

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-49438; File No. SR-AMEX-2003-78)

March 17, 2004

Self-Regulatory Organizations; American Stock Exchange LLC; Order Approving a Proposed Rule Change Relating to Resolving Uncompared Options Transactions

On August 27, 2003, the American Stock Exchange LLC (“Amex”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”).¹ Notice of the proposal was published in the Federal Register on January 13, 2004.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

Amex will amend Rule 970 (Comparison of Option Transactions Excluded From Clearance) to reflect new procedures for resolving uncompared transactions in its Intra-Day Comparison System for Options (“IDCO”). The new IDCO format will now be consistent with Amex Rule 731, which governs the process for resolving uncompared equity transactions and the use of the Intra-Day Comparison System for Equities (“IDCE”). Specifically, members must now reconcile their uncompared options transactions through Amex’s electronic on-line comparison system and will no longer use or manually sign paper Rejected Options Transaction Notices. Each member will be responsible for reviewing its uncompared transactions displayed on the system terminal and make any necessary modifications to the data according to Amex guidelines. All uncompared transactions that remain uncompared in the system must be resolved

¹ 15 U.S.C 78s(b)(1).

² Securities Exchange Act Release No. 49024 (Jan. 6, 2004), 69 FR 2025.

no later than such time as Amex shall from time to time determines. For clarity and consistency, Amex will preserve the former Rule 970 language in the new Commentary to Rule 970.

II. Discussion

Section 6(b)(5) of the Act³ requires, among other things, that the rules of a national securities exchange be designed to remove the impediments to and perfect the mechanism of a national market system. The Commission finds that Amex's proposed rule change is consistent with this obligation because the new IDCO procedures, by utilizing current data processing and communications technology, will automate and should accelerate the reconciliation process for uncomparated options transactions. In turn, this should reduce the risks and inefficiencies inherent in the use of paper documents in the post-trade processing of options transactions.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 6(b)(5) of the Act⁴ and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-AMEX-2003-78) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁵

Margaret H. McFarland
Deputy Secretary

³ 15 U.S.C. 78f(b)(5).

⁴ 15 U.S.C. 78f(b)(5).

⁵ 17 CFR 200.30-3(a)(12).

