

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56159; File No. SR-Amex-2007-76)

July 27, 2007

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change as Modified by Amendment No. 1 thereto Relating to an Extension of the Penny Quoting Pilot Program

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 July 25, 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 and II below, which Items have been substantially prepared by the Amex. On July 27, 2007, the Exchange filed Amendment No. 1 to the proposal. The Exchange filed the proposal as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(6) thereunder,⁴ which rendered the proposal 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 extend through September 27, 2007 the current pilot program that permits quoting of a limited number of options classes in pennies (the “Penny Quoting Pilot Program”). The text of the proposed rule change is available at Amex, 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

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)(6).

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 in Item IV 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The Amex is proposing to extend the current Penny Quoting Pilot Program through September 27, 2007. The Exchange believes that an extension of the Penny Quoting Pilot Program is appropriate for the purpose of further studying the effects of penny quoting. In this manner, a measured and deliberate expansion of the Penny Quoting Pilot Program, if warranted, can be better implemented by the options exchanges.

As approved by the Commission, the current Penny Quoting Penny Quoting Pilot Program consists of thirteen (13) options classes.⁵ The quoting requirements in connection with the Penny Quoting Pilot Program provide for: (i) a minimum price variation ("MPV") of \$0.01 for options with premiums of up to \$3; or (ii) a MPV of \$0.05 for options with premiums of \$3 or greater, except for QQQQ options which trade at an MPV of \$0.01 for all premiums. As required by the Commission's approval order, the Amex previously filed its pilot report (the "Amex Pilot Report") comparing quotation and trading activity in the three (3) months prior to the Penny Quoting Pilot Program to the first three (3) months of the Penny Quoting Pilot Program.

⁵ See Securities Exchange Act Release No. 55162 (January 24, 2007), 72 FR 4738 (February 1, 2007).

As part of the Penny Quoting Pilot Program, the Exchange also implemented a quote mitigation strategy due to concerns regarding system capacity. The Exchange believes that the quote mitigation strategies in place since the introduction of the Penny Quoting Pilot Program have been effective. Therefore, in this filing, the Exchange is also proposing to extend the effectiveness of the quote mitigation strategies through September 27, 2007.

The Amex Pilot Report made the following findings: (1) Spreads narrowed meaningfully in all series in the Pilot classes with the greatest effect occurring in the lowest premium options; (2) Quoted size at the top of the book decreased sharply in all series and the most in the series with \$.01 MPVs; (3) Volume growth, while difficult to accurately analyze, was largely limited to 2 of the 13 Pilot classes; (4) Quote traffic grew at very significant rates; and (5) Only 3 of the 13 Pilot classes achieved the “most beneficial results” of tighter spreads and higher volume and all 3 were “index-based” products (SMH, QQQQ, and IWM). The Exchange believes that an extension of the Penny Quoting Pilot Program is warranted so that the Commission and the options exchanges may better study and understand the effects of penny quoting.

Based on the experience to date, the Exchange believes that an extension of the Penny Quoting Pilot Program through September 27, 2007 is appropriate.

2. Statutory Basis

The Exchange believes that its proposed rule change is consistent with Section 6(b) of the Act⁶ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁷ in particular, in that it is designed 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.

⁶ 15 U.S.C. 78f(b).

⁷ 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 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 either solicited or received by the Exchange.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act⁸ and Rule 19b-4(f)(6) thereunder,⁹ because the foregoing proposed rule does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

A proposed rule change filed under Rule 19b-4(f)(6) normally may not become operative prior to 30-days after the date of filing.¹⁰ However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.¹¹ The Exchange has requested that the Commission waive the 5-day pre-filing requirement and the 30-day operative delay. The Commission believes that waiving the 5-day pre-filing requirement and the 30-day operative delay is consistent with the

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(6).

¹⁰ 17 CFR 240.19b-4(f)(6)(iii). In addition, Rule 19b-4(f)(6)(iii) requires the self-regulatory organization to give the Commission notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

protection of investors and the public interest because such waiver will ensure continuity of the Exchange's rules and will allow the Penny Quoting Pilot Program to remain in effect without interruption. For these reasons, the Commission designates the proposal to be operative upon filing with the Commission.¹²

At any time within 60 days of the filing of the 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 furtherance of the purposes of the Act.¹³

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-2007-76 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.

¹² For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹³ For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change under Section 19(b)(3)(C) of the Act, the Commission considers the period to commence on July 27, 2007, the date on which Amex submitted Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

All submissions should refer to File Number SR-Amex-2007-76. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. Copies of the 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-2007-76 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

Nancy M. Morris
Secretary

¹⁴ 17 CFR 200.30-3(a)(12).