

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55277; File No. SR-Amex-2007-19)

February 12, 2007

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Revise the AEMI Rules to Conform to Changes Previously Made to the AEMI-One Rules for the Pilot

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 February 9, 2007, 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. Amex has filed this proposal pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(5) thereunder,⁴ which renders it effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to adopt changes to its AEMI rules to match several changes that have already been approved and implemented as part of the Exchange’s AEMI-One rules. The proposed changes would: (i) eliminate the order types “buy minus” and “sell plus”; (ii) revise the descriptions of “stop order” and “stop limit order” to provide that “too marketable” stop and stop limit orders for exchange-traded funds (“ETFs”) will be executed, not rejected; (iii) codify the Exchange’s interpretation that a Specialist will not be deemed to be “trading ahead” of a

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(5).

percentage order if an aggressing order that executes against the Specialist's quote automatically elects the percentage order but the percentage order is not executed by that aggressing order due to insufficient remaining interest; (iv) revise the definition of "specialist emergency quote" to provide for an Exchange-wide upper limit on the number of such quotes that can be sequentially generated; (v) revise the definition of "stabilizing quote" to provide that such a quote may be issued when orders or quotes on the AEMI Book are exhausted and that auto-ex would be disabled after such a quote is generated so that the Specialist may step in to re-quote the market; (vi) revise two rules (including the definition of "intermarket sweep order") to provide, as required by Regulation NMS, that members who choose to send intermarket sweep orders to the Exchange will be obligated to protect the same quotations of other market centers that the Exchange is obligated to protect; and (vii) correct two internal references in Rule 205-AEMI and add a new subparagraph to provide for the execution of an unexecuted odd-lot balance on an aggressing order that is the result of an unexecuted odd-lot balance on an intermarket sweep order that was routed to another market by the AEMI platform to access a better-priced protected quotation.

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

1. Purpose

The Exchange has recently adopted two sets of rules in connection with the operation of its new hybrid market trading platform for equity products and ETFs, designated as AEMISM (the “Auction and Electronic Market Integration” platform). The initial version of AEMI is referred to as “AEMI-One” and is currently operational on a pilot basis⁵ through the day prior to the final date set by the Commission for full operation of all automated trading centers that intend to qualify their quotations for trade-through protection under Rule 611⁶ of Regulation NMS (the latter date being referred to as the “Trading Phase Date”).⁷ On the Trading Phase Date, the regular AEMI rules will become effective⁸ and the AEMI-One rules will cease to be operative. In the final amendment to the AEMI-One rules just prior to their approval by the Commission, the Exchange made several changes that are now reflected in those AEMI-One rules. In

⁵ See Securities Exchange Act Release No. 54709 (November 3, 2006), 71 FR 65847 (November 9, 2006) (SR-Amex-2006-72) (Order Approving a Proposed Rule Change and Amendment No 1 Thereto, and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 3, to Adopt New Rules to Implement on a Pilot Basis an Initial Version of AEMI, Its Proposed New Hybrid Market Trading Platform for Equity Products and Exchange Traded Funds).

⁶ 17 CFR 242.611. The Order Protection Rule requires trading centers to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution of trades at prices inferior to protected quotations displayed by other trading centers, subject to certain exceptions.

⁷ The Trading Phase Date is currently established as March 5, 2007.

⁸ See Securities Exchange Act Release No. 54552 (September 29, 2006), 71 FR 59546 (October 10, 2006) (SR-Amex-2005-104) (Order Approving a Proposed Rule Change and Amendments No. 1, 2, 3, 4, and 5 Thereto, and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 6, to Establish a New Hybrid Trading System Known as AEMI).

addition, the Exchange subsequently filed with the Commission a proposed change to the AEMI-One rule on odd-lot order execution that was immediately effective on filing and that provides for the execution of an unexecuted odd-lot balance on an aggressing order that is the result of an unexecuted odd-lot balance on an order that was routed to another market by the AEMI platform to access a better-priced protected quotation.⁹ The purpose of this filing is simply to make conforming changes to the regular AEMI rules so that they match the corresponding AEMI-One rules that have been approved by the Commission and that are currently effective.

Elimination of “Buy Minus” and “Sell Plus” Order Types

The Exchange proposes to remove the order types “buy minus” and “sell plus” from Rule 131–AEMI(n) (and all references thereto in the AEMI rules) due to lack of demand for these order types and the complexity of the coding that would be involved to incorporate them into the AEMI platform.

Execution of “Too Marketable” Stop and Stop Limit Orders for ETFs

The Exchange proposes to revise the descriptions of “stop order” in Rule 131–AEMI(o) and “stop limit order” in Rule 131–AEMI(p) to provide that “too marketable” stop and stop limit orders for ETFs will be executed, not rejected.

Codification of Exchange Interpretation Regarding “Trading Ahead” of a Percentage Order

The Exchange proposes to codify as Commentary .01 to Rule 154–AEMI its interpretation, based on several of the AEMI rules, that a Specialist will not be deemed to be “trading ahead” of a percentage order (of which he is the agent) if (i) an aggressing order that executes against the Specialist’s quote automatically “elects” the percentage order (making it

⁹ See Securities Exchange Act Release No. 54866 (December 4, 2006), 71 FR 71598 (December 11, 2006) (SR-Amex-2006-111) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Odd-Lot Rejections by Away Markets in the AEMI-One Pilot).

eligible for immediate execution) and (ii) the percentage order is not executed by that aggressing order due to insufficient remaining interest and therefore reverts back to unelected status.

Additionally, the proposed Commentary will provide that any subsequent trade by the Specialist for his own account at the limit price of the percentage order will not constitute “trading ahead” if the percentage order has not been otherwise re-elected at that time.

Revised Definitions of “Specialist Emergency Quote” and “Stabilizing Quote”

The Exchange proposes to revise the definition of “specialist emergency quote” in Rule 1A–AEMI to provide for an exchange-wide upper limit (not to exceed ten) on the number of specialist emergency quotes that may be sequentially generated. A change in the definition of “stabilizing quote” is also proposed to provide that a stabilizing quote may be issued when orders or quotes on the AEMI Book are exhausted, and that auto-ex would be disabled after the stabilizing quote is generated so that the Specialist may step in to re-quote the market.

Obligation of Members to Protected Quotations at Other Market Centers

The Exchange proposes to add language to the definition of an “intermarket sweep order” in Rule 131–AEMI(k) to provide, as required by Regulation NMS, that members who choose to send such orders to the Exchange will be obligated to protect the same quotations of other market centers that the Exchange is obligated to protect. Specifically, a member may submit an intermarket sweep order to the Exchange only if the member simultaneously sends an intermarket sweep order for the full displayed size of every other better-priced protected quotation displayed by other trading centers. The same requirement is being added to Rule 126A–AEMI (Protected Bids and Offers of Away Markets).

Revisions to Odd-Lot Order Execution Rule

The Exchange proposes to correct two internal rule references in Rule 205–AEMI so that they refer to the appropriate AEMI rules. In addition, the Exchange proposes to add a new subparagraph (b)(viii) to provide for the execution of an unexecuted odd-lot balance on an aggressing order that is the result of an unexecuted odd-lot balance on an intermarket sweep order that was routed to another market by the AEMI platform to access a better-priced protected quotation. Specifically, if a partial-lot trade is received from an away market in response to an intermarket sweep order sent by AEMI, resulting in an unexecuted balance which comprises an odd lot, then any unexecuted odd-lot balance on the aggressing order (including the unexecuted odd-lot balance from the intermarket sweep order) shall be traded immediately against the Specialist at the last trade price of the intermarket sweep order, and any remaining unexecuted round-lot balance shall reaggess the AEMI Book in accordance with Rule 126A–AEMI. Illustrative examples of the proposed rule provision were included in the related AEMI–One filing referenced above.¹⁰

The Exchange asserts that the proposal to effect the foregoing changes to the AEMI trading system does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition, and does not have the effect of limiting the access to or availability of the system.

2. Statutory Basis

The proposed rule change is designed to be consistent with Regulation NMS, as well as consistent with Section 6(b) of the Act, in general, and furthers the objectives of Section

¹⁰ The corresponding AEMI-One rule refers to an “away market obligation” (which is an immediate-or-cancel limit order) rather than an “intermarket sweep order” based on the expectation that not all markets would be able to receive and execute intermarket sweep orders during the period of the AEMI-One pilot.

6(b)(5),¹¹ 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 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 will impose no 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

Because the proposed rule change does not: (1) significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) have the effect of limiting the access to or availability of an existing order entry or trading system of the Exchange, the foregoing rule change has become effective immediately pursuant to Section 19(b)(3)(A)(iii) of the Act¹² and Rule 19b-4(f)(5)¹³ thereunder. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in the furtherance of the purposes of the Act.

¹¹ 15 U.S.C. 78f(b)(5).

¹² 15 U.S.C. 78s(b)(3)(A)(iii).

¹³ 17 CFR 240.19b-4(f)(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 at <http://www.sec.gov/rules/sro.shtml>; or
- Send an e-mail to rule-comments@sec.gov. Please include File No. SR-Amex-2007-19 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 No. SR-Amex-2007-19. 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 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 No. SR-Amex-2007-19 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.¹⁴

Florence E. Harmon
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).