

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55272; File No. SR-Amex-2006-77)

February 12, 2007

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

I. Introduction

On August 16, 2006, the American Stock Exchange LLC (“Amex” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change to amend Amex Rules 918 and 918—ANTE relating to trading rotations and trading halts. On December 5, 2006, Amex filed Amendment No. 1 to the proposed rule change. The proposed rule change, as modified by Amendment No. 1, was published for comment in the Federal Register on December 29, 2006.<sup>1</sup> The Commission received no comments regarding the proposal. This order approves the proposed rule change as modified by Amendment No. 1.

II. Discussion and Commission Findings

The Exchange proposes to amend Amex Rules 918 and 918—ANTE relating to trading rotations and trading halts. Specifically, Amex Rules 918(a) and 918—ANTE(a) currently 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. 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

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<sup>1</sup> See Securities Exchange Act Release No. 54995 (December 21, 2006), 71 FR 78474.

determine if a trading halt or suspension is warranted. Pursuant to Amex Rules 918(b)(1) and 918—ANTE(b)(1), the Exchange may 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.

“Primary market” is defined in Amex Rules 900(b)(26) and 900—ANTE(b)(26) as (i) with respect to an underlying equity security which is principally traded on a national securities exchange, the principal exchange market in which the underlying security is traded, (ii) with respect to an underlying equity security which is principally traded in the over-the-counter market, the market reflected by Nasdaq<sup>2</sup>, and (iii) with respect to any other type of security, the market reflected by any widely recognized quotation dissemination system.

The Exchange proposes to amend Amex Rules 918(a)(1) and Amex Rule 918 —Ante(a)(1) to permit the opening rotation to begin once the underlying security has opened for trading in any market. In addition, Amex proposes to amend Amex Rule 918—Ante Commentary .01(d) to provide that the automated opening rotation shall begin once the opening trade or quote is disseminated by any market. Amex proposes to amend Amex Rules 918(b)(1) and 918—ANTE(b)(1) to implement trading halts and suspensions in any options contract if the underlying security is subject to a trading halt or suspension across several markets or in the primary listed market. Amex also proposes to amend

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<sup>2</sup> The Commission notes that Nasdaq currently operates as a national securities exchange with respect to Nasdaq-listed securities and as a facility of the NASD with respect to non-Nasdaq exchange listed securities.

Amex Rules 918(b)(2) and 918—ANTE(b)(2) to institute trading halts and suspensions in any options contract if there is a delay in the opening of the underlying security across several markets or in the primary listed market because of unusual circumstances.

Additionally, the Exchange proposes to amend Amex Rules 918 Commentary .01(c) and 918—ANTE Commentary .01(g) to permit the closing rotation to begin once the final price for the underlying security is established in the trading markets and/or the primary listed market. Finally, the Exchange proposes to make clarifying changes to Amex Rules 918 and 918—ANTE to clarify that trading rotations, halts and suspensions apply to any options on a stock, exchange traded fund and trust issued receipt.

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 and, in particular, the requirements of Section 6(b)(5) of the Act,<sup>3</sup> which requires, among other things, Amex's rules be 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, to remove impediments to and perfect the mechanism of a free and open market and a national market system.<sup>4</sup>

Amex represented that the analysis of which market is the "primary market" for purposes of trading rotations and halts has become burdensome and uncertain due to trading of underlying securities in multiple markets. The Commission believes that the

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<sup>3</sup> 15 U.S.C. 78f(b)(5).

<sup>4</sup> In approving this proposed 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).

proposed rule change will provide Amex with flexibility to determine when to permit opening and closing rotations to begin by removing the requirement that it analyze which market is the primary market. As proposed, Amex may institute opening and closing rotations based on any market trading the underlying security. With regard to trading halts, however, Amex proposes to halt trading if multiple underlying markets have halted trading or if the primary listed market halted trading. The Commission believes that this standard is sufficient to establish when Amex should halt trading in its option contracts.

III. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>5</sup> that the proposed rule change (SR-Amex-2006-77), as modified by Amendment No. 1, be and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>6</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>5</sup> 15 U.S.C. 78s(b)(2).

<sup>6</sup> 17 CFR 200.30-3(a)(12).