



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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**Form 19b-4 Information**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**1. Text of the Proposed Rule Change**

(a) The American Stock Exchange LLC (“Amex” or “Exchange”) proposes to amend Rule 154—AEMI (k) to prohibit specialist firms from charging commissions on transactions in Exchange Traded Fund Shares. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

**2. Procedures of the Self-Regulatory Organization**

(a) The proposed rule change was approved by the Exchange's Board of Governors on May 31, 2007. No further action by the Board or by the membership of the Exchange is required to be taken.

(b) The following Exchange staff member is prepared to respond to questions and comments on the proposed rule change:

Claire P. McGrath  
Senior Vice President and General Counsel  
(212) 306-1885

**3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

(a) *Purpose*

The Exchange proposes to amend Rule 154—AEMI (k)<sup>1</sup> to prohibit specialists from charging commissions on transactions in Exchange Traded Fund Shares (“ETFs”).

Previously, the Exchange has sought to place various limitations on the charging of specialist

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<sup>1</sup> The Exchange received approval on June 15, 2007 for a proposal to add subparagraph (k) to Rule 154—AEMI. Proposed Rule 154—AEMI (k), which applies to both equities and ETFs, and provides for (1) the extension of the application of the limitations on specialist commissions to Exchange Traded Fund Shares (“ETFs”) and equities trading on the AEMI System; (2) the expansion of the prohibition on specialist commissions to market at the close orders and limit at the close orders; (3) the specification that specialist commissions can only be charged for orders that are executed and not for orders that are cancelled or expire unexecuted. *See*, Securities Exchange Act Release No. 55913 (June 15, 2007) 72 FR 34323 (June 21, 2007) Order approving proposed rule change SR-Amex 2007-13.

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”) to (i) eliminate Exchange transaction charges for ETF specialists; (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 the effectiveness of 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 the 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 specialist commissions in order to provide consistency and clarity to all members and the public that orders sent to the 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 specialists and registered traders to provide more liquid and competitive markets in combination with the prohibition on the charging of specialist commissions 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.

(b) *Basis*

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations under the Act applicable to a national securities exchange and, in

particular, the requirements of Section 6(b)<sup>2</sup> of the Act. Specifically, the Exchange believes the proposed rule change is consistent with the requirements of Section 6(b)(5)<sup>3</sup> of the Act 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)<sup>4</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.

4. **Self-Regulatory Organization's Statement on Burden on Competition**

The proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the 1934 Act.

5. **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.

6. **Extension of Time Period for Commission Action**

The Exchange does not consent to an extension of the time period for Commission consideration of the proposed rule change specified in Section 19(b)(2) of the Act.<sup>5</sup>

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

(a) This filing is made pursuant to Paragraph (A) of Section 19(b)(3). The Exchange believes that this rule change qualifies for expedited approval as a “non-controversial” rule change under the Commission Rule 19b-4(f)(6).

(b) The proposed rule change does not significantly affect the protection of investors or the public interest and does not impose any significant burden on competition. In addition, the

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<sup>2</sup> 15 U.S.C. 78f(b).

<sup>3</sup> 15 U.S.C. 78f(b)(5).

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

proposed rule change does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The Exchange has provided the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change on June 12, 2007, which is at least five business days prior to the date of the filing of the proposed rule change. The Exchange believes that this rule change qualifies for expedited approval as a “non-controversial” rule change under Commission Rule 19b-4(f)(6) because the proposal raises no new regulatory issues, and is concerned solely with a matter that is not likely to engender adverse comments or require the degree of review attendant with more controversial filings.

The Exchange requests the Commission waive the 30-day operative delay specified in Rule 19b-4(f)(6)(iii)<sup>6</sup> with respect to the proposed rule change and the effectiveness of the rule change be made operative on July 1, 2007, the same day the fee changes included in the Fee Filing take effect. The ETF specialist firms affected by the proposal have all 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 are all 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. It is essential that the proposal in this filing take effect at the same time as the proposals set forth in the Fee Filing. Therefore, the Exchange believes that waiving the 30-day operative delay is consistent with the protection of investors and the public interest.

(c) Not applicable.

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<sup>5</sup> 15 U.S.C. 78f(b)(2).

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

(d) Not applicable.

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

The proposed rule change is based in part on (1) a previous program by the Exchange in which it prohibited specialists from charging commissions on certain types of transaction and instituted a revenue sharing program in conjunction with the prohibition to offset the specialists' loss of commissions<sup>7</sup>; and (2) program recently instituted by the New York Stock Exchange ("NYSE") to prohibit specialist firms from charging commissions on transactions in their specialty securities (including ETFs) in conjunction with a revenue sharing program for specialists<sup>8</sup>.

9. **Exhibits**

List of Exhibits Filed:

1. Notice of Proposed Rule Change for publication in the **Federal Register**.
2. Not applicable.
3. Not applicable.
4. Not applicable.
5. Text of proposed rule change.

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<sup>7</sup> Securities Exchange Act Release No. 42076 (October 28, 1999) 64 FR 69254 (November 4, 1999) Notice of Filing and Immediate Effectiveness of SR-Amex 99-44.

<sup>8</sup> Securities Exchange Act Release No. 54850 (November 30, 2006) 71 FR 71217 (December 8, 2006) Notice of Filing and Immediate Effectiveness of SR-NYSE 2006-105.

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-                   ; File No. SR-Amex-2007-67)  
Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by  
American Stock Exchange LLC Relating to Exchange Rules Regarding Specialist  
Commissions**

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Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on \_\_\_\_\_, 2007, the American Stock Exchange LLC (“Amex” or “Exchange”) filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. 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 specialist firms from charging commissions on transactions in Exchange Traded Fund Shares.

The text of the proposed rule change is available on the Amex’s website at <http://www.amex.com>, the Office of the Secretary, the Amex 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 self-regulatory organization 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 self-regulatory organization 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 the Statutory Basis for, the Proposed Rule Change

(1) Purpose

The Exchange proposes to amend Rule 154—AEMI (k)<sup>1</sup> to prohibit specialists from charging commissions on transactions in Exchange Traded Fund Shares (“ETFs”). Previously, the Exchange has sought to place various limitations on the charging of 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”) to (i) eliminate Exchange transaction charges for ETF specialists; (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 the effectiveness of this filing operative on July 1, 2007, the same day the changes contained in the Fee Filing become operative.

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<sup>1</sup> The Exchange received approval on June 15, 2007 for a proposal to add subparagraph (k) to Rule 154—AEMI. Proposed Rule 154—AEMI (k), which applies to both equities and ETFs, and provides for (1) the extension of the application of the limitations on specialist commissions to Exchange Traded Fund Shares (“ETFs”) and equities trading on the AEMI System; (2) the expansion of the prohibition on specialist commissions to market at the close orders and limit at the close orders; (3) the specification that specialist commissions can only be charged for orders that are executed and not for orders that are cancelled or expire unexecuted. *See*, Securities Exchange Act Release No. 55913 (June 15, 2007) 72 FR 34323 (June 21, 2007) Order approving proposed rule change SR-Amex 2007-13.

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 the 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 specialist commissions in order to provide consistency and clarity to all members and the public that orders sent to the 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 specialists and registered traders to provide more liquid and competitive markets in combination with the prohibition on the charging of specialist commissions 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 proposed rule change is consistent with the Act and the rules and regulations under the Act applicable to a national securities exchange and, in particular, the requirements of Section 6(b)<sup>2</sup> of the Act. Specifically, the Exchange believes the proposed rule change is consistent with the requirements of Section 6(b)(5)<sup>3</sup> of the Act 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

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<sup>2</sup> 15 U.S.C. 78f(b).

<sup>3</sup> 15 U.S.C. 78f(b)(5).

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)<sup>4</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 proposed rule change does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the 1934 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>5</sup> and Rule 19b-4(f)(6)<sup>6</sup> thereunder because it does not: (i) significantly affect the 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; and the Exchange has given the Commission written notice of its intention to file the proposed rule change at least five business days prior to filing. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it

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

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>6</sup> 17 CFR 240.19b-4(f)(2).

appears to the Commission that such action is necessary of appropriate in the public interest, for the protection of investors, or otherwise in the furtherance of the purposes of the Securities Exchange Act of 1934.

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 at <http://www.sec.gov/rules/sro.shtml> or send an e-mail to [rulecomments@sec.gov](mailto:rulecomments@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 20549-0609.

All submissions should refer to File No. 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 at

<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. 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 No. SR-Amex-2007-67 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>7</sup>

Dated:

Nancy M. Morris  
Secretary

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<sup>7</sup> 17 CFR 200.30-3(a)(12).

**SR Amex 2007-67  
EXHIBIT 5**

**AMERICAN STOCK EXCHANGE LLC  
Proposed Rule Change**

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It is proposed that the following provisions of the American Stock Exchange Rules be amended as set forth below. [Bracketing] indicates text to be deleted and underlining indicates text to be added.

**Orders in AEMI**

**Rule 154—AEMI** (a) through (j) No change.

(k) (i) Equity Securities—A specialist shall not charge a commission for handling an order (or portion thereof) that is not executed, an order that is executed on an opening or reopening, an at the close order (either market or limit) or an order (or portion thereof) that is executed against the specialist as principal (see Amex Rule—AEMI 152(c)). Without limiting the foregoing, a specialist also shall not charge a commission for the execution of an off floor order delivered to the specialist through the Exchange's electronic order routing systems except in the following cases:

- (i) A limit order executed more than two minutes from the time of receipt on the book. In the case of a limit order partially executed in two minutes or less and partially executed in more than two minutes, a specialist shall not charge a commission for handling the portion of the order executed in two minutes or less.
- (ii) A tick sensitive (market or limit) order that is not executed upon receipt in the book by the Exchange's automatic execution facilities.
- (iii) A stop or stop limit order.
- (iv) A fill-or-kill or an immediate-or-cancel order that is not executed upon receipt in the book by the Exchange's automatic execution facilities.
- (v) An order for the account of a competing market maker.

For purposes of this paragraph (k), in all instances where an order received by the specialist is canceled and replaced with another order, the replacement shall be deemed to be a new order.

(ii) Exchange Traded Fund Shares and Trust Issued Receipts—A specialist shall not charge a commission for handling an order in his specialty securities.