

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-56002; File No. SR-Amex-2007-55)

July 2, 2007

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change, as Modified by Amendment No. 1 Thereto, Relating to the Options SROT Fee Rebate 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 1, 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. On June 7, 2007, the Amex submitted Amendment No. 1 to the proposed rule change.<sup>3</sup> Amex has designated this proposal as one establishing or changing a due, fee, or other charge imposed by Amex under Section 19(b)(3)(A)(ii) of the Act<sup>4</sup> and Rule 19b-4(f)(2) thereunder,<sup>5</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Exchange proposes to establish fee rebates applicable to supplemental registered options traders (“SROTs”) that receive directed orders.

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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> Amendment No. 1 clarifies that the SROT fee rebate program is a separate program from the options marketing fee program.

<sup>4</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>5</sup> 17 CFR 240.19b-4(f)(2).

The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and [www.amex.com](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. Amex has substantially 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 Exchange is proposing to provide options transaction fee rebates to SROs that provide liquidity to the Exchange and receive electronic directed customer orders (the "SRO Fee Rebate Program"). This SRO Fee Rebate Program will provide fee rebates to SROs that provide order flow to the Exchange from their own firm's orders.<sup>6</sup>

This proposal would allow the Exchange to provide SROs with options transaction fee rebates for the number of options contracts that are electronically directed to them and executed

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<sup>6</sup> The Exchange anticipates shortly filing a proposed rule change with the Commission to implement a Directed Order Flow Program. Generally, for purposes of the Directed Order Flow Program, a directed order is deemed to be an electronic customer order from an order flow provider that is directed to a specific specialist, registered options trader ("ROT"), SRO or remote registered options trader ("RROT"). Once the Directed Order Flow Program is implemented, in addition to SROs, the Exchange intends to expand this proposed SRO Fee Rebate Program to any specialist, ROT, and/or RROT that participates in the Exchange's Directed Order Program.

on the Exchange. The following rebate schedule is proposed:

<b>Monthly Directed Order Volume (in contracts)</b>	<b>Rebate per Contract</b>	<b>Total Rebate per Volume Tier</b>
0 – 1,000,000	\$ .05	\$50,000
1,000,001 – 2,000,000	\$ .10	\$100,000
2,000,001 – 3,000,000	\$ .125	\$125,000
3,000,001 and up	\$ .15	\$150,000

Rebates would be capped at 100% of options transaction fee charges so that once an SROT's options transaction charges reach zero, the Exchange would not pay out any additional credits.

The Exchange notes that SROTs are entitled to the options transaction fee rebate, which is separate and apart from the Payment for Order Flow arrangements, which SROTs may negotiate with any firm from which they receive the guaranteed SROT allocation (i.e., affiliated SROTs).<sup>7</sup> The proposed options transaction fee rebate, which is provided to SROTs will not come from the marketing fees collected on SROT transactions.<sup>8</sup>

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<sup>7</sup> Under the current plan, the Exchange charges an equity options marketing fee of \$0.75 per contract (and \$1.00 for SPY Options) solely to customer orders that are from payment accepting firms with whom an SROT receives the guaranteed SROT allocation, pursuant to 935 - ANTE(a)(7). As noted in the Options Fee Schedule, the \$0.35 options marketing fee applies to those series of Equity Options, Exchange Traded Fund Share Options, and Trust Issued Receipt Options that quote and trade in one cent increments under the penny pilot program.

<sup>8</sup> See Amendment No. 1, supra note 3.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>9</sup> in general, and Section 6(b)(4) of the Act<sup>10</sup> in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among exchange members and issuers and other persons using exchange facilities.

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

The Exchange does not believe that the proposed rule change will 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.

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

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>11</sup> and Rule 19b-4(f)(2)<sup>12</sup> thereunder, because it establishes or changes a due, fee, or other charge imposed by the Exchange. Accordingly, the proposal will take effect upon filing with the Commission. 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 furtherance of the purposes of the Act.<sup>13</sup>

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

<sup>10</sup> 15 U.S.C. 78f(b)(4).

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>12</sup> 17 CFR 240.19b-4(f)(2).

<sup>13</sup> For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change, the Commission considers the period to commence on June 7, 2007, the date on which the Exchange filed Amendment No. 1.

#### 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-2007-55 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-2007-55. 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 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-2007-55 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>14</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).