

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55949; File No. SR-Amex-2007-61)

June 25, 2007

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Clarify the Method by Which Specialists Execute Odd-Lot Market Orders in Rule 205—AEMI

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 21, 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 Amex. Amex has filed this proposal pursuant to Section 19(b)(3)(A) of the Act<sup>3</sup> and Rule 19b-4(f)(5) thereunder,<sup>4</sup> which renders it effective upon filing with the Commission. 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 clarifying changes to Rule 205—AEMI to specify that a specialist on the Exchange executes unelected odd-lot market orders, along with all other outstanding unexecuted odd-lot market orders on the AEMI book, at the price of the specialist’s quote 30 seconds after the later of (i) the entry of such order into AEMI or (ii) the last round-lot election of a previously entered odd-lot market order.

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

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

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(5).

The text of the proposed rule change is available on Exchange's Web site ([www.amex.com](http://www.amex.com)), at Amex's principal office, 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, 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. 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, Proposed Rule Change

1. Purpose

Pursuant to its most recent amendment, Rule 205—AEMI(b) currently specifies that, to the extent an odd-lot market order is not elected by a round-lot transaction within 30 seconds of entry into AEMI, such order will be executed against the specialist's quote 30 seconds after entry of the order into AEMI.<sup>5</sup>

The Exchange is now submitting the instant rule change to clarify, more consistently with the way the AEMI system has been configured, that such unelected unexecuted odd-lot market orders are executed, along with all other outstanding unexecuted odd-lot market orders on the AEMI book, at the price of the specialist's quote 30 seconds after the later of (i) the entry of such order into AEMI or (ii) the last round-lot election of a previously entered odd-lot market order.

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<sup>5</sup> See Securities Exchange Act Release No. 55762 (May 15, 2007), 72 FR 28529 (May 21, 2007).

While the current version of Rule 205—AEMI(b) implies that every odd-lot market order has a unique 30-second timer for execution (if not elected by virtue of an earlier round-lot transaction), the instant rule change is necessary to clarify that, in certain limited scenarios, an unelected odd-lot market order can receive executions in under 30 seconds (where tied to executions of earlier-entered odd-lot market orders)<sup>6</sup> and, in rare circumstances, more than 30 seconds.<sup>7</sup>

## 2. Statutory Basis

The proposed rule change is designed to be consistent with Section 6(b) of the Act,<sup>8</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>9</sup> 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 national market system and, in general, to protect investors and the public interest.

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<sup>6</sup> The Exchange estimates that executed odd-lot volume that may fall into this category is less than 15,000 shares per day, or less than 1.5% of all odd-lot executed volume and less than 0.03% of Amex executed volume.

<sup>7</sup> The Exchange estimates that this occurs only several times per day when, within a 30-second window, multiple odd-lot market orders are entered followed by round-lot transactions insufficient in size to elect all of them. In such circumstances, remaining unelected odd-lot market order(s) may take more than 30 seconds after their entry to execute, depending on the timing of subsequent round-lot transactions. For example, if three 50-share market buy orders are entered at :01, :02, and :03 seconds, followed at :29 seconds by execution of a new 100 share order at \$10, the first two market buy orders are both executed against the specialist at \$10 at :29 seconds. Then, the timer in AEMI resets back to zero, and the remaining 50-share market buy order is executed against the specialist upon the earlier of (i) the next round-lot transaction (at the price of said transaction) or (ii) the expiration of 30 seconds (at the price of the specialist's then best offer), resulting in execution anywhere from 26 to 56 seconds after original entry into AEMI.

<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(5).

B. Self-Regulatory Organization's Statement on Burden on Competition

The proposed rule change will impose no 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.

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

Because the proposed rule change does not: (1) significantly affect the protection of investors or the public interest; (2) impose any significant burden on competition; and (3) have the effect of limiting the access to or availability of an existing order entry or trading system of the Exchange, the foregoing rule change has become effective immediately pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>10</sup> and Rule 19b-4(f)(5) thereunder.<sup>11</sup> At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in the furtherance of the purposes of the Act.

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

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>11</sup> 17 CFR 240.19b-4(f)(5).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-Amex-2007-61 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-2007-61. 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 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-2007-61 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>12</sup>

Florence E. Harmon  
Deputy Secretary

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