

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54109; File No. SR-Amex-2006-27)

July 6, 2006

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing of Proposed Rule Change and Amendments No. 1 and 2 Thereto Relating to Interim Members

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 March 23, 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, II, and III below, which Items have been prepared by Amex. On June 15, 2006, Amex filed Amendment No. 1 to the proposed rule change.³ On June 27, 2006, Amex filed 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

Amex proposes to amend Amex Rule 353 to limit members and member organizations from allocating their seats to interim members on the Floor of the Exchange for a maximum of fifteen aggregate days that may be used consecutively or non-consecutively for a one-year period beginning on the date of approval as an interim member (“approval date”). In addition,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 replaced the original filing in its entirety.

⁴ Amendment No. 2 clarifies that an interim member may be designated or redesignated by a member or member organization as an interim member after it has exhausted the fifteen day allocation even if this occurs prior to the end of the one-year period. Amendment No. 2 also makes technical corrections to the purpose section and the rule text in Exhibit 5.

the Exchange is proposing revisions to the Amex Constitution and the Amex Fee Schedule to correspond with the changes to Amex Rule 353.

The text of the proposed rule change is available on Amex's Web site at <http://www.amex.com>, at Amex'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 Statutory Basis for, the Proposed Rule Change

1. Purpose

An interim member is an individual, pre-qualified by the Exchange, who is designated by a member or member organization to temporarily use the membership for a specified period of time when the member is absent from the Trading Floor.⁵ Currently, Amex Rule 353 permits unfettered temporary allocation of a membership to an interim member so long as the duration is no less than one day and no more than one year. The proposed amendment to Amex Rule 353 significantly reduces the maximum number of days an interim member can receive such designation. The new maximum would be reduced to fifteen days that may be used by each

⁵ Article IV, Section 3(e) of the Amex Constitution explicitly states that the designation of an interim member is "subject to and in accordance with such rules as may be adopted from time to time by the Board of Governors." Amex Rule 353 more specifically sets forth the requirements, rights and limitations of interim members.

interim member consecutively or non-consecutively for a one-year period beginning on the approval date.

If an interim member has exhausted the fifteen day period, even if this occurs prior to end of the one-year period, the member or member organization may regain interim membership status by designating another interim member, or redesignating the same interim member to the seat by filing documents required by the Membership Services Department and paying the maintenance fee in accordance with Article VII, Section 1(g) of the Amex Constitution. The Exchange believes that allowing unlimited allocation to interim members lessens the value of memberships by increasing the number of unleased seats. By permitting the designation of interim members, the Exchange is essentially permitting individuals who do not own or lease seats to operate as members. This circumvention of seat leasing and ownership may artificially lessen the value of a membership by decreasing its demand. However, the Exchange also believes that the Interim Member program has served a useful function on the Floor. Specifically, it provides members with protection should illnesses or emergencies arise and also provides coverage when vacation is taken. The Exchange believes that the proposed amendment to Amex Rule 353 effectively balances concerns over having adequate emergency coverage on the Floor versus concerns over the devaluation of memberships.

Article IV, Section 3(e) and Article VII, Section 1(g) of the Amex Constitution specify the fees associated with the Interim Member program. The proposed amendments would eliminate the \$250 allocation fee and all references thereto.

Article IV, Section 1(f) and Article VII, Section 1(c) of the Amex Constitution reference the initiation fee associated with the transfer of a membership pursuant to a special transfer

agreement.⁶ The proposed amendment would permit this fee to be waived by rule, which will permit Amex to offer financial incentives to those interim members who wish to subsequently lease a seat.

The Member Fee Schedule sets forth the fees that Amex charges its members. The changes thereto will correspond with the amendments proposed to the Interim Member program.

The Exchange believes that if the proposed rule change was implemented at the start of 2005, approximately half of the 21 interim members would have exhausted their fifteen aggregate days by the beginning of November. Upon approval of these amendments by the Commission, the fifteen days will begin to deplete for all interim members currently on seats for the duration of the year for which they are qualified for interim membership, as well as each time an interim member is approved to the program.

The Exchange acknowledges that some members will incur additional expense as a result of the proposed restrictions to the Interim Member program. The proposed amendments to the Amex Constitution and Rules and the Member Fee Schedule are meant to provide economic relief to these members. Currently, the \$250 allocation fee is a flat fee that the Exchange charges each time an interim member is designated to a seat. The elimination of the \$250 allocation fee will permit members to effectively use the fifteen days for emergencies, illness, and vacations. Specifically, the elimination of the allocation fee will facilitate members who designate interim members on a non-consecutive basis. The \$1,500 initiation fee is charged whenever a member enters into a special transfer agreement. The waiving of this initiation fee for those who wish to lease a seat immediately following their allotted time as an interim member will provide relief to

⁶ A special transfer agreement is an agreement between the owner of a regular or options principal membership and an individual who is authorized to use the membership for a specified period of time or until the occurrence of a specified event.

members who encounter serious emergencies, as well as offer a financial incentive for interim members to enter into special transfer agreements. No change is proposed for the \$1,500 maintenance fee that members pay when an interim member is pre-qualified by the Exchange.

Finally, the Exchange proposes to clarify in Amex Rule 353 and Article IV, Section 3(e) of the Amex Constitution that an interim member will become effective upon submission of the appropriate form to and approval by the Membership Services Department.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,⁷ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁸ in particular, in that it is designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged 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. In addition, the Exchange further believes that the proposed rule change is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Section 6(b)(4) of the Act,¹⁰ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members, issuers and other persons using its facilities.

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

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(5).

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(4).

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

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 Exchange 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.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the amended 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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-Amex-2006-27 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-2006-27. 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-2006-27 and should be submitted on or before [insert date 21 days from the date of publication in the Federal Register].

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

Nancy M. Morris
Secretary

¹¹ 17 CFR 200.30-3(a)(12).