

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-51250; File No. SR-Amex-2005-021)

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Amending Section 507 of the Amex Company Guide to Conform the Definition of a “Large” Dividend to the Threshold Specified in Section 521 of the Company Guide

February 24, 2005

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 11, 2005, the American Stock Exchange LLC (“Exchange” or “Amex”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II, which Items have been prepared by the Exchange. The Exchange filed the proposal as a “non-controversial” rule change pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(6) thereunder,⁴ which renders 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 Amex seeks to revise Section 507 of the Company Guide to conform the definition of a “large” dividend to the threshold specified in Section 521 of the Company Guide.

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).

The text of the proposed rule change is available on the Amex's Web site <http://www.amex.com>, at the 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, 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. The 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

Section 521 of the Company Guide specifies the procedures applicable to special ex-dividend rulings by the Exchange, and subsection (b) specifically relates to large or valuable dividends, dividends "not in kind" (e.g., paid in the stock of another issuer) and split-ups effected as stock distributions. Under any of these circumstances Section 521 provides that the "ex-dividend" or "ex-distribution" date will be postponed until the dividend has been paid. Ordinarily, when an issuer declares a dividend, the Exchange quotes the stock "ex-dividend" beginning on the second business day preceding the record date for payment of the dividend, which has the effect that the buyer of the security is not entitled to the dividend. This is because the transaction will clear after the record date for payment and the buyer will thus not be the holder of record on the record date. Once a security is quoted "ex-dividend," certain open

orders, and the resulting market and collateral value of the security, are reduced in accordance with Amex Rule 132.⁵

However, in the case of large or valuable dividends, as well as dividends “not in kind” and split-ups effected as stock distributions, Section 521 of the Company Guide provides for special procedures such that the “ex” date will be postponed until the dividend or distribution has been made, and neither open orders, nor the market and collateral value of the security, are reduced. Instead, the security in question trades with a “due bill” attached meaning that the seller is obligated to pay the dividend or distribution to the purchaser. The reason for this difference is that otherwise the price of orders for the security, and its collateral value, would be significantly reduced by the value of the dividend or distribution, which could require shareholders to provide additional collateral. Section 521 specifies that usually a dividend of 20% or more is considered a “large” dividend for purposes of these special procedures.

Section 507 of the Company Guide specifies that if a company chooses to compute the cash payment on the dividend declaration date or if the “ex” date is postponed pursuant to Section 521 for a large dividend, then the applicable last sale price must be adjusted for the value of the dividend. However, Section 507 is inconsistent with Section 521 and incorrectly specifies a 25% dividend as constituting a “large” dividend.

Accordingly, the Amex is proposing to amend Section 507 of the Amex Company Guide to conform to Section 521 of the Company Guide.⁶

⁵ Telephone conversation between Laura Clare, Assistant General Counsel, the Amex, and Natasha Cowen, Attorney, Division of Market Regulation, Commission, on February 18, 2005.

⁶ Specifically, the proposed rule change would amend the text of Section 507 by replacing the phrase “large stock dividends of 25% or more” with the phrase “large stock dividends of usually 20% or more” and similarly replacing the phrase “large stock dividends (25%

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act⁷ in general and furthers the objectives of Section 6(b)(1)⁸ in particular, in that it is designed to enforce compliance by Exchange members and persons associated with its members with the rules of the Exchange.

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 by the Exchange on this proposal.

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

Because the foregoing rule change 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, it has become effective⁹ pursuant to Section 19(b)(3)(A) of the Act¹⁰ and Rule 19b-4(f)(6) thereunder.¹¹

or more)” with the phrase “large stock dividends (usually 20% or more)”. See Exhibit 5 of the proposed rule change.

⁷ 15 U.S.C. 78f(b).

⁸ 15 U.S.C. 78f(b)(1).

⁹ The Exchange provided the Commission with notice of its intent to file the proposed rule change at least five days prior to the filing date.

¹⁰ 15 U.S.C. 78s(b)(3)(A).

¹¹ 17 CFR 240.19b-4(f)(6).

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.

The Amex has asked that the Commission waive the 30-day operative delay specified in 19b-4(f)(6)(iii) under the Act.¹² The Commission believes such waiver is consistent with the protection of investors and the public interest, in that it will allow for the expeditious and accurate publication of the Exchange's rules. The Commission has therefore determined to waive the 30-day delay, rendering the proposal operative immediately.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-2005-021 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

¹² 17 CFR 240.19b-4(f)(6)(iii).

¹³ For purposes only of waiving the operative date of this proposal, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

All submissions should refer to File Number SR-Amex-2005-021. 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 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 Section. Copies of such filing also will be available for inspection and copying at the principal offices of 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-2005-021 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

Margaret H. McFarland
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).