Halts

The Exchange would halt trading in the Notes if the circuit breaker parameters of Exchange Rule 117 have been reached. In exercising its discretion to halt or suspend trading in the Notes, the Exchange may consider factors such as those set forth in Exchange Rule 918C(b), in addition to other factors that may be relevant. In particular, if the Index value is not being disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the Index value occurs. If the interruption to the dissemination of the Index value persists past the trading day in which it occurred, the Exchange would halt trading no later than the beginning of the trading day following the interruption.

The Exchange represents that its surveillance procedures are adequate to properly monitor the trading of the Notes. Amex, has stated that it would rely on its existing surveillance procedures governing index-linked securities. The Exchange currently has in place an Information Sharing Agreement with the Stock Exchange of Hong Kong for the purpose of providing information in connection with trading in or related to the components comprising the Index.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act¹⁴ in general and furthers the objectives of Section 6(b)(5)¹⁵ 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

¹⁴ 15 U.S.C. 78f(b).

¹⁵ 15 U.S.C. 78f(b)(5).

facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change 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

The Exchange did not receive any written comments on the proposed rule change.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

Amex has requested accelerated approval of this proposed rule change, as amended, prior to the 30th day after the date of publication of the notice of the filing thereof, following the conclusion of a 15-day comment period. The Commission has determined that a 15-day comment period is appropriate before taking any action.

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:

Electronic Comments:

- Use the Commission's Internet comment form at <http://www.sec.gov/rules/sro.shtml> or send an e-mail to rule-comments@sec.gov. Please include File No. SR-Amex-2006-90 on the subject line.

Paper Comments:

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

All submissions should refer to File No. SR-Amex-2006-90. 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 at <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, 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 No. SR-Amex-2006-90 and should be submitted on or before [insert date 15 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).