

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-56343; File No. SR-Amex-2007-95)

August 30, 2007

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing of Proposed Rule Change Relating to the Execution of NDX and RUT Combination Orders

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 August 20, 2007, 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 substantially prepared by the Exchange. 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 adopt rules and procedures regarding the definition and execution of NDX and RUT combination orders in Amex Rules 950 – ANTE and 953 – ANTE (c). The text of the proposed rule change is available at the Amex, the Commission’s Public Reference Room, and <http://www.amex.com>.

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 Exchange 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.

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

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

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

1 Purpose

The Exchange proposes to adopt Commentary .01 to Amex Rule 950 – ANTE(e) to include the definition of NDX and RUT combination orders in Amex rules.<sup>3</sup> Pursuant to proposed Commentary .01(a) to Amex Rule 950 - ANTE(e), a “NDX Combination” is a long (short) NDX call and a short (long) NDX put having the same expiration date and strike price. A “RUT Combination” is a long (short) RUT call and a short (long) RUT put having the same expiration date and strike price. As defined in proposed Commentary .01(c) to Amex Rule 950 – ANTE(e), a “NDX combination order” is an order to purchase or sell NDX options and the offsetting number of NDX Combinations defined by the delta. Likewise, a “RUT combination order” is an order to purchase or sell RUT options and the offsetting number of RUT Combinations defined by the delta. The delta is defined as the positive (negative) number of NDX or RUT Combinations that must be sold (bought) to establish a market neutral hedge with the corresponding NDX or RUT option position. The proposal is limited to NDX and RUT options.

The Exchange further proposes to adopt execution procedures regarding NDX and RUT combination orders in Amex Rule 953 – ANTE(c). The proposed rule enables a member holding a NDX or RUT combination order, and bidding or offering in a multiple of the minimum price variation on the basis of a total debit or credit for the order, to execute the NDX or RUT combination order even if he has determined that the order may not otherwise be executable (e.g., the bids and offers displayed in the limit order book or in the trading crowd will not satisfy the net credit/net debit price of the order).

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<sup>3</sup> NDX is the NASDAQ-100 Index; RUT is the Russell 2000 Index.

This proposal permits the member to execute the order at the best net debit or credit price so long as: (1) no leg of the order would trade at a price outside the currently displayed bids or offers in the trading crowd or bids or offers in the limit order book; and (2) at least one leg of the order would trade at a price that is better than the corresponding bid or offer in the limit order book.

The Exchange proposes that if a NDX or RUT combination order is not executed immediately, that same order may be executed and printed at the prices originally quoted for each of the component option series in the two (2) hour time period after the original quote, provided the prices originally quoted satisfied the requirements of proposed paragraphs (c)(i)(A) and (c)(i)(B) of Amex Rule 953 – ANTE, and provided at the time of execution no individual leg of such order may trade ahead of the corresponding bid or offer in the NDX or RUT limit order book.

The purpose of this proposal is to facilitate the hedging of NDX and RUT Combinations during times of market volatility. NDX and RUT market participants holding orders for options tied to combinations often experience difficulty in completing such transactions in a volatile market and are unable to complete the trade because the prices originally quoted for a component leg of the order may no longer be traded within displayed market quotes.

The Amex notes that when transactions for the component series of a NDX or RUT Combination are traded out-of-range pursuant to the two (2) hour window permitted by proposed Amex Rule 953 – ANTE(c), the trade will be price reported to the trading floor and to the Options Price Reporting Authority (“OPRA”) using a sold sale indicator to provide notice to the public that the reported prices were part of an out-of-range combination trade.

The Exchange represents that proposed Amex Rule 953 – ANTE(c)(ii) will be used during times of market volatility for the benefit of the marketplace and investors in order to provide liquidity to larger-sized orders. Finally, as noted above, the component leg of an NDX or RUT combination order will be price reported to the trading floor and OPRA using a sold sale indicator that will act as notice to the public that the reported prices are part of an NDX or RUT combination order.

Finally, the Amex further notes that it will issue a regulatory circular to its membership to explain the operation of Amex Rule 953 – ANTE(c). In the regulatory circular the Amex will remind its membership that the adoption of Amex Rule 953 – ANTE(c) does not minimize the obligation of members to obtain best execution of options orders for their customers.

## 2 Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act<sup>4</sup> in general and furthers the objectives of Section 6(b)(5)<sup>5</sup> in particular in that it is designed to prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, remove impediments to and perfect 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 proposed rule change does not 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

No written comments were solicited or received with respect to the proposed rule change.

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<sup>4</sup> 15 U.S.C. 78f(b).

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

### 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 self-regulatory organization 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.

The Commission is considering granting accelerated approval of the proposed rule change at the end of a 15-day comment period.<sup>6</sup>

### 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-2007-95 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.

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<sup>6</sup> Amex requested accelerated approval of this proposed rule change prior to the 30th day after the date of publication of the notice of the filing thereof.

All submissions should refer to File Number SR-Amex-2007-95. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. 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 available publicly. All submissions should refer to File Number SR-Amex-2007-95 and should be submitted on or before [insert date 15 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>7</sup> 17 CFR 200.30-3(a)(12).