

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55685; File No. SR-Amex-2007-41)

April 30, 2007

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change Relating to the Continuation of a Quote Assist Feature in the ANTE System on a Pilot Program Basis

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 April 24, 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 and order to solicit comments on the proposed rule change from interested persons and to grant accelerated approval to the proposed rule change.

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

The Exchange proposes to amend Amex Rule 958A—ANTE(e) (the "Rule") to extend until April 30, 2008, its pilot program implementing a quote-assist feature in the Exchange's ANTE system ("Pilot Program"). The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room and (<http://www.amex.com/>).

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 and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

in Item III 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 Rule currently requires all option specialists to execute or display customer limit orders that improve the bid or offer by price or size immediately upon receipt, unless one of the exceptions set forth in the Rule applies. "Immediately upon receipt" is defined in the Rule "as soon as practicable which shall mean, under normal market conditions, no later than 30 seconds after receipt".³

In order to assist the specialists in complying with the Rule as described above, the ANTE System provides specialists with an automated quote assist feature on a pilot program basis.⁴ The quote assist feature automatically displays eligible limit orders within a configurable time that can be set on a class-by-class basis by the Exchange. The time frame within which limit orders must be addressed, a maximum of 30 seconds under the Rule, may be set to a shorter time period by the Exchange. The specialist maintaining the quote assist feature may then use the feature to automatically display orders within a shorter time period than the time period set by the Exchange.

³ See Securities Exchange Act Release No. 51062 (January 21, 2005) 70 FR 4163 (January 28, 2005).

⁴ See Securities Exchange Act Release Nos. 49747 (May 20, 2004), 69 FR 30344, 30347 (May 27, 2004) (approving implementation of the ANTE system, including the quote assist feature on a pilot basis); 51955 (June 30, 2005), 70 FR 39812 (July 11, 2005) (extending the Pilot Program until April 30, 2006); and 53950 (June 6, 2006) 71 FR 34401 (June 14, 2006) (extending the Pilot Program until April 30, 2007).

While all customer limit orders are expected to be displayed immediately, the quote assist feature can be set to automatically display limit orders at or close to the end of the 30-second time frame or within any other shorter time frame established by the Exchange. In instances where the specialist has not addressed the order within the applicable 30-second period, the quote assist feature will automatically display the eligible customer limit order in the limit order book at or close to the end of that period. The quote assist feature helps to ensure that eligible customer limit orders are displayed within the required time period then in effect. Rule 958A— ANTE (e)(4) currently requires the specialist to maintain and keep active the limit order quote assist feature. The specialist may establish the time frame within which the quote assist feature displays eligible customer limit orders, which time frame does not exceed the customer limit order display requirement set forth in the Rule. The specialist may deactivate the quote assist feature provided Floor Official approval is obtained. The specialist must obtain Floor Official approval as soon as practicable but in no event later than three minutes after deactivation. If the specialist does not receive approval within three minutes after deactivation, the Exchange will review the matter as a regulatory issue. Floor Officials will grant approval only in instances when there is an unusual influx of orders or movement of the underlying that would result in gap pricing or other unusual circumstances. The Exchange will document all instances where a Floor Official has granted approval.

The Exchange notes that the quote assist feature does not relieve the specialists of their obligation to display customer limit orders immediately. To the extent that a specialist excessively relies on the quote assist feature to display eligible limit orders without attempting to address the orders immediately, the specialist could be violating the Rule. However, brief or intermittent reliance on the quote assist feature by a specialist during an unexpected surge in

trading activity in an option class would not violate the Rule if used when the specialist is not physically able to address all the eligible limit orders within 30 seconds. The Exchange has issued a regulatory notice discussing excessive reliance on the quote assist feature.

The Exchange will continue to conduct surveillance to ensure that specialists comply with their obligation to execute or book all eligible limit orders within the time period prescribed by Exchange rules. The Exchange commits to conduct surveillance designed to detect whether specialists as a matter of course rely on the quote-assist feature to display all eligible limit orders. A practice of excessive reliance upon the quote assist feature will be reviewed by the Division of Regulation and Compliance as a possible violation of the Rule. The Exchange runs its limit order display exception report at various display intervals in an attempt to detect a pattern suggestive of undue reliance on the quote assist feature. The Exchange reports to the Commission every three months the statistical data it uses to determine whether there has been impermissible reliance on the quote assist feature by specialists.

The Exchange now proposes to continue the quote assist feature on a pilot program basis from April 30, 2007 until April 30, 2008.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁶ in particular, in that it is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

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 competition.

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:

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-2007-41 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-2007-41. 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 Number SR-Amex-2007-41 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 the 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.⁷ In particular, the Commission finds that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act,⁸ which requires, among other things, that the rules of the Exchange be designed 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.

The Commission believes that the quote assist feature should help to ensure that eligible customer limit orders are displayed within the required time period. The Commission notes that the Exchange represents that it will continue to conduct surveillance to ensure that specialists comply with their obligation to execute or book all eligible limit orders within the time period

⁷ In approving the proposed rule, the Commission has considered the rule's impact on efficiency, competition and capital formation. See 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78f(b)(5).

prescribed by Exchange rules, and that excessive reliance upon the quote assist feature will be reviewed by the Exchange as a possible violation of the Rule.

The Exchange has requested that the Commission approve the proposed rule change prior to the thirtieth day after publication of notice of the filing in the Federal Register. The Commission believes that granting accelerated approval will allow the Exchange to continue to operate the Pilot Program without interruption. Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,⁹ for approving the proposal prior to the thirtieth day after publication of the notice of the filing thereof in the Federal Register.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-Amex-2007-41) is hereby approved on an accelerated basis.

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

Florence E. Harmon
Deputy Secretary

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).