

The Exchange submitted Amendments No. 1, 2, 3, 4, 5, 6, 7, 8,³ 9,⁴ 10,⁵ and 11⁶ on February 25, 2002, May 6, 2002, May 29, 2002, June 18, 2002, July 17, 2002, September 16, 2002, January 21, 2003, July 15, 2003, July 25, 2003, August 26, 2003, and September 12, 2003, respectively. 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 Amex proposes to amend Amex Rule 933 to adopt provisions concerning the Exchange's automated quotation and execution systems. In addition, the Exchange proposes to amend Amex Rule 590(g) to provide that a violation of Rule 933, Commentary .04(d) will be a part of the Exchange's Minor Floor Violation Disciplinary System. The text of the proposed rule change is set forth below. Additions are in italics.

American Stock Exchange LLC

Rule 590 Minor Rule Violation Fine System

Part 1

General Rule Violations

(a) through (f) No change.

(g) The Enforcement Department may impose fines according to the following schedule for the rule violations listed below:

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³ For Amendments No. 1 through 8, the Exchange filed a new Form 19b-4 each time, which replaced and superseded the original proposal and all previous amendments in their entirety.

⁴ Letter from Claire P. McGrath, Senior Vice President and Deputy General Counsel, Amex, to Elizabeth King, Associate Director, Division of Market Regulation ("Division"), Commission, dated July 24, 2003 ("Amendment No. 9"). Amendment No. 9 transfers to the list of rules enforced by the Amex Enforcement Department under paragraph (g) of Amex Rule 590 the requirement set forth in proposed Amex Rule 933, Commentary .04(d) that the specialist use his best efforts to attempt to ensure that the registered options trader responsible for disseminating the best bid or offer receives an allocation of the next automatic execution.

⁵ The Exchange filed a new Form 19b-4, which replaced and superseded the original proposal and all previous amendments in their entirety.

⁶ Letter from Claire P. McGrath, Senior Vice President and Deputy General Counsel, Amex, to Elizabeth King, Associate Director, Division, Commission, dated September 11, 2003 ("Amendment No. 11"). Amendment No. 11 revises proposed changes to Amex Rule 590(g) to clarify that a specialist who fails to properly allocate executed contracts to the price-improving registered options trader must pay restitution in amount calculated by multiplying the number of contracts that should have been allocated to the price-improving registered options trader by the number of underlying shares represented by each contract, which would then be multiplied by half of the spread between the option's bid and offer at the time the order was executed.

• *Failure to use best efforts to attempt to ensure that the next Auto-Ex execution is appropriately allocated to the price improving registered options trader. In addition to the applicable fine imposed for violations of this provision, the specialist shall also be required to pay restitution in amount calculated by multiplying the number of contracts that should have been allocated to the price-improving registered options trader by the number of underlying shares represented by each contract and that amount is then multiplied by half of the spread between the option's bid and offer at the time the order was executed. (Rule 933, Commentary .04(d)).*

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Rule 933 Automatic Execution of Options Orders

(a) through (g) No change.

* * * Commentary

.01 through .03 No change.

.04 (a) *With respect to all option classes and series traded on the Exchange, market and marketable limit orders otherwise eligible for an Auto-Ex execution will by-pass Auto-Ex if the best bid or offer is represented by a registered options trader in the trading crowd. The price improving registered options trader shall have priority for and be the contra-party to the next Auto-Ex execution at the disseminated bid or offer up to the price improving registered options trader's disseminated size provided:*

(i) *the price improving registered options trader has (a) inputted directly his improved quote into the Electronic Entry Device ("EE Device"); (b) instructed an Exchange Systems clerk to input the improved quote; or (c) requested the specialist to disseminate his improved quote. In each instance the inputted quote is disseminated through the Exchange's Market Data System to the Options Price Reporting Authority;*

(ii) *the price improving registered options trader is physically located in the trading crowd at the time the improved quote is inputted. To reduce the possibility of remote market making, registered options traders will only be allowed to place one order or quote per series on the same side of the market. If the registered options trader leaves the trading crowd, he must remove his quotes in all series. If the registered options trader fails to remove his quotes and an incoming order executes against one or more of those quotes, the registered options trader will not be able to participate in the trade. Unless, however, the specialist is unable to otherwise allocate the trade to other market participants at the same price,*

the registered options trader responsible for causing the quote to be disseminated shall be assigned as contra-party to the incoming trade;

(iii) *the price improving registered options trader has announced loudly and audibly in the crowd that he has improved the disseminated bid or offer;*

(iv) *the specialist was alerted by the price improving registered options trader or the Systems clerk to provide for the by-pass of Auto-Ex;*

(v) *the price improving registered options trader has improved the best bid or offer by an amount equal to at least the minimum price variation set forth in Rule 952; and*

(vi) *the price improving registered options trader has disseminated the minimum quote size. The minimum quote size of the improved bid or offer shall be 20 contracts unless the Auto-Ex eligible size parameter for that option class is less than 20 contracts, in which case the minimum quote size would be the same as the lesser Auto-Ex eligible size parameter for that option class.*

(b) *A registered options trader who has disseminated or caused to be disseminated a price improving quote shall be the responsible broker or dealer as that term is defined in Rule 958A and shall have all obligations of a responsible broker or dealer as set forth in that Rule. A price improving registered options trader may cancel his quote in the same method in which it was entered: (i) Through the use of the EE Device (regardless of whether inputted by the registered options trader or the systems clerk), if that was the method in which the quote was entered or through the specialist, if that was the method chosen; (ii) by announcing loudly and audibly that he is canceling the quote; and (iii) by alerting the specialist so that the Auto-Ex by-pass feature can be removed.*

(c) *The specialist in a given option class may also disseminate or cause to be disseminated his own individual, price improving quote separate from the auto-quote, provided he complies with the provisions of paragraph (a), subparagraphs (ii), (iii), (v) and (vi) above. The specialist will not be able to use the EE Device to disseminate his individual price improving quote.*

(d) *The specialist shall use best efforts to attempt to ensure that the registered options trader responsible for disseminating the best bid or offer (i) is allocated the next Auto-Ex execution in its entirety if that execution is less than or equal to the price improving registered options trader's disseminated size; or (ii) is allocated that portion of the next Auto-Ex execution equal to the price improving registered options*