

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54995; File No. SR-Amex-2006-77)

December 21, 2006

Self-Regulatory Organizations; American Stock Exchange, LLC; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto to Amend Rules 918 and 918—Ante Regarding Trading Rotations, Halts and Suspensions

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 August 16, 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 substantially prepared by the Exchange. On December 5, 2006, Amex filed Amendment No. 1 to the proposed rule change.³ 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

The Exchange proposes to amend Amex Rules 918 and 918—ANTE regarding trading rotations, halts and suspensions. The text of the proposed rule change is available on Amex's Web site (<http://www.amex.com>), at Amex's Office of the Secretary, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, Amex made clarifying changes to the purpose section and made technical changes to the proposed rule text.

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

The Exchange proposes to eliminate reference to “primary market” set forth in Amex Rules 918(a) and 918—ANTE(a) and to amend the reference to “primary market” in Amex Rules 918(b) and 918—ANTE(b).

The Exchange proposes to amend Amex Rules 918(a) and 918—ANTE(a) to delete the requirement that the opening of the trading rotation is dependent on the opening of the underlying security in the primary market. Currently, Amex Rules 918 and 918—ANTE(a) provide that a trading rotation shall be employed at the opening of each business day following the opening of the underlying security in the primary market. “Primary market” is defined in Amex Rules 900(b)(26) and 900—ANTE(b)(26) as (i) the principal exchange market in which the underlying security is traded so long as the underlying is principally traded on a national securities exchange, and (ii) the market reflected by the National Association of Securities Dealers Automated Quotation System (the “NASDAQ”) if it is equity securities principally traded over-the-counter, or the market reflected by any widely recognized quotation dissemination system if it is any other type of security.

As a result of the trading of underlying securities on multiple trading venues or markets (largely due to the introduction of Electronic Communication Networks or

“ECNs”), it has become increasingly difficult to determine, for purposes of Amex Rules 918(a) and 918—ANTE(a), which marketplace is the “primary market.” As an example, the Options Clearing Corporation (“OCC”) in connection with its methodology for obtaining underlying security prices at expiration changed to composite pricing.⁴ As a result of the number of securities exchanges and ECNs trading a particular underlying security, the Exchange submits that the analysis for determining the primary market has become overly burdensome and uncertain, subjecting Exchange staff to instances of “second guessing” due to the varying degrees of interpretation. Accordingly, for market certainty, the Exchange submits that trading in an option should start once the underlying security has opened for trading regardless of the particular market.

Amex Rules 918(b) and 918—ANTE(b) provide that trading on any Exchange option contract may be halted or suspended whenever the Exchange deems such action appropriate. Included in these rules is a list of factors that the Exchange may use to determine if a trading halt or suspension is warranted. Pursuant to Amex Rules 918(b)(1) and 918—ANTE(b)(1), the Exchange may consider to halt or suspend trading in an option contract if the underlying security has been halted or suspended in the primary market. Similarly, the Exchange may also consider, pursuant to Amex Rules 918(b)(2) and 918—ANTE(b)(2), halting or suspending trading in an option contract if the opening of such underlying stock in the primary market has been delayed due to unusual circumstances.

⁴ A “composite” security price is defined as the last reported sale price from any primary listing market (i.e., Amex, NYSE and Nasdaq), participating regional exchanges or other markets. See OCC Memo to Members #18930 (May 29, 2003) and Securities Exchange Act Release No. 49045 (January 8, 2004), 69 FR 2377 (January 15, 2004).

As set forth above, the Exchange submits that the use of the term “primary market” is ambiguous and subject to varying degrees of interpretation. However, unlike openings, trading halts and suspensions should not directly correspond to a halt or suspension in the underlying in any market because such standard is too low for halting or suspending trading in an option. Accordingly, the Exchange proposes to implement trading halts and suspensions in any options contract if, with respect to Amex Rules 918(b)(1) and 918—ANTE(b)(1), the underlying security is subject to a trading halt or suspension across several markets or in the primary listed market. Similarly, a trading halt or suspension may also be implemented, with respect to Amex Rules 918(b)(2) and 918—ANTE(b)(2), if the opening of such underlying stock across several markets or in the primary listed market has been delayed due to unusual circumstances.

The Exchange proposes to eliminate reference to “primary market” set forth in Amex Rule 918(a) and Rule 918—ANTE(a) and to amend the reference to “primary market” in Amex Rule 918(b) and Rule 918—ANTE(b). In addition, the Exchange also proposes to make clarifying changes to these rules so that trading rotations, halts and suspensions apply to any options on a stock, exchange traded fund and trust issued receipt. In Amendment No. 1, the Exchange noted that adding references to “exchange traded fund and trust issued receipt” to the proposed rule text is intended to codify an existing practice on the Exchange.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act⁵ in general and furthers the objectives of Section 6(b)(5)⁶ in particular in that it

⁵ 15 U.S.C. 78f(b).

is 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 in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and 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 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. 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 Amex consents, the Commission will:

- (A) by order approve such proposed rule change, as amended, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

⁶ 15 U.S.C. 78f(b)(5).

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 (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Amex 2006-77 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 Number SR-Amex 2006-77. 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 the 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 Number SR-Amex 2006-77 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.⁷

Florence E. Harmon
Deputy Secretary

⁷ 17 CFR 200.30-3(a)(12).