

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53867; File No. SR-Amex-2006-50)

May 25, 2006

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Regarding Options Quote Size Mitigation

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 18, 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 substantially prepared by the Amex. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and to approve 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 extend the operation of the options market data size mitigation pilot program (“Options Size Mitigation” or “Pilot Program”) from March 5, 2006 through March 5, 2007.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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 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. 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Amex is proposing to extend the operation of Options Size Mitigation from March 5, 2006 through March 5, 2007. The Commission approved Options Size Mitigation on a four (4) month pilot basis on November 4, 2005.³ The Pilot Program terminated on March 5, 2006 without extension.

The purpose of the proposal is to continue the effectiveness of the Pilot Program until March 5, 2007. According to the Exchange, continuation of the Pilot Program will benefit the Exchange and the marketplace by helping to enhance the Exchange's ability to process an ever increasing volume of incoming options quotes. The Exchange believes that the continuation of Options Size Mitigation will help to prevent potential data delays and enhance the Exchange's ability to manage market data traffic.

Under Options Size Mitigation, incoming market data is filtered prior to being forwarded to Exchange floor trading systems. When in effect, Options Size Mitigation filters market data by not processing incoming quotes (i.e., away market quotes) with size

³ See Securities Exchange Act Release No. 52741 (November 4, 2005), 70 FR 69369 (November 15, 2005).

changes below a variable percent. However, Amex systems always maintain and display Amex quotations with accurate size regardless of whether Options Size Mitigation is in effect.

The Exchange submits that the initial Options Size Mitigation filtering level was set at 10% and has remained the same since the introduction of the Pilot Program. As set forth in the Approval Order, the Exchange has the ability to increase the filtering level in 10% level increments as warranted. The appropriate filtering level is determined by the head of the Exchange's Floor Operations (or his designee), in conjunction with two (2) Senior Floor Officials.

As was the case in the original Pilot Program, the Exchange believes that Options Size Mitigation offers greater ability and flexibility to manage inbound quote traffic. Given the exponential increase in options quote traffic rates in recent years, the Exchange believes that the continuation of Options Size Mitigation is a necessary tool in connection with the processing of quote traffic.

Based on the Exchange's experience to date, the Amex believes that continuation of the Pilot Program from March 5, 2006 through March 5, 2007 is appropriate.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b) of the Act⁴ in general and furthers the objectives of Section 6(b)(5)⁵ in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

free and open market and a national market system, and, in general, to protect investors and the public interest.

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

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. 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 at <http://www.sec.gov/rules/sro.shtml>; or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-Amex-2006-50 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-2006-50. 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-2006-50 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 Proposed Rule Change.

After careful consideration, the Commission finds that the proposed rule change is consistent with the requirements of the Section 6 of the Act⁶ and the rules and regulations thereunder applicable to a national securities exchange.⁷ In particular, the Commission believes that the proposed rule change is consistent with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities 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

⁶ 15 U.S.C. 78f.

⁷ In approving this proposed rule change, the Commission has considered its impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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.⁸

The Commission believes that the Options Size Mitigation should continue to enhance the Amex's ability to process an increasing volume of incoming options quotes during high option quote volume periods and peaks. The Commission notes that Options Size Mitigation operated on a pilot basis for four months and the Amex believes it is functioning as intended.

The Amex has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice thereof in the Federal Register. The Commission believes that granting accelerated approval of the proposal will allow the Amex to continue to operate the Options Size Mitigation program without interruption and thus, should facilitate the processing of incoming options quotes. The Commission notes that no comments were received in connection with the approval of the temporary Pilot Program and no comments have been received during the operation of the temporary Pilot Program. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,⁹ for approving the proposed rule change prior to the thirtieth day after publication of the notice thereof in the Federal Register.

⁸ 15 U.S.C. 78f(b)(5).

⁹ 15 U.S.C. 78s(b)(2).

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change, as amended (SR-Amex-2006-50), is hereby approved on an accelerated basis for a period to expire on March 5, 2007.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Nancy M. Morris
Secretary

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).