

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52428; File No. SR-Amex-2005-047)

September 14, 2005

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing of Proposed Rule Change and Amendment No. 1 Thereto Relating to the Definition of Firm Customer Quote Size and the Removal of Certain Restrictions on Sending Principal Acting as Agent (P/A) Orders through the Linkage

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 28, 2005, 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 prepared by the Amex. On September 12, 2005, the Exchange submitted Amendment No. 1 to the proposed rule change.³ 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 amend its rules governing the operation of the intermarket option linkage to conform with a proposed amendment⁴ to the Plan for the Purpose of Creating and Operating an Intermarket Linkage (“Linkage Plan”).⁵ Accordingly, the Exchange is

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange made clarifying changes to the proposed rule text relating to the availability of Participant exchanges’ automatic execution system.

⁴ See Securities Exchange Act Release No. 34-52401 (September 9, 2005) (File No. 4-429) (“Amendment No. 16”).

⁵ On July 28, 2000, the Commission approved a national market system plan for the purpose of creating and operating an intermarket option market linkage proposed by the Amex, Chicago Board Options Exchange, Incorporated, and International Securities Exchange, Inc. See Securities Exchange Act Release No. 43086 (July 28, 2000), 65 FR 48023 (August 4, 2000). Subsequently, upon separate requests by the Philadelphia Stock

proposing to amend Amex Rules 940 and 941 to modify the definition of “Firm Customer Quote Size” (“FCQS”)⁶ to provide automatic executions of the Principal Acting as Agent Orders (“P/A Orders”)⁷ up to the full size of the Exchange’s disseminated quotation and to eliminate the 15-second waiting period between the sending of P/A Orders.

The text of the proposed rule change is available on the Amex’s website at <http://www.amex.com>, the Office of the Secretary, the Amex 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 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 purpose of this proposed rule change is to conform Amex’s rules to proposed Amendment No. 16. Amendment No. 16, together with this proposed rule change, would change

Exchange, Inc., Pacific Exchange, Inc. and Boston Stock Exchange, Inc. the Commission issued orders to permit these exchanges to participate in the Linkage Plan. See Securities Exchange Act Release Nos. 43573 (November 16, 2000), 65 FR 70850 (November 28, 2000), 43574 (November 16, 2000), 65 FR 70851 (November 28, 2000) and 49198 (February 5, 2004), 69 FR 7029 (February 12, 2004).

⁶ See Exchange Rule 940(b)(7).

⁷ See Section 2(16)(a) of the Linkage Plan and Exchange Rule 940(b)(10)(i).

the definition of FCQS and eliminate the 15-second limitation in connection with the sending of P/A Orders. The change to the definition of FCQS is intended to reflect current practices of the Linkage Plan participants (“Participants”) relating to disseminated size not in existence at the time the Plan was originally adopted. At the time of the Linkage Plan’s adoption, options quote sizes were generally not disseminated through the Options Price Reporting Authority and most Participants employed automatic execution systems that guaranteed automatic executions on orders under a certain contract size. Accordingly, the FCQS was calculated based on the number of contracts the sending and receiving exchange guaranteed they would automatically execute. Now that all the Participants disseminate dynamic quotes with size, the Exchange believes it is appropriate to calculate the FCQS based on the size of the disseminated quotation of the Participant receiving the P/A Order. Therefore, the Exchange proposes to amend Amex Rule 940(b)(7) to define FCQS as the size of the disseminated quotation of the Participant receiving the P/A Order.

This proposal also seeks to eliminate the 15-second wait period for sending a second P/A Order. Specifically, Amex Rule 941(b)(2), which governs the manner in which a P/A Order larger than the FCQS can be broken into smaller P/A Orders. Currently, Amex Rule 941(b)(2) provides that an initial P/A Order may be sent to a Participant for execution at the FCQS and, if the same Participant continues to disseminate the same price 15 seconds after the execution of the initial P/A Order, the specialist may send a second P/A Order, subject to certain restrictions. The Exchange proposes to eliminate the 15-second wait period because the Participants now employ dynamic quotes with size, obviating the need for a manual quote refresh period for P/A Orders. The Exchange also proposes to amend Amex Rule 941 to clarify that an automatic execution of a P/A Order is not required if the P/A Order is larger than the FCQS.

2. Statutory Basis

The Exchange believes that the proposed rule change, as amended, is consistent with Section 6(b) of the Act⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act⁹ 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 Amex does not believe that the proposed rule change, as amended, would 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

Written comments were neither solicited nor received.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding, or (ii) as to which the Amex consents, the Commission will:

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

- A. by order approve such proposed rule change, as amended; or
- B. institute proceedings to determine whether the proposed rule change, as amended, should be disapproved.

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-2005-47 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-Amex-2005-047. 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 publicly available. All submissions should refer to File Number SR-Amex-2005-047 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.¹⁰

Jonathan G. Katz
Secretary

¹⁰ 17 CFR 200.30-3(a)(12).