

should supplement the quarterly reports made available to the Commission under the new budget rule with periodic reports on the progress and results of those reviews and with monthly reports showing variances of actual or estimated expenditures from budgeted amounts, to the extent such progress reports and monthly reports are prepared for internal purposes.

Based on the foregoing, the Commission has determined that the PCAOB's 2007 budget and annual accounting support fee are consistent with Section 109 of the Act. Accordingly,

It is ordered, pursuant to Section 109 of the Act, that the PCAOB budget and annual accounting support fee for calendar year 2007 are approved.

By the Commission.

Nancy M. Morris,

Secretary.

[FR Doc. E6-20878 Filed 12-7-06; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54851; File No. SR-Amex-2006-48]

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Order Granting Accelerated Approval to Proposed Rule Change and Amendment No. 1 Thereto Modifying the Exchange's Independent Director and Audit Committee Corporate Governance Standards

November 30, 2006.

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 May 17, 2006, 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 Exchange. Amex filed Amendment No. 1 with the Commission on September 25, 2006.³ The Commission is publishing this

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 replaced and superseded the original filing in its entirety. Amendment No. 1 clarified certain details of the Exchange's initial proposal, and conformed it with recent revisions to the corporate governance standards of The NASDAQ Stock Market LLC ("Nasdaq"). See Securities Exchange Act Release No. 54583 (October 6, 2006), 71 FR 60782 (October 16, 2006) (approving SR-NASDAQ-2006-021) ("Nasdaq Corporate Governance Order").

notice to solicit comments on the proposed rule change, as amended, from interested persons and to approve the proposal on an accelerated basis.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Section 121 of the Amex Company Guide ("Company Guide") to clarify and modify certain corporate governance standards applicable to companies listed on the Amex, including the definition of "independent director," and audit committee requirements. The text of the proposed rule change is below.⁴ Proposed new language is in *italics*; proposed deletions are in [brackets].

* * * * *

Company Guide

Independent Directors and Audit Committee

Sec. 121. A. Independent Directors:

(1) Each [listed company] *issuer* must have a sufficient number of independent directors on its [B]board of [D]directors [(1)] (a) such that at least a majority of such directors are independent directors (subject to the exceptions set forth in Section 801 and, with respect to small business issuers, Section 121B(2)(c)), and [(2)] (b) to satisfy the audit committee requirement set forth below.

(2) "Independent director" means a person other than an *executive* officer or employee of the company [or any parent or subsidiary]. No director qualifies as independent unless the *issuer's* [B]board of [D]directors affirmatively determines that the director does not have a [material] relationship [with the listed company] that would interfere with the exercise of independent judgment in *carrying out the responsibilities of a director*. In addition *to the requirements contained in this Section 121A, directors serving on*, [audit committees [members] must also comply with the *additional, more stringent* requirements set forth in Section [paragraph] 121B(2) below. The following is a non-exclusive list of persons who shall not be considered independent:

(a) a director who is, or during the past three years was, employed by the company [or by any parent or subsidiary of the company], other than prior employment as an interim *executive*

⁴ With the Exchange's consent, a few technical spacing changes have been made to the text of the proposed rule change. Telephone conversation between Kristie Diemer, Special Counsel, Division of Market Regulation, Commission and Courtney McBride, Assistant General Counsel, Amex.

officer [Chairman or CEO*] (*provided the interim employment did not last longer than one year*) (See Commentary .08);

(b) a director who accepted[s] or has an immediate family member who accepted[s] any [payments] *compensation* from the company [or any parent or subsidiary of the company] in excess of \$60,000 during *any period of twelve consecutive months within the three years preceding the determination of independence* [the current or any of the past three fiscal years], other than the following:

[(1)] (i) compensation for board or board committee service,

[(2)] payments arising solely from investments in the company's securities,

[(3)] (ii) compensation paid to an immediate family member who is [a non-executive] *an employee (other than an executive officer)* of the company [or of a parent or subsidiary of the company],

[(4)] (iii) compensation received for former service as an interim *executive officer* [Chairman or CEO] (*provided the interim employment did not last longer than one year*) (See Commentary .08), or [(5)] (iv) benefits under a tax-qualified retirement plan, or [(6)] non-discretionary compensation, [.]

[(7)] loans permitted under Section 13(k) of the Exchange Act

(8) loans from a financial institution provided that the loans (i) Were made in the ordinary course of business, (ii) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the general public, (iii) did not involve more than a normal degree of risk or other unfavorable factors, and (iv) were not otherwise subject to the specific disclosure requirements of SEC Regulation S-K, Item 404, or

(9) payments from a financial institution in connection with the deposit of funds or the financial institution acting in an agency capacity, provided such payments were (i) Made in the ordinary course of business, (ii) made on substantially the same terms as those prevailing at the time for comparable transactions with the general public, and (iii) not otherwise subject to the disclosure requirements of SEC Regulation S-K, Item 404.*]

(c) a director who is an immediate family member of an individual who is, or *at any time during* [has been in any of] the past three years *was*, employed by the company [or any parent or subsidiary of the company] as an executive officer;[*]

(d) a director who is, or has an immediate family member who is, a

partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments (other than those arising solely from investments in the company's securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the organization's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the most recent three fiscal years;[*]

(e) a director [of the listed company] who is, or has an immediate family member who is, employed as an executive officer of another entity where at any time during the most recent three fiscal years any of the [listed company's] issuer's executive officers serve on [that entity's] the compensation committee of such other entity;[*] or

(f) a director who is, or has an immediate family member who is, a current partner of the company's outside auditor, or was a partner or employee of the company's outside auditor who worked on the company's audit at any time during any of the past three years.[*]

[(g)] (3)[i] In the case of an investment company, in lieu of [paragraphs] Sections 121A(2)(a) through (f), a director who is an "interested person" of the investment company as defined in Section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee.

B. Audit Committee

(1) Charter

Each [I] issuer must certify that it has adopted a formal written audit committee charter and that the [A] audit [C] committee has reviewed and reassessed the adequacy of the formal written charter on an annual basis. The charter must specify the following:

[(i)] (a) the scope of the audit committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements;

[(ii)] (b) the audit committee's responsibility for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the [company] issuer, consistent with Independence Standards Board Standard 1, and the audit committee's responsibility for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for

taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor; [and]

[(iii)] (c) the audit committee's purpose of overseeing the accounting and financial reporting processes of the issuer and the audits of the financial statements of the issuer; and

[(iv)] (d) the specific audit committee responsibilities and authority set forth in [paragraph (4) of this sub] Section 121B(4).

(2) Composition

(a) Each issuer must have, and certify that it has and will continue to have, an [A] audit [C] committee of at least three members, each of whom:

(i) satisfies the independence standards specified in Section 121A and Rule 10A-3 under the Securities Exchange Act of 1934; [and]

(ii) must not have participated in the preparation of the financial statements of the issuer or any current subsidiary of the issuer at any time during the past three years; and

(iii) is able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. Additionally, each issuer must certify that it has, and will continue to have, at least one member of the audit committee who is financially sophisticated, in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities. A director who qualifies as an audit committee financial expert under Item 401(h) of Regulation S-K, Item 401(e) of Regulation S-B or Item 3 of Form N-CSR (in the case of a registered management investment company) is presumed to qualify as financially sophisticated.

(b) Notwithstanding [paragraph] Section 121B(2)(a), one director who is not independent as defined in Section 121A, but who satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 (see [sub-paragraph] Section 121B(2)(a)(i)), and is not a current officer or employee or an immediate family member of such officer or employee, may be appointed to the [A] audit [C] committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the

individual is required by the best interests of the [company] issuer and its shareholders, and the board discloses, in the next annual meeting proxy statement (or in its next annual report on SEC Form 10-K or equivalent if the issuer does not file an annual proxy statement) subsequent to such determination, the nature of the relationship and the reasons for that determination. A director appointed to the [A] audit [C] committee pursuant to this exception may not serve for in excess of two consecutive years and may not chair the [A] audit [C] committee.

(c) Small Business Issuers—Small Business Issuers (as defined in SEC Regulation S-B) are subject to all requirements specified in this Section 121B(2), except that such issuers are only required to maintain a [B] board of [D] directors comprised of at least 50% independent directors, and an [A] audit [C] committee of at least two members, comprised solely of independent directors who also meet the requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

(3) Meeting Requirements

The [A] audit [C] committee of each [listed company] issuer must meet on at least a quarterly basis, except that with respect to [listed] registered closed-end management investment companies, the [A] audit [C] committee must meet on a regular basis as often as necessary to fulfill its responsibilities, including at least annually in connection with issuance of the investment company's audited financial statements.

(4) Audit Committee Responsibilities and Authority

The [A] audit [C] committee of each [listed company] issuer must have the specific audit committee responsibilities, authority and procedures necessary to comply with Rule 10A-3(b)(2), (3), (4) and (5) under the Securities Exchange Act of 1934 (subject to the exemptions provided in Rule 10A-3(c) under the Securities Exchange Act of 1934), concerning responsibilities relating to: [(i) a] registered public accounting firms, [(ii) b] complaints relating to accounting, internal accounting controls or auditing matters, [(iii) c] authority to engage advisors, and [(iv) d] funding as determined by the audit committee. Audit committees for investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator,

principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.

(5) *Exception*

At any time when an issuer has a class of common equity securities (or similar securities) that is listed on another national securities exchange or national securities association subject to the requirements of SEC Rule 10A-3 under the Securities Exchange Act of 1934, the listing of classes of securities of a direct or indirect consolidated subsidiary or an at least 50% beneficially owned subsidiary of the issuer (except classes of equity securities, other than non-convertible, non-participating preferred securities, of such subsidiary) shall not be subject to the requirements of this Section 121B.

See Also Section 803.

[* With respect to independent directors who are not members of the Audit Committee, the applicable "look-back" period will be only one year for the first year after the amendment or adoption (as applicable) of Sections 121A(1), 121B(2)(c) and 802(a) with respect to board of director composition. With respect to independent directors who are members of the Audit Committee, the applicable "look-back" period will be only one year for the first year after the amendment or adoption (as applicable) of paragraphs (b), (e) and (f) of Section 121A. The applicable three-year "look-back" periods specified in Section 121A will begin to apply only from and after December 1, 2004.]

* * * *Commentary*

.01 No change.

.02 "Company" includes any parent or subsidiary of the issuer listed on the Exchange. "Parent" or "subsidiary" includes entities that are consolidated with the issuer's financial statements as filed with the SEC (but not if the issuer reflects such entity solely as an investment in its financial statements).

.03-.05 No change.

.06 In order to affirmatively determine that an independent director does not have a material relationship with the [listed company] issuer that would interfere with the exercise of independent judgment, as specified in [paragraph] Section 121A, the board of directors of each [listed company] issuer must obtain from each such director full disclosure of all relationships which could be material in this regard, including but not limited to any payments specified in paragraphs (b)(8) and (9).

.07 The three year look-back periods referenced in Sections 121A(2)(a), (c),

(e) and (f) commence on the date the relationship ceases. For example, a director employed by the company is not independent until three years after such employment terminates.

.08 For purposes of Section 121A(2)(a), employment by a director as an executive officer on an interim basis shall not disqualify that director from being considered independent following such employment, provided the interim employment did not last longer than one year. A director would not be considered independent while serving as an interim officer. Similarly, for purposes of Section 121A(2)(b), compensation received by a director for former service as an interim executive officer need not be considered as compensation in determining independence after such service, provided such interim employment did not last longer than one year. Nonetheless, the issuer's board of directors still must consider whether such former employment and any compensation received would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. In addition, if the director participated in the preparation of the company's financial statements while serving as an interim executive officer, Section 121B(2)(a)(ii) would preclude service on the issuer's audit committee for three years.

.09 Section 121A(2)(b) is generally intended to capture situations where compensation is made directly to (or for the benefit of) the director or an immediate family member of the director. For example, consulting or personal service contracts with a director or an immediate family member of the director would be analyzed under Section 121A(2)(b). In addition, political contributions to the campaign of a director or an immediate family member of the director would be considered indirect compensation under Section 121A(2)(b). Non-preferential payments made in the ordinary course of providing business services (such as payments of interest or proceeds related to banking services or loans by an issuer that is a financial institution or payment of claims on a policy by an issuer that is an insurance company), payments arising solely from investments in the company's securities and loans permitted under Section 13(k) of the Securities Exchange Act of 1934 will not preclude a finding of director independence as long as the payments are non-compensatory in nature. Depending on the circumstances, a loan or payment could be compensatory if,

for example, it is not on terms generally available to the public.

* * * * *

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, Amex included statements concerning the purpose of and basis for the proposal and discussed any comments it received on the proposal. The text of these statements may be examined at the places specified in Item IV below. 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

In 2003, the Commission approved broad enhancements to the corporate governance standards applicable to issuers listed on the Amex.⁵ The enhancements related to, among other things, board of director composition and independence standards, as well as audit committee composition, authority, and disclosure obligations. These revisions also included new tests to determine the independence of directors. Comparable standards were adopted by Nasdaq and by the New York Stock Exchange ("NYSE").⁶

Since implementing the enhanced corporate governance standards, the Exchange has proposed various changes to these standards based upon its experience administering the corporate governance program. The Exchange now proposes several changes to the independent director and audit committee requirements applicable to listed issuers that, according to the Exchange, are designed to: (i) Eliminate unnecessary restrictions; (ii) clarify certain aspects of the Exchange's corporate governance requirements; and (iii) make these requirements consistent with those of Nasdaq and NYSE.

Section 121A of the Company Guide (*Independent Directors*) requires most listed issuers to have a board of directors comprised of a majority of independent directors. It also specifies

⁵ See Securities Exchange Act Release No. 48863 (December 1, 2003), 68 FR 68432 (December 8, 2003) (approving SR-Amex-2003-65).

⁶ See Securities Exchange Act Release No. 48745 (November 4, 2003), 68 FR 64154 (November 12, 2003) (approving SR-NYSE-2002-33, SR-NASD-2002-77, SR-NASD-2002-80, SR-NASD-2002-138, SR-NASD-2002-139, and SR-NASD-2002-141).

the criteria the board of directors must utilize in determining whether a director can be considered independent and sets forth certain “bright line” tests that preclude a finding of independence. Section 121B of the Company Guide (*Audit Committee*) sets forth the requirements for the composition of an issuer’s audit committee, which must consist of, among other things, at least three directors who satisfy the independence standards in Section 121A. Such independence standards are substantially the same as Nasdaq standards⁷ and are conceptually similar to NYSE standards.⁸

(i) *Definition of Independent Director*⁹

Section 121A of the Company Guide currently provides that an independent director of a listed company may not be an officer or employee of the company or any parent or subsidiary thereof, or have a material relationship with the listed company that would interfere with the exercise of independent judgment. The Exchange proposes to clarify that any relationship, not just a material relationship, that would interfere with the exercise of judgment in specifically carrying out the responsibilities of a director may preclude a determination of independence. According to the Exchange, this clarifying change will make the Amex’s definition of independent director consistent with the Nasdaq’s definition of independent director.¹⁰

(ii) *Service as a Compensated Interim Officer*¹¹

Pursuant to current Section 121A(a) of the Company Guide, a director who is, or during the past three years was, employed by a company or by a parent or subsidiary of such company as an interim Chairman or CEO is not automatically precluded from being considered independent. Further, compensation received in excess of \$60,000 during the current or past three fiscal years for former service as an interim Chairman or CEO does not automatically preclude a director from

being considered independent. The Exchange proposes to expand both exceptions to cover the former service and compensation of all interim executive officers, not just the Chairman and CEO. Amex believes that the proposed rule change will enable issuers to more easily fill director seats by broadening the pool of prospective independent directors to include interim executive officers and others with particular expertise.

However, the Exchange proposes to limit the ability to exclude such past service and compensation as an interim executive officer to one year, in order to prevent potential abuse of the exceptions. The Exchange also proposes to clarify in new Commentary .08 that current service as an interim officer would preclude a director from being considered independent. In addition, if, while acting as an interim officer, a director participated in the preparation of the financial statements of an issuer or current subsidiary of the issuer, the director would be precluded from serving on such issuer’s audit committee for three years. Of course, depending upon the magnitude of the compensation and the length of service as a former interim executive officer, a board could still determine on its own—without regard to a “bright line” test—that an individual should not be considered independent. In this respect, the proposed new Commentary .08 to Section 121 specifies the board’s obligation to consider such former service and related compensation in making an independence determination.

In its proposal, Amex notes that the Commission recently published notice of a filing by Nasdaq in which Nasdaq proposed similar changes to its corporate governance standards.¹² According to the Exchange, NYSE standards also provide that compensated service as an interim officer does not disqualify a director from being considered independent following such service.¹³ In Amex’s view, the proposed rule change would result in more uniformity across market centers with respect to how interim service by directors is treated for independence purposes.

(iii) *Compensation over \$60,000*¹⁴

Section 121A(b) of the Company Guide currently precludes a finding of

independence if a director, or an immediate family member of the director, accepts any payments from the company or any parent or subsidiary of the company in excess of \$60,000 during the current or any of the past three fiscal years preceding the determination of independence. Certain types of payments that are unlikely to taint a director’s independence are excluded from the \$60,000 test.¹⁵

The Exchange notes that over the course of administering Section 121A(b), additional types of payments have been identified that should be excepted from the test because they are unlikely to taint a director’s independence. Rather than continuing to codify examples of “payments” that should be excluded from the test as they arise, the Exchange believes that the more effective approach is to amend Section 121A(b) to focus on “compensation.” As a result, the Exchange proposes to modify Section 121A(b) to provide that a finding of independence is precluded if a director accepts, or has an immediate family member who accepts, any compensation, with certain exceptions, from a company or its affiliates in excess of \$60,000 during any consecutive twelve-month period within the three years prior to the independence determination.

To provide further guidance, the Exchange proposes adding new Commentary .09, which would specify that Section 121A(b) is intended to capture situations where compensation is made directly to (or for the benefit of) the director or the director’s immediate family member. In order to illustrate such intention, proposed Commentary .09 provides specific examples of direct and indirect compensation that would preclude a finding of director independence, such as contributions made to the political campaign of a director or an immediate family member of the director.¹⁶ The Exchange also proposes modifying Section 121A(b) to clarify that compensation for service on a board committee will not preclude a

¹⁵ Exceptions in the current rule, for example, include payments from a financial institution (e.g., interest on a savings account), payments arising solely from investments in the company’s securities, and loans permitted under Section 13(k) of the Act.

¹⁶ Proposed Commentary .09 further clarifies that, in general, under the proposed rule, non-preferential payments made in the ordinary course of providing business services (such as payments of interest or proceeds related to banking services or loans by an issuer that is a financial institution or payment of claims on a policy by an issuer that is an insurance company) will not preclude a finding of director independence as long as the payments are non-compensatory in nature. See Company Guide, Section 121, proposed Commentary .09.

⁷ Nasdaq Rule 4200(a)(15) and IM-4200. See also Nasdaq Corporate Governance Order, *supra* note 3.

⁸ Section 303A.02 of the NYSE Listed Company Manual.

⁹ The change described in this subsection relates to a provision in the preamble to current Section 121A of the Company Guide that would become the preamble to Section 121A(2) as part of Amex’s proposed numbering scheme.

¹⁰ Nasdaq Rule 4200(a)(15).

¹¹ The change described in this subsection relate to current Sections 121A(a) and 121A(b)(4) of the Company Guide, which would become Sections 121A(2)(a) and 121A(2)(b)(iii), respectively, in Amex’s proposed numbering scheme.

¹² The Commission notes that the Nasdaq proposal has since been approved. See Nasdaq Corporate Governance Order, *supra* note 3.

¹³ Commentary to Sections 303A.02(b)(i) and (ii) of the NYSE Listed Company Manual.

¹⁴ The change described in this subsection relate to current Section 121A(b) of the Company Guide, which would become Section 121A(2)(b) in the new numbering scheme Amex proposes in this filing.

finding of independence. The Amex indicates that, while the current provision carves out compensation for board service and was meant to cover compensation for service on board committees, there appears to be some confusion in this regard among companies.

The Exchange believes that a revised rule based on compensation rather than payments will better capture the types of compensation that bear on a director's independence. Amex notes that a similar proposed rule change recently filed by Nasdaq¹⁷ and published by the Commission, and a comparable NYSE provision,¹⁸ preclude independence if a director or family member has received direct compensation above a minimum threshold. Accordingly, the Exchange believes that the proposed rule change will make Section 121A(b) consistent with the corresponding provisions of Nasdaq and NYSE, thereby creating greater uniformity across market centers with respect to the standards for evaluating a director's independence.

(iv) *Timeframes for Determining Independence*¹⁹

The Exchange proposes that the applicable one-year period or three-year period preceding the determination of independence set forth in current Section 121A(b) of the Company Guide be measured chronologically rather than by fiscal year. Under the proposed rule, the look-back period would be any period of twelve consecutive months within the three years preceding the date independence is to be determined. The Exchange believes that such proposed modification is appropriate because it introduces a simpler calculation that is not dependent on a company's particular fiscal year end. Additionally, the Exchange proposes to clarify in new Commentary .07 that the three-year look-back periods referenced in current paragraphs (a), (c), (e), and (f) of Section 121A commence on the date the relationship ceases. These proposed rule changes would conform the Exchange's look-back periods to the Nasdaq look-back periods.²⁰

(v) *Other Changes*

The Exchange also proposes to make other clarifying changes to Section 121.

First, the Exchange proposes to clarify that the term "non-executive employee" in current Section 121A(b)(3) (proposed Section 121A(2)(b)(ii)) means an employee other than an executive officer, a term defined by reference to Commission Rule 16a-1(f) under the Act.²¹ Second, the Exchange proposes to clarify that references to "the company" in Section 121 include any parent or subsidiary of the listed issuer. Third, the Exchange proposes to clarify in proposed new Section 121B(5) that an exception to the audit committee requirements contained in Commission Rule 10A-3(c)(2) under the Act²² for certain subsidiaries of listed issuers also is applicable to the Amex's audit committee requirements. The Amex states that such clarifying revisions will make Section 121 consistent with Nasdaq's recent proposed rule change.²³

Finally, the Exchange proposes several organizational and grammatical changes to Section 121 which, though non-substantive, are intended to simplify reading of its corporate governance standards.

(vi) *Transition*

The Exchange will implement the proposed rule change immediately upon approval by the Commission. In order to facilitate transition to the modified standards, any director that would be considered independent under the current standards, but that would no longer be deemed independent under the modified standards, would be permitted to continue serving on the board of directors as an independent director until no later than 90 days after the approval of this filing.²⁴

The Exchange believes that the proposed rule change is responsive to concerns of its listed issuers and would benefit investors and issuers by providing additional transparency and clarity to Amex's corporate governance standards. The Exchange notes that such additional transparency and clarity also would facilitate uniform application and ease administration of corporate governance standards. Furthermore, the Exchange believes that by making the Amex standards more consistent with those of Nasdaq and NYSE, the proposed rule change would promote greater uniformity across listing markets.

2. Statutory Basis

The Amex believes that the proposed rule change is consistent with Section 6(b) of the Act,²⁵ in general, and furthers the objectives of Section 6(b)(5) of the Act,²⁶ in particular, in that it is designed 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 Exchange believes that the proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Instead, the Exchange believes that the proposed rule change will promote greater uniformity with the corporate governance standards of other markets.

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. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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-2006-48 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.

All submissions should refer to File Number SR-Amex-2006-48. 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/>

¹⁷ The Nasdaq proposal has since been approved. See Nasdaq Corporate Governance Order, *supra* note 3.

¹⁸ Section 303A.02(b)(2) of the NYSE Listed Company Manual.

¹⁹ The changes described in this subsection relate to current Section 121A(b) of the Company Guide, which would become Section 121A(2)(b), and to current Sections 121A(a), (c), (e), and (f), which would become Sections 121A(2)(a), (c), (e), and (f) in Amex's proposed numbering scheme.

²⁰ Nasdaq Rule 4200(a)(15) and IM-4200.

²¹ 17 CFR 240.16a-1(f).

²² 17 CFR 240.10A-3(c)(2).

²³ See Nasdaq Corporate Governance Order, *supra* note 3.

²⁴ The Commission notes that this transition period does not affect an issuer's obligation to comply with the requirements relating to audit committee composition.

²⁵ 15 U.S.C. 78f(b).

²⁶ 15 U.S.C. 78f(b)(5).

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 the 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 available publicly. All submissions should refer to File Number SR-Amex-2006-48 and should be submitted on or before December 29, 2006.

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.²⁷ In particular, the Commission believes that the proposal is consistent with Section 6(b)(5) of the Act,²⁸ which requires that the rules of an exchange be 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.

The Commission believes that the proposed rule change would provide clarity and guidance to Amex listed companies, particularly with respect to the determination of whether a director is independent. In particular, the proposed rule change would preclude a finding of independence if a director accepts any compensation from the company or its affiliates in excess of \$60,000 during the prescribed time period.²⁹ This proposed change would

²⁷ In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f). 28 15 U.S.C. 78f(b)(5).

²⁸ 15 U.S.C. 78f(b)(5).

²⁹ Under current Section 121A of the Company Guide, a director of a listed company would not be considered independent if the director or a family

align the Amex rule with corresponding rules of Nasdaq and NYSE relating to corporate governance standards of listed issuers.³⁰ The proposal also would revise various other provisions of Amex's corporate governance standards, including by amending several provisions to conform more closely with Nasdaq's and NYSE's corporate governance standards for its listed issuers.³¹

The Commission finds good cause, consistent with Section 19(b)(2) of the Act,³² for approving this proposal, as amended, before the thirtieth day after the publication of notice thereof in the **Federal Register**. The Commission notes that the proposal raises no new issues and believes that accelerating its approval would harmonize corporate governance listing standards among exchanges.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,³³ that the proposed rule change, as amended (SR-Amex-2006-48), is hereby approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³⁴

Florence E. Harmon,

Deputy Secretary.

[FR Doc. E6-20804 Filed 12-7-06; 8:45 am]

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member of the director has accepted more than \$60,000 in payments from the company or its parent or subsidiary during the time period set forth in the rule. The proposed rule change would amend the rule to refer to compensation in excess of \$60,000 from the company, rather than payments.

³⁰ See Nasdaq's IM-4200 to Nasdaq Rule 4200 and Section 303A.02(b)(iii) of the NYSE Listed Company Manual. Proposed changes to Section 121A of the Company Guide would provide examples of non-compensatory payments, such as interest related to banking services, insurance proceeds, and non-preferential loans from financial institutions. At the same time, the proposed changes to Section 121A of the Company Guide would make clear that payments made by the company for the benefit of the director—such as political contributions to the campaign of a director or a family member and loans to a director or family member that are on terms not generally available to the public—could be considered indirect compensation so as to preclude a finding that the director was independent.

³¹ These other changes relate to: status of independent directors who served as interim officers for a maximum one-year period; the definition of "non-executive employee;" inclusion of parent and subsidiary within the meaning of "company;" and an exception in Amex's standards relating to audit committees for certain issuers that have a listed parent, consistent with a similar exception contained in Rule 10A-3 under the Act, 17 CFR 240.10A-3.

³² 15 U.S.C. 78s(b)(2).

³³ 15 U.S.C. 78s(b)(2).

³⁴ 34 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54855; File No. SR-DTC-2006-15]

Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing of a Proposed Rule Change Relating to the Canadian Link Service

December 1, 2006.

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 October 10, 2006, The Depository Trust Company ("DTC") 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 DTC. 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 proposed rule change would amend DTC's Rule 30, Canadian-Link Service, to allow certain Canadian-Link transactions to settle in U.S. dollars.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, DTC 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. DTC 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

DTC's Canadian-Link Service currently allows participants of DTC ("DTC Participants") to clear and settle two categories of securities transactions in Canadian dollars: (1) Transactions with participants of The Canadian Depository for Securities Limited ("CDS Participants") and (2) transactions with other DTC Participants. The Canadian-Link Service also allows DTC Participants to transfer Canadian dollar funds to CDS Participants through the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.