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January 23, 2007

Ms. Nancy Morris
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington D.C. 20549

Re: Amended Response to Comments in Connection with File No. SR-Amex-2006-106 (Penny Quoting)

Dear Ms. Morris:

The American Stock Exchange, LLC ("Amex" or "Exchange") appreciates this opportunity to respond to comments received by the Securities and Exchange Commission ("Commission" or "SEC") from the Chicago Board Options Exchange, Inc. ("CBOE"), optionsXpress, the Securities Industry and Financial Markets Association ("SIFMA") and Wayne Jarvis relating to our filing to allow options to trade in penny increments on a pilot basis (the "Penny Pilot"). For the reasons provided below, we believe that the Exchange's proposed quote mitigation strategy in connection with the Penny Pilot will serve to benefit investors and the public marketplace.

First, in theory, the Exchange agrees with the recommendation that the various options exchanges adopt uniform quote mitigation plans in connection with the Penny Pilot.¹ However, given that each option exchange operates a different marketplace with a varying market structure, we believe that a uniform quote mitigation plan may be unworkable. The Amex in this proposal has attempted to provide a quote mitigation strategy that is as uniform as possible with the other options exchanges given our unique trading system and marketplace.

Second, we agree with the position that the "holdback" timer or similar strategy is the most effective means of reducing quote traffic.² The Exchange proposed a "holdback timer" for the purpose of limiting the dissemination of each individual change when there is a change in the price of the underlying security of an option. These individual changes may take the form of price changes, size changes or a combination of both. As part of the "holdback timer," the Exchange would wait until multiple market

¹ See letter from Christopher Nagy, Chair, SIFMA Options Committee, to Ms. Nancy M. Morris, Secretary, SEC, dated December 20, 2006.

² *Id.*

participants have adjusted their quotes and then disseminate a new quotation. This delay would be no longer than one (1) second. As a result, only the most recent information is disseminated with a one (1) second time period.

In connection with a comment relating to incoming marketable orders, the Exchange asserts that the holdback timer only addresses the dissemination of quote changes on the Exchange not the execution of orders. Accordingly, incoming marketable orders will automatically trade against the current internal quotation of the Exchange during the one (1) second holdback period.

Third, in connection with questions raised regarding the application of response times to linkage orders, the Exchange along with the other participants to the Options Intermarket Linkage Plan (the "Linkage Plan") have filed an amendment that would reduce the response time to five (5) seconds from the current limit of fifteen (15) seconds. The Amex, however, has been in favor of a further reduction of the response time limit to 2 or 3 seconds. Unfortunately, this further decrease in the linkage order response time limit did not move forward because of the lack of unanimous support by the participants to the Linkage Plan. We continue to believe that a further reduction in linkage order response time would be beneficial to investors and the marketplace given the commencement of the Penny Pilot.

Fourth, the Exchange submits that its proposal is consistent with the goals of the pilot program. We note that the Commission and the Exchange will closely monitor the effects of the Penny Pilot on the marketplace through, among other things, a comparison of the quotation and trading activity pre- and post Penny Pilot.

If you have any questions, please contact the undersigned at 212.306.1822 or Michael T. Bickford at 212.306.2500.

Sincerely,

Handwritten signature of Jeffrey P. Bane in cursive script.

cc: Elizabeth King
Deborah-Lassman Flynn
Jennifer Colihan
Michael T. Bickford