

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55981; File No. SR-Amex-2007-67]

### Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Prohibit Specialists in Exchange-Traded Funds From Charging Commissions on Transactions in Their Specialty Securities

June 29, 2007.

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 28, 2007, the American Stock Exchange LLC (“Exchange” or “Amex”) 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. 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 amend Rule 154-AEMI(k) to prohibit specialists in exchange-traded funds (“ETFs”) from charging commissions on transactions in their specialty securities. The text of the proposed rule change is available on Amex’s Web site at <http://www.amex.com>, at the Exchange’s Office of the Secretary, 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, 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.

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

##### 1. Purpose

The Exchange proposes to amend Rule 154-AEMI(k)<sup>3</sup> to prohibit specialists in ETFs from charging commissions on transactions in their specialty securities. Previously, the Exchange has sought to place various limitations on specialist commissions in equities and ETFs. The instant proposal seeks to eliminate the ability of specialists in ETFs to charge commissions on transactions in their entirety. In addition, in connection with this proposal to eliminate specialist commissions, the Exchange is proposing in a separate filing (the “Fee Filing”)<sup>4</sup> to: (i) eliminate Exchange transaction charges for specialists in ETFs; (ii) adopt a revenue sharing program for specialists and registered traders in ETFs; and (iii) revise various fees, caps, and discounts for transactions in ETFs. The Exchange is requesting that the Commission make this filing operative on July 1, 2007, the same day the changes contained in the Fee Filing become operative.

The Exchange now proposes to amend subparagraph (k) to Rule 154-AEMI to prohibit specialists from charging commissions on any ETF orders. The Exchange believes that this prohibition on specialist commissions will offset the increases in transaction charges that may be experienced by customers as the result of the revisions to or elimination of the various caps and discounts currently available.

The Exchange is proposing the prohibition on ETF specialist commissions to provide consistency and clarity to all members and the public that orders sent to Amex will not be subject to excessive or arbitrary costs, and to preserve the cost competitiveness of the Exchange. The Exchange believes that its comprehensive program of providing incentives to ETF specialists and registered traders to provide more liquid and competitive markets, in

<sup>3</sup> The Exchange received approval on June 15, 2007, of its proposal to add subparagraph (k) to Rule 154-AEMI. See Securities Exchange Act Release No. 55913 (June 15, 2007); 72 FR 34323 (June 21, 2007) (File No. SR-Amex-2007-13). Rule 154-AEMI(k), which applies to both equities and ETFs: (1) Extends the application of the limitations on specialist commissions to ETFs and equities trading on the AEMI System; (2) expands the prohibition on specialist commissions to market-at-the-close orders and limit-at-the-close orders; and (3) specifies that specialist commissions can be charged only on orders that are executed and not on orders that are cancelled or expire unexecuted.

<sup>4</sup> See File No. SR-Amex-2007-68, submitted June 28, 2007.

combination with the prohibition on the charging of specialist commissions on transactions in ETFs, will result in making the Exchange’s pricing structure more competitive, more equitable, more transparent, and easier to understand. The Exchange consequently believes that the proposed rule would benefit investors if implemented and would strengthen the Exchange’s competitive position.

##### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>5</sup> Specifically, the Exchange believes the proposed rule change is consistent with Section 6(b)(5) of the Act,<sup>6</sup> which requires that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts and practices, and, in general, to protect investors and the public interest. In addition, the Exchange believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,<sup>7</sup> which requires that the rules of an exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities.

#### 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.

#### 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 rule change has become effective immediately pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>8</sup> and Rule 19b-4(f)(6)<sup>9</sup> thereunder because the Exchange has designated the proposed rule change as one that does not: (i) Significantly affect the

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 15 U.S.C. 78f(b)(4).

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

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

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

protection of investors or the public interest; (ii) impose any significant burden on competition; or (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. The Exchange has provided the Commission written notice of its intention to file the proposed rule change at least five business days prior to filing.

The Exchange requests that the Commission waive the 30-day operative delay specified in Rule 19b-4(f)(6)(iii)<sup>10</sup> with respect to the proposed rule change and that the proposed rule change be made operative on July 1, 2007, the same day the fee changes proposed in the Fee Filing take effect. The Exchange has represented that all the ETF specialist firms affected by the proposal have agreed to the elimination of commissions, contingent on the Exchange's implementation of the proposed revenue sharing program included in the Fee Filing. The proposal herein, together with the revisions to the Exchange's transaction charges and the revenue sharing program, is part of an integrated plan in which: (i) The revenues generated from the revised fees will partially offset the cost to the Exchange of the payments the Exchange will make to the specialists and registered traders under the revenue sharing program; and (ii) the cost to customers of the increased transaction charges will be offset partially by the elimination of commissions. Amex believes it is essential that the proposal in this filing become operative at the same time as the proposal set forth in the Fee Filing.

The Commission has determined to waive the 30-day delay and allow the proposed rule change to become operative on July 1, 2007.<sup>11</sup> The Commission believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest because doing so will enable all aspects of Amex's new fee structure to become operative as of the same date. The Commission has relied on Amex's representation that all affected Amex specialists have agreed to the new fee structure.

At any time within 60 days of the filing of the 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.

#### 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 No. SR-Amex-2007-67 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-2007-67. 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 a.m. and 3 p.m. 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-2007-67 and should be submitted on or before July 26, 2007.

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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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-55971; File No. SR-CBOE-2007-66]

### Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Regarding Its Open Outcry Allocation Rules

June 28, 2007.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on June 18, 2007, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II and III below, which Items have been substantially prepared by CBOE. The Exchange filed the proposal as a "non-controversial" proposed rule change pursuant to section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) 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

CBOE proposes to amend its open outcry allocation rules for classes trading on the Hybrid Trading System ("Hybrid"). The text of the proposed rule change is available at CBOE, the Commission's Public Reference Room, and (<http://www.cboe.org/Legal>).

#### 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 CBOE included statements concerning the purpose of, and basis for, the proposed rule change and discussed any

<sup>10</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>11</sup> For purposes only of waiving the operative delay of this proposal, 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).

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

<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)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).