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EXEMPTIONS CLAIMED FOR THE SYSTEM:

None.

Dated: January 31, 2006.

By the Commission.

Nancy M. Morris,
Secretary.

[FR Doc. E6-1574 Filed 2-3-06; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53191; File No. SR-Amex-2005-061]

**Self-Regulatory Organizations;
American Stock Exchange LLC; Notice
of Filing and Order Granting
Accelerated Approval to Proposed
Rule Change and Amendment No. 1
Thereo Relating to the Listing and
Trading of Options on Certain Russell
Indexes**

January 30, 2006.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act") and Rule 19b-4 thereunder,² notice is hereby given that on June 3, 2005, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange.³ On July 14, 2005, Amex submitted Amendment No. 1 to the proposed rule change.⁴ The Commission is publishing this notice and order to solicit comments on the proposed rule change, as amended, from interested persons and to approve the proposal on an accelerated basis.

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

The Exchange proposes to list and trade on the Exchange the following cash-settled, European-style index options on the full value of the following Russell Indexes: (1) Russell 1000[®] Index; (2) Russell 1000[®] Growth Index; (3) Russell 1000[®] Value Index; (4) Russell 2000[®] Index; (5) Russell 2000[®] Growth Index; (6) Russell 2000[®] Value Index; (7) Russell 3000[®] Index; (8) Russell 3000[®] Growth Index; (9) Russell 3000[®] Value Index; (10) Russell Midcap[®] Index; (11) Russell Midcap[®] Growth Index; (12) Russell Midcap[®] Value Index and (13) Russell Top 50[®] Index (each an "Index," and collectively, the "Russell Indexes" or "Indexes"). Additionally, the Exchange is also proposing to be able to list and

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Commission has made technical and clarifying changes to this notice with Amex's consent. Telephone conversation between Florence Harmon, Special Counsel, Division of Market Regulation ("Division"), Commission, Angela Muehr, Attorney, Division, Commission, Kristie Diemer, Attorney, Division, Commission and Jeffrey P. Burns, Associate General Counsel, Amex on June 29, 2005.

⁴ In Amendment No. 1, Amex made clarifying changes to the contract specifications.

trade long-term options on each of the full value Russell Indexes noted above.⁵

The text of the proposed rule change is available on Amex's Web site at <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 III 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 the
Statutory Basis for, the Proposed Rule
Change*

(1) Purpose

The purpose of the proposed rule change is to permit the Exchange to list and trade cash-settled, European-style, stock index options on the Russell Indexes. Each Russell Index is a capitalization-weighted index containing various groups of stocks drawn from the largest 3,000 companies incorporated in the U.S. and its territories. All component securities of the Russell Indexes are traded on the Amex, New York Stock Exchange, Inc. ("NYSE"), or The Nasdaq Stock Market, Inc. ("Nasdaq"). Options contracts on the Russell Indexes (except for the Russell Top 50) are currently listed and traded on the Chicago Board Options Exchange, Incorporated ("CBOE") and the International Securities Exchange, Inc. ("ISE").⁶

⁵ Under Amex Rule 903C(a)(iii), "Long-term Options Series," the Exchange may list long-term options that expire twelve to sixty months from the date of issuance.

⁶ See Securities Exchange Act Release Nos. 51619 (April 27, 2005), 70 FR 22947 (May 3, 2005) (approving the listing and trading of ISE options on 21 Russell Indexes); 49388 (March 10, 2004), 69 FR 12720 (March 17, 2004) (approving listing and trading on CBOE of options, including LEAPS, on the Russell Top 200 Index, Russell Top 200 Growth Index, and the Russell Top 200 Value Index); 48591 (October 2, 2003), 68 FR 58728 (October 10, 2003) (approving listing and trading on CBOE of options, including LEAPS, on the Russell 3000 Index, Russell 3000 Value Index, Russell 3000 Growth Index, Russell 2000 Value Index, Russell 2000 Growth Index, Russell 1000 Index, Russell 1000 Value Index, Russell 1000 Growth Index, Russell MidCap Index, Russell MidCap Value Index, and

Continued

Index Design and Composition

The Russell Indexes are designed to be a comprehensive representation of the investable U.S. equity market. These Indexes are capitalization-weighted and include only those common stocks of corporations domiciled in the U.S. and its territories and that are traded on Amex, NYSE, or Nasdaq. The component securities are weighted by their "available" market capitalization (also called "float-adjusted" market capitalization), which is calculated by multiplying the primary market price by the "available" shares.⁷

The following is a brief description of each Index:⁸

Russell 3000—Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

Russell 3000 Growth—Measures the performance of those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indexes.

Russell 3000 Value—Measures the performance of those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth values. The stocks in this index are also members of either the Russell 1000 Value or the Russell 2000 Value.

Russell 2000—Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, representing approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 2000 Growth—Measures the performance of those Russell 2000 Companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Value—Measures the performance of those Russell 2000

Companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000—Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index.

Russell 1000 Growth—Measures the performance of those Russell 1000 Companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value—Measures the performance of those Russell 1000 Companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap—Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 26% of the total market capitalization of the Russell 1000 Index.

Russell Midcap Growth—Measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

Russell Midcap Value—Measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

Russell Top 50—Measures the performance of the 50 largest companies in the Russell 3000 Index, representing approximately 41% of the total market capitalization of the Russell 3000.

All equity securities listed on Amex, NYSE, or Nasdaq are considered for inclusion in the universe of stocks that comprise the Russell Indexes, with the following exceptions: (1) Stocks trading less than \$1.00 per share on May 31 each year; (2) non-U.S. incorporated companies; and (3) preferred and convertible preferred stock, redeemable shares, participating preferred stock, warrants and rights, trust receipts, royalty trusts, limited liability companies, Bulletin Board and Pink Sheet stocks, closed-end investment companies, limited partnerships, and foreign stocks. As a special exception, Berkshire Hathaway is also excluded. The Russell 3000 Index is comprised of the top 3,000 eligible stocks ranked by available market capitalization. All of these stocks are "reported securities," as defined in Rule 11Aa3-1(a)(4) under the Act.⁹

All of the Russell Indexes described above are subsets of the Russell 3000 Index. The Growth and Value versions of each of the Russell 1000, Russell 2000, Russell 3000 and Russell Midcap may contain common components, but the capitalization of those components is apportioned so that the sum of the total capitalization of the Growth and Value indexes equals the total capitalization of the respective primary index.

As of May 5, 2005, the stocks comprising the Russell 3000 Index (and the other Russell Indexes) had an average market capitalization of \$4.519 billion ranging from a high of \$380.007 billion (General Electric Co.) to a low of \$22.2 million (ITC Deltacom, Inc.). The number of available shares outstanding ranged from a high of 10.8 billion (Microsoft Corp.) to a low of 1.26 million (Seaboard Co.), and averaged 144.5 million shares. The six-month average daily trading volume for Russell 3000 Index components was 1.072 million shares per day, ranging from a high of 83.2 million shares per day (Sirius Satellite Radio) to a low of 1,500 shares per day (Wesco Financial Corp.). Component securities that averaged less than 50,000 shares per day for the previous six months accounted for 0.75% of the index weight. Over 66.18% of the Russell 3000 Index components satisfied Amex's listing criteria for equity options as set forth in Amex Rule 915, representing over 94.82% of the index weight.

The Russell Indexes themselves range in capitalization from a high of \$13.6 trillion (Russell 3000) to a low of \$866.2 billion (Russell 2000 Growth). The number of index components range from a high of 3,019 (Russell 3000) to a low of 49 (Russell Top 50). The Russell 1000 Growth Index has the highest percentage of options-eligible components with 100% by weight and 100% by number. The Russell 2000 Value Index has the lowest percentage of options-eligible components with 54.70% by weight and 44.97% by number.

Index Calculation and Index Maintenance

The values of each Index are currently calculated by Reuters on behalf of the Frank Russell Company and would be disseminated at 15-second intervals during regular Amex trading hours to market information vendors via the

Telephone conversation between Florence Harmon, Special Counsel, Division, Commission and Jeffrey P. Burns, Associate General Counsel, Amex on January 29, 2006.

Russell MidCap Growth Index); and 31382 (October 30, 1992), 57 FR 52802 (November 5, 1992) (approving listing and trading on CBOE of options, including LEAPS, on the Russell 2000 Index). Amex recently listed the Rydex Russell Top 50 ETF and options on the Rydex Russell Top 50 ETF. See <http://www.amex.com>.

⁷ "Available shares" are the total shares outstanding less corporate cross-owned shares, ESOP and LESOP-owned shares comprising 10% or more of shares outstanding, unlisted share classes and shares held by an individual, a group of individuals acting together, a corporation not in the index that owns 10% or more of the shares outstanding or shares subject to IPO lock-ups. ESOP and LESOP-owned shares represent, generally, those shares of a corporation that are owned through employee stock ownership plans.

⁸ Additional information about the Russell Indexes can be found at <http://russell.com/us/indexes/us/definitions.asp>.

⁹ 17 CFR 240.11Aa3-1(a)(4), n/k/a Rule 600(47) of Regulation NMS under the Act, 17 CFR 242.600(47).

Options Price Reporting Authority (“OPRA”).

The methodology used to calculate the value of the Russell Indexes is similar to the methodology used to calculate the value of other well-known

market-capitalization weighted indexes. The level of each Index reflects the total market value of the component stocks relative to a particular base period and is computed by dividing the total market value of the companies in each

Index by its respective index divisor. The divisor is adjusted periodically to maintain consistent measurement of each Index. The following is a table of base dates and the respective Index levels as of May 5, 2005:

Index	Base date/ Base index value	05/05/2005 Index value
Russell 3000	12/31/86 = 140.00	670.29
Russell 3000 Growth	3/16/00 = 700.00	379.95
Russell 3000 Value	3/16/00 = 700.00	848.58
Russell 2000	12/31/86 = 135.00	595.64
Russell 2000 Growth	3/16/00 = 500.00	303.72
Russell 2000 Value	3/16/00 = 500.00	892.40
Russell 1000	12/31/86 = 130.00	632.33
Russell 1000 Growth	8/31/92 = 200.00	470.62
Russell 1000 Value	8/31/92 = 200.00	648.51
Russell Midcap	12/31/86 = 200.00	768.48
Russell Midcap Growth	3/16/00 = 500.00	321.56
Russell Midcap Value	3/16/00 = 500.00	859.76
Russell Top 50	12/31/01 = 1,000	973.11

Options on the Russell Indexes would expire on the Saturday following the third Friday of the expiration month. Trading in options on the Russell Indexes would normally cease at 4:15 p.m. Eastern time (“ET”) on the Thursday preceding an expiration Saturday. The exercise settlement value at expiration of each Russell Index option would be calculated by Reuters on behalf of the Frank Russell Company, based on the opening prices of the Index’s component securities on the last business day prior to expiration (“Settlement Day”).¹⁰ The Settlement Day would normally be the Friday preceding “Expiration Saturday.” If a component security in a Russell Index does not trade on Settlement Day, the last reported sales price in the primary market from the previous trading day would be used to calculate the settlement value. Settlement values for the Russell Indexes would be disseminated by OPRA.

The Russell Indexes are monitored and maintained by the Frank Russell Company. The Frank Russell Company is responsible for making all necessary

adjustments to the Indexes to reflect component deletions, share changes, stock splits, stock dividends (other than an ordinary cash dividend), and stock price adjustments due to restructuring, mergers, or spin-offs involving the underlying components. Some corporate actions, such as stock splits and stock dividends, require simple changes to the available shares outstanding and the stock prices of the component securities. Other corporate actions, such as share issuances, change the market value of the Indexes and would require the use of an index divisor to effect adjustments.

The Russell Indexes are re-constituted annually on June 30th, based on prices and available shares outstanding as of the preceding May 31st. New index components are added only as part of the annual re-constitution and, after which, should a component security be removed from an index for any reason, it cannot be replaced until the next re-constitution.

Although not involved in the maintenance of any of the Russell Indexes, the Exchange would monitor each Russell Index on a quarterly basis and notify the Commission’s Division by filing a proposed rule change

pursuant to Rule 19b-4 of the Act¹¹ if: (i) The number of securities in any Index drops by one-third or more; (ii) 10% or more of the weight of any Index is represented by component securities having a market value of less than \$75 million; (iii) less than 80% of the weight of any Index is represented by component securities that are eligible for options trading pursuant to Amex Rule 915; (iv) 10% or more of the weight of any Index is represented by component securities trading less than 20,000 shares per day; or (v) the largest component security in any Index accounts for more than 15% of the weight of the Index, or the largest five components in the aggregate account for more than 50% of the weight of the Index.

The Exchange would also notify the Division immediately if the Frank Russell Company ceases to maintain or calculate any of the Russell Indexes on which Amex is proposing to list and trade options, or if the value of any of these Russell Indexes is not disseminated every 15 seconds by a widely available source. If a Russell Index ceases to be maintained or calculated, or its values are not

¹⁰ The aggregate exercise value of the option contract is calculated by multiplying the Index value by the Index multiplier, which is 100.

¹¹ 17 CFR 240.19b-4.

disseminated every 15 seconds by a widely available source, the Exchange would not list any additional series for trading and would limit all transactions in options on that Index to closing transactions only for the purpose of maintaining a fair and orderly market and protecting investors.

Contract Specifications

The proposed contract specifications for the options on the Russell Indexes are based on the contract specifications of similar options currently listed on CBOE and ISE.¹² The Russell Indexes are broad-based indexes, as defined in Amex Rule 900C(b)(1). Options on the Russell Indexes would be European-style and a.m. cash-settled. The Exchange's standard trading hours for broad-based index options (9:30 a.m. to 4:15 p.m. ET), as set forth in Commentary .02 to Amex Rule 1, would apply to options on the Russell Indexes. Exchange rules that apply to the trading of options on broad-based indexes would also apply to options on the Russell Indexes.¹³ The trading of these options would also be subject to, among others, Exchange rules governing margin requirements and trading halt procedures for index options.

For options on the Russell Indexes, the Exchange proposes to establish in Amex Rule 904C(b) an aggregate position limit of 50,000 contracts on the same side of the market, provided that no more than 30,000 of such contracts are in the nearest expiration month series.¹⁴ These limits are identical to the limits applicable to options based on the Russell Indexes that currently trade on CBOE and ISE.¹⁵

However, neither CBOE nor ISE currently list and trade options on the Russell Top 50. The Exchange believes that the proposed position and exercise limits for the Russell Top 50 is appropriate because it measures the performance of the 50 largest companies in the Russell 3000 Index, representing approximately 41% of the total market capitalization of the Russell 3000. Russell Midcap options traded on both CBOE and ISE have the same position and exercise limits as are proposed for the Russell Top 50 options. The Russell Midcap measures the performance of the 800 smallest companies in the Russell 1000 Index, representing approximately 26% of the total market capitalization of the Russell 1000 Index. Since the Russell Top 50 represents

41% of the Russell 3000 as compared to the Russell Midcap representing 26% of the Russell 1000, the Exchange believes that the same position and exercise limits are appropriate. Accordingly, the Exchange submits that the Russell Top 50 should have position and exercise limits of 50,000 contracts with no more than 30,000 for the near term.

Commentary .01(c) to Amex Rule 904C provides that position limits for hedged index options may not exceed twice the established position limits for broad stock index groups. The Exchange proposes that a hedge exemption of 75,000 be available for the Russell Indexes.

Furthermore, pursuant to Commentary .02 to Amex Rule 904C, proprietary accounts of member organizations could receive an exemption of up to three times the established position limit for the purpose of facilitating public customer orders, to the extent they comply with the procedures and criteria listed in Commentary .02 to Amex Rules 950(d) and 950(d)—ANTE.

The Exchange proposes to apply broad-based index margin requirements for the purchase and sale of options on the Russell Indexes. Accordingly, purchases of put or call options with nine months or less until expiration would have to be paid for in full. Writers of uncovered put or call options would have to deposit/maintain 100% of the option proceeds, plus 15% of the aggregate contract value (current index level \times \$100), less any out-of-the-money amount, subject to a minimum of the option proceeds plus 10% of the aggregate contract value for call options and a minimum of the option proceeds plus 10% of the aggregate exercise price amount for put options.

The Exchange proposes to set a strike price interval of at least 2½ points for a near-the-money series in a near-term expiration month when the level of a Russell Index is below 200, a 5-point strike price interval for any options series with an expiration up to one year, and at least a 10-point strike price interval for any longer-term option. The minimum tick size for series trading below \$3 would be \$0.05, and for series trading at or above \$3 would be \$0.10.

The Exchange proposes to list options on the Russell Indexes in the three consecutive near-term expiration months, plus up to three successive expiration months in the March cycle. For example, consecutive expirations of January, February, March, plus June, September, and December expirations would be listed.¹⁶ In addition, long-term

option series having up to 60 months to expiration may be traded.¹⁷ The trading of long-term options on the Russell Indexes would be subject to the same rules that govern all the Exchange's index options, including sales practice rules, margin requirements, and trading rules.

Surveillance and Capacity

The Exchange represents that it has an adequate surveillance program in place for options on the Russell Indexes and intends to apply those same procedures that it applies to the Exchange's other index options. In addition, the Exchange is a member of the Intermarket Surveillance Group ("ISG"). The members of the ISG include all of the national securities exchanges, plus the National Association of Securities Dealers, Inc. The ISG members work together to coordinate surveillance and share information regarding the stock and options markets. In addition, the major futures exchanges are affiliated members of the ISG, which allows for the sharing of surveillance information for potential intermarket trading abuses.

The Exchange also represents that it has the necessary systems capacity to support the new options series that would result from the introduction of options on the Russell Indexes, including long-term options. The Exchange has provided the Commission with system capacity information to support this representation.

(2) Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,¹⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act,¹⁹ 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 facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

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.

¹² See *supra* note 6.

¹³ See Amex Rules 900C through 980C.

¹⁴ The same limits that apply to position limits would apply to exercise limits for these products.

¹⁵ See CBOE Rule 24.4(e) and ISE Rule 2004.

¹⁶ See Amex Rule 903C(a).

¹⁷ See Amex Rule 903C(a)(iii).

¹⁸ 15 U.S.C. 78f.

¹⁹ 15 U.S.C. 78f(b)(5).

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. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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. Please include File Number SR-Amex-2005-061 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-2005-061. 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 Section, 100 F Street, NE, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of Amex. 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-2005-061 and should be submitted on or before February 27, 2006.

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.²⁰ In particular, the Commission believes that the proposal is consistent with Section 6(b)(5) of the Act,²¹ which requires that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, 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.

The Commission notes that it previously has found that the listing and trading on CBOE and ISE of options on most of the Russell Indexes described above, and CBOE's position and ISE's position and exercise limits associated with those options, are consistent with the Act. Amex has proposed substantially the same contract specifications for these options, as well as identical position and exercise limits for these options. The Commission presently is not aware of any issue that would cause it to revisit those earlier findings or preclude the listing and trading of these options on Amex.

Amex also has proposed to list and trade new options on the Russell Top 50 Index—options that have not previously been approved by the Commission for listing and trading on any national securities exchange. The Commission believes that the composition of this Index and the characteristics of Amex's proposed options on this Index will minimize the potential for manipulation, and that listing and trading them on Amex is reasonable and consistent with the Act.

As noted above, the Russell Indexes are designed to represent broad segments of the U.S. equity securities markets. Furthermore, Amex has represented that it would notify the Commission if: (i) The number of securities in any Index drops by one-third or more; (ii) 10% or more of the weight of any Index is represented by component securities having a market value of less than \$75 million; (iii) less than 80% of the weight of any Index is represented by component securities that are eligible for options trading

pursuant to Amex Rule 915; (iv) 10% or more of the weight of any Index is represented by component securities trading less than 20,000 shares per day; or (v) the largest component security accounts for more than 15% of the weight of any Index or the largest five components in the aggregate account for more than 50% of the weight of any Index.

The Commission also believes that the position and exercise limits for the new Russell Index options, including the index hedge exemption from such position limits, are reasonable and consistent with the Act. These limits are modeled on existing position and exercise limits for options on very similar Russell Indexes that previously have been approved by the Commission.

In approving this proposal, the Commission has specifically relied on the following representations made by the Exchange:

1. The Exchange will notify the Division immediately if the Frank Russell Company ceases to maintain or calculate any Russell Index on which an Amex option is based, or if the value of any such Russell Index is not disseminated every 15 seconds by a widely available source. If a Russell Index ceases to be maintained or calculated, or its values are not disseminated every 15 seconds by a widely available source, the Exchange will not list any additional series on that Index and will limit all transactions in such options to closing transactions only for the purpose of maintaining a fair and orderly market and protecting investors.

2. The Exchange has an adequate surveillance program in place for the proposed options on the Russell Indexes.

3. The additional quote and message traffic that will be generated by listing and trading the proposed options on the Russell Indexes will not exceed the Exchange's current message capacity allocated by the Independent System Capacity Advisor.

The Commission further notes that, in approving this proposal, it relied on the Exchange's discussion of how the Frank Russell Company currently calculates the Russell Indexes. If the manner in which any Russell Index is calculated were to change substantially, this approval order, with respect to any Amex options on that Index, might no longer be effective.

The Commission finds good cause for approving this proposal before the thirtieth day after the publication of notice thereof in the **Federal Register**. Most of the proposed options on the Russell Indexes already have been

²⁰ In approving this proposal, the Commission has considered its impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

²¹ 15 U.S.C. 78f(b)(5).

approved for listing and trading on another exchange and are governed by contract specifications that are substantially the same as those proposed by Amex. The new options proposed by Amex will be governed by contract specifications that are substantially the same as those that govern the similar existing products. Therefore, accelerating approval of Amex's proposal should benefit investors by creating, without undue delay, additional competition in the market for the existing options, as well as an additional investment opportunity with regard to the new options.

V. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²² that the proposed rule change, as amended (SR-Amex-2005-061), is hereby approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²³

Nancy M. Morris,
Secretary.

[FR Doc. E6-1536 Filed 2-3-06; 8:45 am]

BILLING CODE 8010-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-53187; File No. SR-NASD-2006-006]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto To Modify the Hours of Operation of Nasdaq's Brut System

January 30, 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 January 20, 2006, the National Association of Securities Dealers, Inc. ("NASD"), through its subsidiary, The Nasdaq Stock Market, Inc. ("Nasdaq"), submitted to the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by Nasdaq. Nasdaq filed the proposed rule change pursuant to section 19(b)(3)(A) of the Act³ which renders it effective upon filing with the Commission. On January 25, 2006, the Amex filed Amendment No. 1 to the

proposed rule change.⁴ 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

Nasdaq proposes to amend NASD Rule 4912. The text of the proposed rule change is below. Additions are *italicized*; deletions are [bracketed].⁵

* * * * *

4912. Normal Business Hours

The Brut System operates from [6:30] 7:30 a.m. to 8:00 p.m. Eastern Time on each business day.

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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, Nasdaq 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. Nasdaq 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

Nasdaq proposes to modify the starting time for the Brut ECN hours of operation, order acceptance time, from 6:30 a.m. to 7:30 a.m. (Eastern Time). This change will standardize the system start times of the Nasdaq Market Center and Nasdaq's Brut Facility.

The current configuration allows connectivity and order entry from the time the System is brought online beginning at 6:30 a.m., which allows orders and executions to begin at 6:30 a.m.⁶

The proposed amendment would:

⁴ Amendment No. 1 clarified that the filing was made pursuant to section 19(b)(3)(A)(iii) of the Act and Rule 19b-4(f)(6) thereunder.

⁵ Changes are marked to the rule text that appears in the electronic NASD Manual found at <http://www.nasd.com>. Prior to the date when The NASDAQ Stock Market LLC ("NASDAQ LLC") commences operations, NASDAQ LLC will file a conforming change to the rules of NASDAQ LLC approved in Securities Exchange Act Release No. 53128 (January 13, 2006).

⁶ Phone call from Jonathan Cayne, Associate General Counsel, Nasdaq, to Angela R. Muehr, Attorney, Commission, on January 27, 2006.

(1) Allow client connection from System up time, scheduled to begin at 6:30 a.m. (this process takes 10-15 minutes);

(2) Reject orders entered prior to 7:30 a.m.;

(3) Allow orders and executions beginning at 7:30 a.m.

2. Statutory Basis

Nasdaq believes that the proposed rule change is consistent with section 15A of the Act,⁷ in general, and furthers the objectives of section 15A(b)(6) of the Act,⁸ in particular, in that it is designed to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

Nasdaq does not believe that the proposed rule change will result in 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

Written comments on the proposed rule change were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Nasdaq has filed the proposed rule change pursuant to section 19(b)(3)(A) of the Act⁹ and subparagraph (f)(6) of Rule 19b-4 thereunder.¹⁰ Because the foregoing proposed rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days from the date of filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder. As required under Rule 19b-4(f)(6)(iii), Nasdaq provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to filing the proposal with the Commission or such shorter period as designated by the Commission.

At any time within 60 days of the filing of such proposed rule change, the

⁷ 15 U.S.C. 78o-3.

⁸ 15 U.S.C. 78o-3(6).

⁹ 15 U.S.C. 78s(b)(3)(A).

¹⁰ 17 CFR 240.19b-4(f)(6).

²² 15 U.S.C. 78s(b)(2).

²³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).