

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-54310; File No. SR-Amex-2006-71)

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change Relating to Floor Broker HandHeld Terminals

August 11, 2006

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> notice is hereby given that on August 2, 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 Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons and is approving 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 adopt Commentary .02 to Amex Rule 935—ANTE to clarify that floor brokers, when interacting with orders and quotes in the ANTE System, are required to use their handheld terminals.

The text of the proposed rule change is available on the Exchange’s Web site at (<http://www.amex.com>), at the principal office of the Exchange, and at the Commission’s Public Reference Room. The text of the proposed rule change is set forth below. Proposed new language is underlined.

---

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

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

Rule 935—ANTE. Allocation of Executed Contracts

(a) - (b) No Change.

Commentary

.01 No Change

.02 Floor brokers when interacting with orders and quotes in the ANTE system are required to use their handheld terminals.

\* \* \* \* \*

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 Exchange included statements concerning the purpose of, and basis for, 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 Exchange proposes to add new Commentary .02 to Amex Rule 935—ANTE to clarify that Exchange floor brokers are required to use their handheld terminals when interacting with orders and quotes in accessing the Exchange’s electronic options marketplace or “ANTE.” The market depth at the Exchange in ANTE and the trading crowd may differ, due to the differences inherent in an automatic execution system and an auction market. With the recent approval and near-term implementation of a remote market maker program (i.e., Remote Registered Options Traders (“RROT”) and Supplemental Registered Options Traders

(“SROTs”),<sup>3</sup> as well as the “hybrid” market structure for options at the Exchange, a floor broker may receive different execution sizes based on whether the order is routed electronically or walked into the trading crowd. As a result, the Exchange believes that in order to maintain a fair and orderly market, a floor broker who desires to access the ANTE system should be required to use his or her handheld terminal.

In today’s options marketplace, orders are increasingly routed to and executed on the Amex and the other options exchanges electronically. At the Exchange, the ANTE system provides for the automatic matching and execution of market and marketable limit orders within eligible size limit parameters (i.e., the “auto-match size”). The auto-match size is the maximum order size that can be automatically matched with orders on the book or the disseminated quote. Orders for less than the auto-match size are automatically matched at the disseminated price up to the disseminated size. The ANTE system then allocates the executed contracts among the participants to the trade, pursuant to the algorithm set forth in Amex Rule 935—ANTE.

Floor brokers, in order to receive an ANTE allocation for transactions in ANTE, are required to use their handheld terminals so that the order trades against the ANTE Central Book. Floor brokers that execute orders in the trading crowd are accordingly outside the ANTE system. Therefore, the ANTE or electronic marketplace and the trading crowd may have different depth of market at any particular point in time. The Exchange believes that this is the nature of the “hybrid” market model that currently exists. As a result, a floor broker who desires to access the depth of market available in ANTE by interacting with orders and quotes, must submit his or her order through the handheld terminal. Working an order in the trading crowd does not access the depth of market that may exist in the ANTE system. In addition, the introduction of RROTs and

---

<sup>3</sup> See Securities Exchange Act Release Nos. 53652 (April 13, 2006), 71 FR 20422 (April 20, 2006) and 53635 (April 12, 2006), 71 FR 20144 (April 19, 2006).

SROTs further necessitates direct floor broker access to the ANTE market, since the specialist is unable to match a trade in the trading crowd with an RROT or SROT quote. Therefore, the Exchange proposes to adopt Commentary .02 to Amex Rule 935—ANTE to clarify that a floor broker accessing the electronic marketplace available through ANTE by interacting with orders and quotes must submit such order(s) via his or her handheld terminal.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>4</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>5</sup> 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 mechanisms 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 Exchanges believes that 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:

---

<sup>4</sup> 15 U.S.C. 78f(b).

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

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](mailto:rule-comments@sec.gov). Please include File Number SR-Amex-2006-71 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-2006-71. 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 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-2006-71 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

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>6</sup> In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>7</sup> which requires that an exchange have rules designed, among other things, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanisms of a free and open market and a national market system, and, in general, to protect investors and the public interest. The Commission believes that the proposal should help to promote just and equitable principles of trade and remove impediments to and perfect the mechanisms of a free and open market by clarifying current requirements for floor broker access to the liquidity on ANTE, the Exchange's electronic options marketplace.

The Commission finds good cause for approving this proposed rule change before the thirtieth day after the publication of notice thereof in the Federal Register pursuant to Section 19(b)(2) of the Act.<sup>8</sup> The proposal does not raise any new or novel regulatory issues and merely codifies a current requirement for floor broker access to ANTE.

---

<sup>6</sup> In approving this rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

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

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>9</sup> that the proposed rule change (SR-Amex-2006-71) is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

Nancy M. Morris  
Secretary

---

<sup>9</sup> 15 U.S.C. 78s(b)(2).

<sup>10</sup> 17 CFR 200.30-3(a)(12).