

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-50698; File No. SR-Amex-2004-66)

November 18, 2004

Self-Regulatory Organizations; Order Approving Proposed Rule Change and Amendment No. 1 Thereto by the American Stock Exchange LLC Relating to Allocation Procedures for Relisted Options

On August 10, 2004, the American Stock Exchange LLC (“Amex” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend Amex Rule 27, which would allow automatic allocation of relisted options to their previously assigned specialists upon satisfaction of certain conditions. On September 24, 2004, Amex filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The proposed rule change, as amended, was published for comment in the Federal Register on October 15, 2004.<sup>4</sup> The Commission received no comments regarding the proposal.

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>5</sup> In particular, the Commission finds that the proposed rule change, as amended, is consistent with Section 6(b)(5) of the Act,<sup>6</sup> which requires that the rules of the an exchange be designed to promote just and equitable principles of trade, to remove impediments

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See letter from William Floyd-Jones, Associate General Counsel, Amex, to Nancy J. Sanow, Assistant Director, Division of Market Regulation, Commission, dated September 23, 2004 (“Amendment No. 1”).

<sup>4</sup> See Securities Exchange Act Release No. 50498 (October 6, 2004), 69 FR 61274.

<sup>5</sup> In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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

The Commission believes that automatic allocation of relisted options to their previously assigned specialists may provide specialists with an incentive to delist inactive options. As a result, the Commission further believes that this proposed rule change, as amended, could reduce quote traffic in options market. The Commission has previously noted that proposals that may mitigate quote traffic should benefit investors and other participants in the options markets.<sup>7</sup> The Commission also notes that the proposed rule change, as amended, would not permit automatic allocation in all instances. Specifically, automatic allocation would not occur when a specialist is subject an allocation prohibition, the Exchange relists an option more than one year after delisting, or a specialist declines the allocation. In any of these cases, the option would be allocated pursuant to the Exchange's regular options allocation procedure.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>8</sup> that the proposed rule change (SR-Amex-2004-66), as amended, be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>9</sup>

J. Lynn Taylor  
Assistant Secretary

---

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> See Securities Exchange Act Release No. 42764 (May 8, 2000), 65 FR 31037 (May 15, 2000) (approving File No. SR-Phlx-2000-06).

<sup>8</sup> 15 U.S.C. 78s(b)(2).

<sup>9</sup> 17 CFR 200.30-3(a)(12).