

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-52690; File No. SR-Amex-2005-067)

October 27, 2005

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing of Proposed Rule Change to Expand Its \$2.50 Strike Price Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 17, 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. 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 Commentary .06 to Amex Rule 903 to expand the \$2.50 Strike Price Program (“2.50 Strike Program”) for individual equity options to allow the listing of 2.50 point strike prices between \$50 and \$75. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in [brackets].

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**Rule 903. Series of Options Open for Trading**

(a) through (d). No Change

**Commentary**-----

**.01 through .05** No Change

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

**.06** (a) \$2.50 Strike Price Program. Pursuant to a program initially approved by the SEC in 1995, [The options exchanges] the Exchange may select up to [200] 51 options classes on individual stocks for which the interval of strike prices will be \$2.50 where the strike price is greater than \$25 but less than \$50. [The 200 options classes are selected by the various options exchanges pursuant to any agreement mutually agreed to by the individual exchanges and approved by the Commission.] In addition to those options selected by the Exchange, the strike price interval may be \$2.50 in any multiply-traded option once another exchange trading that option selects such option, as part of this program. [The Exchange and any of the other options exchanges may also list strike prices of \$2.50 on any option class that was selected by the NYSE pursuant to this program.]

(b) In addition, on any option class that has been selected as part of the \$2.50 Strike Price Program pursuant to paragraph (a) above, the Exchange may list \$2.50 strike prices between \$50 and \$75, provided the \$2.50 strike prices between \$50 and \$75 are no more than \$10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an option class has been selected as part of the \$2.50 Strike Price Program, and the underlying stock closes at \$48.50 in its primary market, the Exchange may list the \$52.50 strike price and the \$57.50 strike price on the next business day. If an underlying security closes at \$54, the Exchange may list the \$52.50 strike price, the \$57.50 strike price and the \$62.50 strike price on the next business day.

(c) An option class shall remain in the \$2.50 Strike Price Program until otherwise designated by the Exchange and a decertification notice is sent to the Options Clearing Corporation.

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 had 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposal is to expand the current 2.50 Strike Program for individual equity options to permit the listing of 2.50 point strike prices between \$50 and \$75, provided the 2.50 point strike prices are no more than \$10 from the closing price of the underlying stock in its primary market<sup>3</sup> on the preceding day. In addition, the proposed rule change clarifies that an option class will remain in the 2.50 Strike Program until the Exchange otherwise designates and sends a decertification notice to the Options Clearing Corporation.

The current 2.50 Strike Program is set forth in Commentary .06 to Amex Rule 903. The 2.50 Strike Program permits the Exchange to list 2.50 point strike prices for selected options trading at strike prices greater than \$25 but less than \$50, excluding LEAPS. Initially adopted in

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<sup>3</sup> The term “primary market” is defined in Amex Rule 900(b)(26) to mean (a) in respect of an underlying security that is principally traded on a national securities exchange, the principal exchange market in which the underlying security is traded; and (b) in respect of an underlying security which is principally traded in the over-the-counter market, in the case of equity securities, the market reflected by Nasdaq, and in the case of all other securities, the market reflected by any widely recognized quotation dissemination system or service.

1995 as a pilot program, the options exchanges at that time were permitted to list 2.50 point strike prices up to \$50 on a total of up to 100 option classes.<sup>4</sup> In 1998, the pilot was permanently approved and expanded to allow the options exchanges to select up to 200 option classes for 2.50 point strike prices up to \$50.<sup>5</sup> Of the current 200 options classes eligible for the 2.50 Strike Program, 51 have been allocated to the Amex. In addition, each options exchange is permitted to list 2.50 point strike prices on any option class that another options exchange selects under the 2.50 Strike Program.

The Exchange believes that the 2.50 Strike Program has created additional trading opportunities for customers benefiting the marketplace. The existence of 2.50 point strike prices affords customers the ability to more closely tailor investment strategies to the precise movement of the underlying security. Accordingly, the Amex believes that the proposal to expand the 2.50 Strike Program for 2.50 point strike prices between \$50 and \$75 should further benefit customers and the market by providing greater trading opportunities for those underlying stocks that have low volatility and thus trade in a narrow range.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,<sup>6</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>7</sup> in particular, in that it is designed to promote just and equitable principles of trade, remove impediments to and perfect

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<sup>4</sup> See Securities Exchange Act Release No. 35993 (July 15, 1995), 60 FR 35993 (July 19, 1995).

<sup>5</sup> See Securities Exchange Act Release No. 41662 (November 12, 1998), 63 FR 64297 (November 19, 1998).

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(5).

the mechanisms of a free and open market and a national market system, and, in general, 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 would impose any burden on competition 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

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:

- (A) by order approve such proposed rule change; or
- (B) institute proceedings to determine whether the proposed rule change 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](mailto:rule-comments@sec.gov). Please include File Number SR-Amex-2005-067 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-2005-067. 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 Section, 100 F Street, NE, Washington, DC 20549. Copies of such 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 publicly available. All submissions

should refer to File Number SR-Amex-2005-067 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.<sup>8</sup>

Jonathan G. Katz  
Secretary

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<sup>8</sup> 17 CFR 200.30-3(a)(12).