

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55368; File No. SR-Amex-2007-26)

February 28, 2007

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Revise the AEMI and AEMI-One Rules Relating to the Publishing of Manual Quotations and Re-Enabling Auto-Ex

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 February 27, 2007, 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, II, and III below, which Items have been substantially prepared by the Exchange. Amex has filed this proposal pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(5) thereunder,⁴ which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to adopt changes to its AEMI and AEMI-One rules to address a situation that the Exchange has encountered in publishing its manual, non-firm quote following a tolerance breach that disables the Exchange’s automatic execution functionality (“auto-ex”). Under certain circumstances, displaying the price of the national best bid (“NBB”) or national best offer (“NBO”) (as the case may be) as part of such a non-firm quote (as provided in the current AEMI and AEMI-One rules) may result in the Exchange publishing a locked or crossed

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(5).

quotation. To avoid this situation, the Exchange is proposing to amend Rules 128A–AEMI-One(g) and 128A–AEMI(g) to provide instead for using the price of the best bid, offer, or order (as the case may be) in AEMI, rather than the NBB or NBO, under these circumstances. Related changes to Rules 123–AEMI-One(h) and 123–AEMI(h) would clarify that all such non-firm quotes disseminated through the AEMI platform are indicative only. In addition, the Exchange is proposing the addition of a phrase to each of Rules 128A–AEMI-One(g) and 128A–AEMI(g) to clarify that the obligation of the Specialist is to “attempt to” pair off the remainder of an aggressing order that results in a locked or crossed AEMI Book to re-enable auto-ex prior to the expiration of a ten-second time period. The Exchange also is proposing an unrelated change to the text of Rules 1A–AEMI-One(b) and 1A–AEMI(b) to clarify the applicability of cross-references in the Exchange’s rules to a legacy rule that is no longer applicable due to having been superseded by a corresponding AEMI or AEMI-One rule.

The text of the proposed rule change is available on the Amex’s Web site at <http://www.amex.com>, at the Exchange’s principal office, 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 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 IV 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

The Exchange has recently adopted two sets of rules in connection with the operation of its new hybrid market trading platform for equity products and exchange-traded funds, designated as AEMISM (the “Auction and Electronic Market Integration” platform). The initial version of AEMI is referred to as “AEMI-One” and is currently operational on a pilot basis⁵ through the day prior to the final date set by the Commission for full operation of all automated trading centers that intend to qualify their quotations for trade-through protection under Rule 611⁶ of Regulation NMS (the latter date being referred to as the “Trading Phase Date”).⁷ On the Trading Phase Date, the regular AEMI rules will become effective⁸ and the AEMI-One rules will cease to be operative. The Exchange proposes to adopt the following change to the AEMI platform and to reflect that change in both the currently effective AEMI-One rule and the corresponding AEMI rule that will become effective on the Trading Phase Date.

⁵ See Securities Exchange Act Release No. 54709 (November 3, 2006), 71 FR 65847 (November 9, 2006) (SR-Amex-2006-72) (Order Approving a Proposed Rule Change and Amendment No 1 Thereto, and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 3, to Adopt New Rules to Implement on a Pilot Basis an Initial Version of AEMI, Its Proposed New Hybrid Market Trading Platform for Equity Products and Exchange Traded Funds).

⁶ 17 CFR 242.611. The Order Protection Rule requires trading centers to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution of trades at prices inferior to protected quotations displayed by other trading centers, subject to certain exceptions.

⁷ The Trading Phase Date is currently established as March 5, 2007.

⁸ See Securities Exchange Act Release No. 54552 (September 29, 2006), 71 FR 59546 (October 10, 2006) (SR-Amex-2005-104) (Order Approving a Proposed Rule Change and Amendments No. 1, 2, 3, 4, and 5 Thereto, and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 6, to Establish a New Hybrid Trading System Known as AEMI).

In the event that auto-ex is disabled through the breach of the Spread Tolerance or Momentum Tolerance or a gap trade (each a “Tolerance”), as provided in Exchange Rules 128A–AEMI-One(f) and 128A–AEMI(f), Exchange Rules 128A–AEMI-One(g) and 128A–AEMI(g) currently provide that the Amex Published Quote (“APQ”) will display a price on the same side corresponding to the aggressing order that is equal to the price of the NBB or NBO (as the case may be), with the contra side of the quote reflecting the best bid, offer, or order in AEMI (both sides being non-firm). Under certain circumstances, however, displaying the NBB or NBO as part of such a non-firm quote may result in the Exchange publishing a locked or crossed quotation. The problem is illustrated by the following hypothetical example.

Assume that the NBB is 10.50 and the NBO is 10.00 (a crossed market). Further assume that the APQ is 9.80 x 10.00 and that an aggressing buy order takes out Amex offers on the AEMI Book and breaches a Tolerance at 10.25 (disabling auto-ex). The next offer in AEMI is 10.30. Under the current AEMI-One and AEMI rules, Amex’s manual non-firm quote displayed by the AEMI platform would then be 10.50 x 10.30 (a crossed APQ).

To avoid the foregoing situation, the Exchange is proposing to amend Rules 128A–AEMI-One(g) and 128A–AEMI(g) to provide instead for using the price of the best bid, offer, or order (as the case may be) in AEMI, rather than the NBB or NBO, under these circumstances. Under the language of the proposed amendment, the Exchange’s manual, non-firm quote in the foregoing example would be 9.80 x 10.30. The proposed amendment also contains language providing that the size of the non-firm quote on the same side as the aggressing order would be equal to the remainder of the aggressing order. The proposed amendment further clarifies that the aggressing order itself would not be considered as the best bid, offer, or order in AEMI in the situation where the price of the NBB or NBO is not used as part of the non-firm APQ on the side

of the aggressing order. Related changes to Rules 123–AEMI-One(h) and 123–AEMI(h) would clarify that all such non-firm quotes disseminated through the AEMI platform are indicative only.

In addition, the Exchange is proposing the addition of a phrase to each of Rules 128A–AEMI-One(g) and 128A–AEMI(g) to clarify that the obligation of the Specialist is to “attempt to” pair off the remainder of an aggressing order that results in a locked or crossed AEMI Book to re-enable auto-ex prior to the expiration of a ten-second time period. This proposed change is consistent with the extensive discussion in the same rule sections regarding what to do if auto-ex is not re-enabled within ten seconds, and it avoids the implication that the Specialist has committed an enforceable rule violation if conditions are such that the Specialist is unable to complete the pair-off to re-enable auto-ex within the ten -second period.

The Exchange also is proposing an unrelated change to the text of Rules 1A–AEMI-One(b) and 1A–AEMI(b) to clarify the applicability of cross-references in the Exchange’s rules to a legacy rule that is no longer applicable due to having been superseded by a corresponding AEMI or AEMI-One rule. Under the proposed change, any reference to such an inapplicable legacy rule shall be deemed to be a reference to the corresponding AEMI or AEMI-One rule, as the case may be.

The Exchange asserts that the proposal to effect the foregoing changes to the AEMI trading system does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and does not have the effect of limiting the access to or availability of the system.

2. Statutory Basis

The proposed rule change is designed to be consistent with Regulation NMS as well as consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Section 6(b)(5),¹⁰ 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 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 will impose no 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

Because the proposed rule change does not: (1) significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) have the effect of limiting the access to or availability of an existing order entry or trading system of the Exchange, the foregoing rule change has become effective immediately pursuant to Section 19(b)(3)(A)(iii) of the Act¹¹ and Rule 19b-4(f)(5) thereunder.¹² At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

¹¹ 15 U.S.C. 78s(b)(3)(A)(iii).

¹² 17 CFR 240.19b-4(f)(5).

appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in the furtherance of the purposes of the Act.

IV. 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-2007-26 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-2007-26. 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 No. SR-Amex-2007-26 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.¹³

Florence E. Harmon
Deputy Secretary

¹³ 17 CFR 200.30-3(a)(12).