SECURITIES AND EXCHANGE COMMISSION

Classified National Security Information

AGENCY: Securities and Exchange Commission.

ACTION: Notice.

SUMMARY: Pursuant to the Information Security Oversight Office's *Classified National Security Information Directive No. 1,* this notice provides the address to which mandatory declassification review requests may be sent. Requests should be addressed to the Securities and Exchange Commission, Office of the Executive Director, 100 F Street, NE., Washington, DC 20549.

Dated: January 20, 2006.

Nancy M. Morris,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–53148; File No. SR–Amex–2005–131]

Self-Regulatory Organizations; American Stock Exchange LLC; Notice of Filing and Order Granting Accelerated Approval to a Proposed Rule Change and Amendment No. 1 Thereto Relating to the Implementation of a Quote Risk Manager

January 19, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] and Rule 19b–4 thereunder,[2] notice is hereby given that on December 27, 2005, the American Stock Exchange LLC (''Amex'' or ''Exchange'') 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. On January 13, 2006, the Amex filed Amendment No. 1 to the proposed rule change.[3] The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons. In addition, the Commission is granting accelerated approval of the proposed rule change, as amended.

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

[2] 17 CFR 240.19b–4.

[3] Amendment No. 1, which replaced and superseded the original filing in its entirety, made certain additions to the purpose section and minor changes to the text of the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Amex proposes to amend Exchange Rule 958—ANTE to codify a change to the Exchange's ANTE System to allow specialists and registered options traders (''ROTs'') to establish an options ''Quote Risk Manager.'' The text of the proposed rule change, as amended, is below. Proposed new language is in *italics.*

Rule 958—ANTE Options Transactions of Registered Options Traders

(a)–(h) No Change.

. . . **Commentary**

.01–.09 No Change.

.10 ANTE Participant Quotations

Automated Quotation Adjustments—An ANTE Participant may establish parameters by which ANTE will automatically restate the prices of ANTE Participant quotations in all series of an options class, at prices specified by the ANTE Participant, if within an Exchange-specified time period such ANTE Participant, in the aggregate, executes a number of trades, specified by the ANTE Participant, for that options class. The threshold number of trades shall be pre-established by the ANTE Participant for each options class.

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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 had received on the proposed rule change. The text of these statements may be examined at the places specified in Item III below. The Amex 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

Exchange rules require option specialists to continuously provide and maintain a two-sided market of at least ten contracts for every series of every option class they are allocated.[4] Although not required, ROTs often continuously provide and maintain two-sided markets in every series of every option class they are assigned.[5] This continuous quoting obligation can, at times, subject specialists and ROTs to unintended and often unacceptable levels of risk. Each option class has at least twelve (12) series and many option classes have significantly more series.[6]

The Exchange's ANTE System, which provides for the nearly simultaneous execution of orders in these numerous series, subjects specialists and ROTs to executions at their quoted market with little or no ability to adjust the quote in response to the number of contracts traded at a given price, particularly if orders arrive in quick succession from multiple sources in various related option series. Accordingly, specialists and ROTs are vulnerable to the risk that, through an error in their pricing decisions or because of market developments, they will receive multiple executions at disadvantageous prices across all of the related option series in an option class—all before they are able to react and adjust their quotes. As a result, the quality of the markets available to customers may suffer because, under such circumstances, specialists and ROTs are likely to quote less aggressively and limit the size of their quotes to avoid the attendant risks and costs.

In order to protect specialists and ROTs from this unreasonable level of risk of multiple and nearly simultaneous executions in related options series, the Exchange has developed an enhancement to the ANTE System which is referred to as the ''Quote Risk Manager.'' The ''Quote Risk Manager'' would provide the ability for specialists and ROTs to automatically restate their quote to an inferior price (*i.e.*, the widening of quotes).[7] The result of this ''widened quote'' would be to prevent further executions, since in the ANTE System trades are subject to execution at a price no worse than the national best bid or offer.[8]

[4] *See* Exchange Rule 950—ANTE (1).

[5] *See* Exchange Rule 958—ANTE (h)(iii)(A).

[6] For a typical equity option class, the Exchange lists both puts and calls in four expiration months with three strike prices within each expiration month. Many option classes also have puts and calls with numerous strike prices in two long-term expiration series. As the underlying stock price moves, additional strike prices are added for each expiration. Options on volatile stocks can have well over 100 different series trading at any given time. For example, there are over 400 different series traded in Google (GOOG).

[7] Specialists and ROTs may not exceed the legal width requirements as set forth in Exchange Rule 958—ANTE(c).

[8] The Exchange established time period shall initially be five (5) seconds. If the Exchange were to change this time period it would provide notice to the specialists and ROTs.