SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-51796; File No. SR-Amex-2005-037)

June 7, 2005

Self-Regulatory Organizations; American Stock Exchange LLC; Order Approving Proposed Rule Change and Amendment No. 1 Thereto Relating to When Floor Official Approval for a Transaction in a High-Priced Security Is Necessary

On April 4, 2005, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] a proposed rule change amending its Rule 154, Commentary .08 to require Amex floor official approval for a transaction in a stock at a price of $20 or more a share only when the trade is to be made at the greater of 1% or two dollars away from the last previous sale, and making a conforming amendment to its Rule 119, governing indications, openings, and reopenings. On April 20, 2005, Amex submitted Amendment No. 1 to the proposal.[3] The Commission published the proposed rule change, as amended, for comment in the Federal Register on May 3, 2005.[4] The Commission did not receive any comments on the proposed rule change.

After careful consideration, the Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange.[5] In particular, the Commission finds that

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 In Amendment No. 1, Amex made minor, non-substantive changes to the text of the proposal and a conforming amendment to Amex Rule 119.

4 Securities Exchange Act Release No. 51621 (April 27, 2005), 70 FR 22930.

5 In approving the proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

the proposed rule change, as amended, is consistent with Section 6(b)(5) of the Act,[6] which requires, among other things, that the rules of the Amex be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The Commission believes that the proposal will help enhance the efficient processing of orders on the Exchange floor by reducing the need for floor official involvement in the normal course of trading of higher priced securities. The impact of the proposed rule change is that, for very high-priced stocks that trade at more than $200 per share,[7] the next trade may be up to 1% away from the previous sale, without requiring floor official approval.[8] The Commission believes that permitting trades to be effected at the greater of 1% or two dollars away from the last previous sale is a moderate adjustment relative to other price moves allowed under Rule 154, Commentary .08 and appropriate in maintaining adequate trade-to-trade price continuity.

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6 15 U.S.C. 78f(b)(5).

7 In its proposal, the Exchange stated that examples of such high-priced securities include NVR, Inc. (ticker symbol: NVR), whose last sale on March 22, 2005 was $795.50 and Seaboard Corporation (ticker symbol: SEB), whose last sale on March 22, 2005 was $1,124.00

8 Amex Rule 154, Commentary .08 places limitations on the amount a stock may trade away from its previous sale. Depending upon the price of the stock, Commentary .08 allows a stock to trade up to 50 cents, one dollar, or two dollars away from its previous sale. For high-priced stocks trading at more than $20 per share, Commentary .08 currently limits members from effecting trades at more than two dollars away from the previous sale. Specialists who wish to effect trades outside the foregoing limit have been required to obtain the prior approval of an Amex floor official. Rule 154, Commentary .08 currently provides that, for stocks trading at $10 or more (but less than $20) per share, the next trade may execute at no more than one dollar away from the last previous sale (which allows for a minimum of just over 5% and a maximum of just under 10% away from the last previous sale). For stocks trading at less than $10 per share, the next trade may execute at no more than 50 cents away from the last previous sale (which allows for a minimum just over 5% and, theoretically, a maximum of just under 5000% away from the last previous sale).

The Commission likewise finds that the proposed conforming change to Amex Rule 119, which governs indications, openings, and reopenings, is consistent with the Act. As amended, Amex Rule 119(3)(a)(iii) will provide that a "significant order imbalance" is one which results in a reopening at a price change constituting the greater of 1% or two dollars from the last previous sale for stocks that trade at $20 or more, thus limiting the frequency of trading halts and improving the efficient handling of orders in very high-priced stocks on the Exchange floor.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,[9] that the proposed rule change (SR-Amex-2005-037) and Amendment No. 1 thereto be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[10]

Margaret H. McFarland
Deputy Secretary

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9 15 U.S.C. 78s(b)(2).

10 17 CFR 200.30-3(a)(12).