

reporting burdens are not typically spread evenly among the exchanges.<sup>1</sup> For purposes of this analysis of burden, however, the staff has assumed that each exchange files an equal number (five) of Form 26 notifications. Each notification requires approximately 20 minutes to complete. Each respondent's compliance burden, then, in a given year would be approximately 100 minutes (20 minutes/report  $\times$  5 reports = 100 minutes), which translates to just over 13 hours in the aggregate for all respondents (8 respondents  $\times$  100 minutes/respondent = 800 minutes, or 13 $\frac{1}{3}$  hours).

Based on the most recent available information, the Commission staff estimates that the cost to respondents of completing a notification on Form 26 is, on average, \$14.35 per response. The staff estimates that the total annual related reporting cost per respondent is \$71.75 (5 responses/respondent  $\times$  \$14.35 cost/response), for a total annual related cost to all respondents of \$574 (\$71.75 cost/respondent  $\times$  8 respondents).

Compliance with Rule 12a-5 is required to obtain the benefit of the temporary exemption from registration offered by the Rule. Rule 12a-5 does not have a record retention requirement *per se*. However, responses made pursuant to Rule 12a-5 are subject to the recordkeeping requirements of Rules 17a-3 and 17a-4 of the Act. Information received in response to Rule 12a-5 shall not be kept confidential; the information collected is public information.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

Written comments regarding the above information should be directed to the following persons: (i) Desk Officer for Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503 or by sending an e-mail to: [David\\_Rostker@omb.eop.gov](mailto:David_Rostker@omb.eop.gov); and (ii) R. Corey Booth, Director/Chief Information Officer, Office of Information Technology, Securities and Exchange Commission, Station Place, 100 F Street, NE., Washington, DC 20549. Comments must be submitted to Office of Management and Budget within 30 days of this notice.

<sup>1</sup> In fact, some exchanges do not file any notifications on Form 26 with the Commission in a given year.

Dated: February 15, 2006.

**J. Lynn Taylor,**

*Assistant Secretary.*

[FR Doc. E6-2533 Filed 2-22-06; 8:45 am]

**BILLING CODE 8010-01-P**

## SECURITIES AND EXCHANGE COMMISSION

[Release No. IC-27224; 812-12969]

### John Hancock Capital Series, *et al.*; Notice of Application

February 15, 2006.

**AGENCY:** Securities and Exchange Commission ("Commission").

**ACTION:** Notice of application for an order under section 12(d)(1)(J) of the Investment Company Act of 1940 ("Act") for an exemption from sections 12(d)(1)(A) and (B) of the Act, under sections 6(c) and 17(b) of the Act for an exemption from sections 17(a)(1) and (2) of the Act, and under section 17(d) of the Act and rule 17d-1 under the Act to permit certain joint transactions.

*Summary of Application:* The applicants request an order that would permit (a) certain registered management investment companies and certain entities that are excluded from the definition of investment company under section 3(c)(1), 3(c)(7) or 3(c)(11) of the Act to invest uninvested cash and cash collateral in (i) affiliated money market funds and/or short-term bond funds or (ii) one or more affiliated entities that operate as cash management investment vehicles and that are excluded from the definition of investment company under section 3(c)(1) or 3(c)(7) of the Act, and (b) the registered management investment companies and certain affiliated entities to engage in purchase and sale transactions involving portfolio securities in reliance on rule 17a-7 under the Act.

*Applicants:* John Hancock Capital Series, John Hancock Declaration Trust, John Hancock Equity Trust, John Hancock Income Securities Trust, John Hancock Investment Trust II, John Hancock Investment Trust III, John Hancock Investors Trust, John Hancock Sovereign Bond Fund, John Hancock Strategic Series, John Hancock Tax-Exempt Series Fund, John Hancock World Fund, John Hancock Bank and Thrift Opportunity Fund, John Hancock Bond Trust, John Hancock California Tax-Free Income Fund, John Hancock Current Interest, John Hancock Institutional Series Trust, John Hancock Investment Trust, John Hancock Patriot Global Dividend Fund, John Hancock Patriot Preferred Dividend Fund, John

Hancock Patriot Premium Dividend Fund, John Hancock Patriot Premium Dividend Fund II, John Hancock Patriot Select Dividend Trust, John Hancock Preferred Income Fund, John Hancock Preferred Income Fund II, John Hancock Series Trust, John Hancock Tax-Free Bond Trust, John Hancock Financial Trends Fund, Inc. (each, an "Investment Company" and collectively, the "Investment Companies"), and John Hancock Advisers, LLC (together with any entity controlling, controlled by or under common control with John Hancock Advisers, LLC, "JHA").

*Filing Dates:* The application was filed on April 24, 2003, and amended on February 7, 2006.

*Hearing or Notification of Hearing:* An order granting the requested relief will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on March 13, 2006, and should be accompanied by proof of service on applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

**ADDRESSES:** Secretary, U.S. Securities and Exchange Commission, 100 F St., NE., Washington, DC 20549-1090. Applicants, *c/o* David C. Phelan, Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, Massachusetts 02109.

**FOR FURTHER INFORMATION CONTACT:** Nadya B. Roytblat, Assistant Director, at (202) 551-6821 (Office of Investment Company Regulation, Division of Investment Management).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 100 F Street, NE., Washington, DC 20549-0102 (tel. 202-551-5850).

### Applicants' Representations

1. Each Investment Company is organized as a Massachusetts business trust or a Maryland corporation and is registered under the Act as an open-end or closed-end management investment company. Each Fund, as defined below, that is a series of an Investment Company has separate investment objectives, policies, and assets. JHA is

an investment adviser registered under the Investment Advisers Act of 1940 and serves as investment adviser to each Investment Company.<sup>1</sup>

2. Each Fund that is not a money market fund (a "Participating Fund") has, or may be expected to have cash that has not been invested in portfolio securities ("Uninvested Cash"). Uninvested Cash may result from a variety of sources, including dividends or interest received from portfolio securities, unsettled securities transactions, reserves held for investment strategy purposes, scheduled maturity of investments, liquidation of investment securities to meet anticipated redemptions and dividend payments, and new monies received from investors. Each Fund that is a series of an Investment Company may participate in a securities lending program ("Securities Lending Program") under which it may lend its portfolio securities to registered broker-dealers or other institutional investors deemed by JHA to be of good standing. The loans are secured by collateral, including cash ("Cash Collateral" and together, with Uninvested Cash, "Cash Balances"), equal at all times to at least the market value of the securities loaned. The Securities Lending Program, including the investment of Cash Collateral, will comply with all present and future applicable Commission and staff positions regarding securities lending arrangements. Currently, certain Participating Funds may be permitted to invest a portion of their assets in money market securities or other short-term obligations. Applicants state that Participating Funds either will be management investment companies registered under the Act ("Registered Participating Funds") or trusts or other entities that are excluded from the definition of investment company under section 3(c)(1), 3(c)(7) or 3(c)(11) of the Act (the "Non-Registered Participating Funds"). Applicants request an order to permit: (i) The Participating Funds to use their Cash Balances to purchase shares of one or more of the Funds registered under the Act as open-end

<sup>1</sup> Applicants request that any relief granted also apply to (a) any other registered management investment company or series thereof and (b) any entity excluded from the definition of investment company under section 3(c)(1), section 3(c)(7) or section 3(c)(11) of the Act, for which JHA is or in the future may serve as investment adviser or trustee exercising investment discretion (each, a "Fund," and together with the Investment Companies and any existing or future series of the Investment Companies, the "Funds"). All Funds that currently intend to rely on the requested order are named as applicants. Any other existing or future Fund will rely on the order only in accordance with the terms and conditions of the application.

management investment companies that are money market funds or short-term bond funds (the "Registered Central Funds," and together with the Registered Participating Funds, the "Registered Funds") or shares of one or more Funds that operate as cash management investment vehicles and that are excluded from the definition of investment company pursuant to section 3(c)(1) and 3(c)(7) of the Act (the "Non-Registered Central Funds," and together with the Non-Registered Participating Funds, the "Non-Registered Funds") (the Registered Central Funds and the Non-Registered Central Funds, collectively, the "Central Funds"); (ii) the Central Funds to sell their shares to and purchase (redeem) such shares from the Participating Funds; and (iii) JHA to effect the transactions in (i) and (ii) above.

3. Applicants state that certain Funds currently rely on rule 17a-7 under the Act to conduct certain purchase and sale transactions ("Interfund Transactions"). Applicants seek relief to permit these Interfund Transactions to continue in the event that the Participating Funds, pursuant to the requested order, use Cash Balances to purchase shares of the Central Funds and become affiliated persons of each other or affiliated persons of the Central Funds by virtue of owning 5% or more of the outstanding voting securities of a Central Fund. Applicants also seek relief to permit in-kind Interfund Transactions in which a Participating Fund, solely in instances where the Participating Fund holds portfolio securities that would be appropriate investments for a Central Fund, invests in the Central Fund by transferring such portfolio securities to the Central Fund in exchange for shares of the Central Fund.

4. The investment by each Registered Participating Fund in shares of the Central Funds will be in accordance with that Registered Participating Fund's investment policies and restrictions as set forth in its registration statement. The Registered Central Funds are or will be open-end management investment companies registered under the Act operating either as money market funds pursuant to rule 2a-7 under the Act or short-term bond funds that seek to achieve high current income consistent with the preservation of capital by investing in fixed-income securities and maintain a dollar-weighted average maturity of three years or less. The Non-Registered Central Funds will comply with rule 2a-7 under the Act.

## Applicants' Legal Analysis

### I. Investment of Cash Balances by the Participating Funds in the Central Funds

#### A. Section 12(d)(1)

1. Section 12(d)(1)(A) of the Act provides that no investment company may acquire securities of a registered investment company if such securities represent more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or if such securities, together with the securities of other acquired investment companies, represent more than 10% of the acquiring company's assets. Section 12(d)(1)(B) of the Act provides that a registered open-end investment company, its principal underwriter or any broker or dealer may not sell the company's securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock or if the sale will cause more than 10% of the acquired company's voting stock to be owned by investment companies. Any entity that is excluded from the definition of investment company under section 3(c)(1) or 3(c)(7) of the Act is deemed to be an investment company for the purposes of the 3% limitation specified in sections 12(d)(1)(A) and (B) with respect to purchases by and sales to such entity.

2. Section 12(d)(1)(F) of the Act provides that the Commission may exempt any person, security, or transaction from any provision of section 12(d)(1) if and to the extent that such exemption is consistent with the public interest and the protection of investors. Applicants request relief under section 12(d)(1)(F) to permit the Participating Funds to use their Cash Balances to acquire shares of the Registered Central Funds in excess of the percentage limitations in section 12(d)(1)(A), provided however, that in all cases a Registered Participating Fund's aggregate investment of Uninvested Cash in shares of the Central Funds will not exceed the greater of 25% of the Registered Participating Fund's total assets or \$10 million. Applicants also request relief to permit the Registered Central Funds to sell their securities to the Participating Funds in excess of the percentage limitations in section 12(d)(1)(B).<sup>2</sup>

3. Applicants state that the proposed arrangement will not result in the

<sup>2</sup> The references to Participating Funds in the paragraph do not include Funds relying on section 3(c)(11) of the Act.

abuses that sections 12(d)(1)(A) and (B) were intended to prevent. Applicants state that there is no threat of redemption to gain undue influence over the Registered Central Funds due to the highly liquid nature of each Registered Central Fund's portfolio. Applicants state that the proposed arrangement will not result in inappropriate layering of fees. Shares of the Central Funds sold to the Participating Funds will not be subject to a sales load, redemption fee, asset-based distribution fee, or service fee (as defined in rule 2830(b)(9) of the Conduct Rules of the National Association of Securities Dealers Inc. ("NASD Conduct Rules"). If a Central Fund offers multiple classes of shares, a Registered Participating Fund will invest in the class with the lowest expense ratio at the time of investment (after giving effect to the Registered Participating Fund's investment). Before the next meeting of the board of trustees ("Board") of a Registered Participating Fund that invests in the Central Funds is held for the purpose of voting on an advisory contract under section 15 of the Act, JHA will provide the Board with such information as the Board, including a majority of the directors or trustees who are not "interested persons," as defined in section 2(a)(19) of the Act (the "Independent Trustees"), may request to evaluate the effect of the investment of Uninvested Cash in a Central Fund upon the direct and indirect compensation by the Registered Participating Funds to JHA. Applicants represent that no Central Fund will acquire securities of any investment company or company relying on section 3(c)(1) or 3(c)(7) of the Act in excess of the limitations contained in section 12(d)(1)(A) of the Act.

#### *B. Section 17(a) of the Act*

1. Section 17(a) of the Act makes it unlawful for any affiliated person of a registered investment company, acting as principal, to sell or purchase any security to or from the investment company. Section 2(a)(3) of the Act defines an affiliated person of another person to include any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person, any person 5% or more of whose outstanding securities are directly or indirectly owned, controlled, or held with power to vote by the other person, any person directly or indirectly controlling, controlled by, or under common control with the other person, and any investment adviser to an investment company. Because JHA serves as, or will serve as each Fund's

investment adviser or trustee exercising investment discretion, the Funds may be deemed to be under common control and therefore affiliated persons of each other. In addition, if a Participating Fund purchases more than 5% of the voting securities of a Central Fund, the Central Fund and the Participating Fund may be affiliated persons of each other. As a result, section 17(a) would prohibit the sale of the shares of Central Funds to the Participating Funds, and the redemption of the shares by the Participating Funds.

2. Section 17(b) of the Act authorizes the Commission to exempt a transaction from section 17(a) of the Act if the terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned, and the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of the Act. Section 6(c) of the Act permits the Commission to exempt persons or transactions from any provision of the Act, if the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

3. Applicants submit that their request for relief to permit the purchase and redemption of shares of the Central Funds by the Participating Funds is consistent with the standards in sections 6(c) and 17(b) of the Act. Applicants note that shares of the Central Funds will be purchased and redeemed at their net asset value. Applicants state that the Registered Participating Funds will retain their ability to invest Cash Balances directly in money market instruments and other short-term obligations as permitted by their investment objectives and policies. Applicants state that a Registered Central Fund has the right to discontinue selling shares to any of the Participating Funds if the Registered Central Fund's Board or JHA determines that such sale would adversely affect the Registered Central Fund's portfolio management and operations.

#### *C. Section 17(d) of the Act and Rule 17d-1 Under the Act*

1. Section 17(d) of the Act and rule 17d-1 under the Act prohibit an affiliated person of a registered investment company, acting as principal, from participating in or effecting any transaction in connection with any joint enterprise or joint arrangement in which the investment company participates, unless the

Commission has approved the joint arrangement. Applicants state that the Participating Funds and the Central Funds, by participating in the proposed transactions, and JHA, by managing the proposed transactions, could be deemed to be participating in a joint arrangement within the meaning of section 17(d) and rule 17d-1.

2. In considering whether to approve a joint transaction under rule 17d-1, the Commission considers whether the registered investment company's participation in the joint transaction is consistent with the provisions, policies and purposes of the Act, and the extent to which the participation is on a basis different from or less advantageous than that of other participants. Applicants state that the investment by the Registered Participating Funds in shares of the Central Funds would be on the same basis and no different from or less advantageous than that of other participants. Applicants submit that the proposed transactions meet the standards for an order under rule 17d-1.

#### **II. Interfund Transactions**

1. As noted above, section 17(a) of the Act would prohibit the purchase and sale of portfolio securities between the Funds. Rule 17a-7 under the Act provides an exemption from section 17(a) for a purchase or sale of certain securities between a registered investment company and an affiliated person (or an affiliated person of an affiliated person), provided certain conditions are met, including that the affiliation between the registered investment company and the affiliated person (or an affiliated person of the affiliated person) must exist solely by reason of the entities having a common investment adviser, common directors and/or common officers and the transaction must be for no consideration other than cash. Applicants state that the Participating Funds could become affiliated persons of each other, and affiliated persons of the Central Funds, by virtue of a Participating Fund owning 5% or more of the outstanding voting securities of a Central Fund ("5% Ownership Affiliation"). In addition, a Participating Fund may invest in a Central Fund by transferring its portfolio securities to the Central Fund in exchange for shares of the Central Fund.

2. Applicants request relief under sections 6(c) and 17(b) of the Act to permit the Interfund Transactions. The Interfund Transactions for which relief is requested are transactions between Registered Participating Funds and Non-Registered Central Funds and between

Non-Registered Participating Funds and Registered Central Funds. Applicants submit that the requested relief satisfies the standards for relief in sections 6(c) and 17(b). Applicants state that, with respect to the Participating Funds' in-kind purchases of shares of the Central Funds, the consideration paid by the Participating Funds for shares of the Central Funds will be based on the net asset value of the Central Funds. With respect to the purchase and sale of portfolio securities between the Funds, Applicants state that the price paid for the securities will be the current market price of the securities. Further, Applicants state that the Funds will comply with the requirements set forth in rule 17a-7 in all respects other than (a) the requirement that the parties to the transactions be affiliated persons (or affiliated persons of affiliated persons) of each other solely by reason of having a common investment adviser or investment advisers that are affiliated persons of each other, common officers and/or common directors, solely because the Participating Funds and the Central Funds might become affiliated persons within the meaning of section 2(a)(3)(A) and (B) of the Act and (b) the requirement that the transactions be for no consideration other than cash, solely because certain of the Interfund Transactions may be effected in shares of a Central Fund.

#### Applicants' Conditions

Applicants agree that the order granting the requested relief shall be subject to the following conditions:

1. Shares of the Central Funds sold to and redeemed by the Participating Funds will not be subject to a sales load, redemption fee, asset-based distribution fee under a plan adopted in accordance with rule 12b-1 under the Act, or service fee (as defined in rule 2830(b)(9) of the NASD Conduct Rules).

2. Before the next meeting of the Board of the Registered Participating Fund that invests in the Central Funds is held for the purpose of voting on an advisory contract under section 15 of the Act, JHA will provide the Board with such information as the Board may request to evaluate the effect of the investment of Uninvested Cash in the Central Funds upon the direct and indirect compensation to JHA. Such information will include specific information regarding the approximate cost to JHA of, or portion of the advisory fee under the existing advisory contract attributable to, managing the Uninvested Cash of the Registered Participating Fund that can be expected to be invested in the Central Funds. In connection with approving any advisory

contract for a Registered Participating Fund, the Registered Participating Fund's Board, including a majority of the Independent Trustees, shall consider to what extent, if any, the advisory fees charged to the Registered Participating Fund by JHA should be reduced to account for reduced services provided to the Registered Participating Fund by JHA as a result of the Uninvested Cash being invested in the Central Funds. The minute books of the Registered Participating Fund will record fully the Board's consideration in approving the advisory contract, including the considerations relating to fees referred to above.

3. Each Registered Participating Fund will invest Uninvested Cash in, and hold shares of, the Central Funds only to the extent that the Registered Participating Fund's aggregate investment of Uninvested Cash in the Central Funds does not exceed the greater of 25% of the Registered Participating Fund's total assets or \$10 million.

4. Investment by a Registered Participating Fund in shares of the Central Funds will be in accordance with each Registered Participating Fund's respective investment restrictions and will be consistent with each Registered Participating Fund's investment policies as set forth in its prospectus and statement of additional information.

5. Each Registered Participating Fund and the Registered Central Fund in which it invests shall be in the same group of investment companies as defined in section 12(d)(1)(G) of the Act. Each Non-Registered Fund that may rely on the order shall have JHA as its investment adviser or trustee exercising investment discretion.

6. No Central Fund shall acquire securities of any investment company or company relying on section 3(c)(1) or 3(c)(7) of the Act in excess of the limits contained in section 12(d)(1)(A) of the Act.

7. The Non-Registered Central Funds will comply with the requirements of sections 17(a), (d), and (e), and 18 of the Act as if the Non-Registered Central Funds were registered open-end investment companies. With respect to all redemption requests made by a Participating Fund, the Non-Registered Central Funds will comply with section 22(e) of the Act. JHA will adopt procedures designed to ensure that each Non-Registered Central Fund complies with sections 17(a), (d), and (e), 18 and 22(e) of the Act. JHA will also periodically review and update as appropriate such procedures and will maintain books and records describing

such procedures, and maintain the records required by rules 31a-1(b)(1), 31a-1(b)(2)(ii), and 31a-1(b)(9) under the Act. All books and records required to be made pursuant to this condition will be maintained and preserved for a period of not less than six years from the end of the fiscal year in which any transaction occurred, the first two years in an easily accessible place, and will be subject to examination by the Commission and its staff.

8. Each Non-Registered Central Fund will comply with rule 2a-7 under the Act and will use the amortized cost method of valuation. With respect to each Non-Registered Central Fund, JHA will adopt and monitor the procedures described in rule 2a-7(c)(7) under the Act and will take such other actions as are required to be taken under those procedures. A Participating Fund may only purchase shares of a Non-Registered Central Fund if JHA determines on an ongoing basis that the Non-Registered Central Fund is in compliance with rule 2a-7. JHA will preserve for a period of not less than six years from the date of determination, the first two years in an easily accessible place, a record of such determination and the basis upon which the determination was made. This record will be subject to examination by the Commission and its staff.

9. Each Participating Fund will purchase and redeem shares of any Non-Registered Central Fund as of the same time and at the same price, and will receive dividends and bear its proportionate share of expenses on the same basis, as other shareholders of the Non-Registered Central Fund. A separate account will be established in the shareholder records of each Non-Registered Central Fund for the account of each Participating Fund that invests in such Non-Registered Central Fund.

10. To engage in Interfund Transactions, the Funds will comply with rule 17a-7 under the Act in all respects other than (a) the requirement that the parties to the transaction be affiliated persons (or affiliated persons of affiliated persons) of each other solely by reason of having a common investment adviser, or investment advisers which are affiliated persons of each other, common officers, general partners, trustees, managers and/or common directors, solely because a Participating Fund and a Central Fund might become affiliated persons within the meaning of section 2(a)(3)(A) and (B) of the Act and (b) the requirement that the transactions be for no consideration other than cash, solely because certain of the Interfund Transactions may be effected in shares of a Central Fund.

11. Before a Registered Participating Fund may participate in the Securities Lending Program, a majority of the Board (including a majority of the Independent Trustees) will approve the Registered Participating Fund's participation in the Securities Lending Program. No less frequently than annually, the Board also will evaluate, with respect to each Registered Participating Fund, any securities lending arrangement and its results and determine that any investment of Cash Collateral in the Central Funds is in the best interests of the Registered Participating Fund.

12. The Board of each Registered Participating Fund will satisfy the fund governance standards as defined in rule 0-1(a)(7) under the Act by the compliance date for the rule.

For the Commission, by the Division of Investment Management, under delegated authority.

**J. Lynn Taylor,**

*Assistant Secretary.*

[FR Doc. E6-2534 Filed 2-22-06; 8:45 am]

BILLING CODE 8010-01-P

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53319; File No. SR-Amex-2006-13]

### Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Extend the Deadline for Implementation of the ANTE System

February 15, 2006.

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 February 6, 2006, 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 prepared by the Exchange. Amex has designated this proposal as non-controversial under Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposed rule change 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 amend Amex Rule 900—ANTE to extend the deadline for implementation of the Amex New Trading Environment trading platform (the "ANTE System" or "ANTE") for all option classes from December 31, 2005, to June 30, 2006. The text of the proposed rule change is available on Amex's Web site (<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, 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

On May 20, 2004, the Commission approved Amex's proposal to implement a new options trading platform known as ANTE.<sup>5</sup> On May 25, 2004, Amex began rolling out the ANTE System on its trading floor on a specialist's post-by-specialist's post basis. At that time it was anticipated the roll-out would be completed by the end of the second quarter of 2005. The implementation date for the full roll-out of the ANTE System was subsequently extended to December 31, 2005.<sup>6</sup> Amex has rolled out the ANTE System to all its option classes except one—the Nasdaq 100 Index ("NDX"). NDX has the largest notional value of any option class, with average option premiums of \$40. The specialist for this product is concerned that the theoretical price calculator provided by the ANTE System may not accurately price the options on this index. The specialist has installed its own theoretical index price

calculator, which currently calculates prices for the firm's other options products, including the Mini Nasdaq Index (MNX), an index valued at one-tenth the value of NDX. The specialist for NDX has sought more time to gain experience using its proprietary price calculator before it moves NDX onto the ANTE System. The Exchange expects that NDX will be moved onto the ANTE System by June 30, 2006.

Amex is now proposing to revise its implementation schedule to provide that all option classes traded by the Exchange will be on the ANTE System by June 30, 2006. Maintaining two platforms for options trading—the legacy systems (AODB, the Amex Options Display Book; XTOPS, Amex's theoretical price calculator; and Auto-Ex) and ANTE—is costly. In a separate filing submitted February 6, 2006, for immediate effectiveness pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>7</sup> the Exchange is proposing to impose a Technology Assessment Fee on members for the continued use of its legacy options trading systems.<sup>8</sup> The intent of this assessment is to recover some of the costs incurred for maintaining the legacy systems and to provide an additional incentive to the NDX specialist to transition NDX to the ANTE System as soon as possible.

###### 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 furthers the objectives of Section 6(b)(5)<sup>10</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 foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest; and is not designed to permit unfair discrimination between customers, issuers, brokers, and dealers.

##### 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

<sup>7</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>8</sup> See File No. SR-Amex-2006-12, notice of which the Commission is separately publishing for comment today (Securities Exchange Act Release No. 53318).

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

<sup>10</sup> 15 U.S.C. 78f(b)(5).

<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).

<sup>5</sup> See Securities Exchange Act Release No. 49747, 69 FR 30344 (May 27, 2004) (File No. SR-Amex-2003-89).

<sup>6</sup> See Securities Exchange Act Release No. 52984 (December 20, 2005), 70 FR 76472 (December 27, 2005) (File No. SR-Amex-2005-123).