

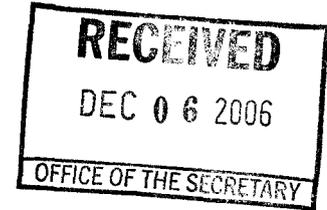
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December 5, 2006

**VIA FEDEX**

Nancy M. Morris  
Secretary  
United States Securities and Exchange Commission  
100 F. Street, N.E.  
Washington, D.C. 20549-9303

Re: File No. SR-2006-98  
Release No. 34-54618

Dear Ms. Morris:

By letter dated November 13, 2006 and in my capacity as managing partner of J. Streicher & Co., one of the largest equity specialist operations on the Amex and a founding member of the Exchange since 1910, I commented on the above-referenced rule proposal (the "Proposal") by the American Stock Exchange ("Amex" or the "Exchange"). The proposal would amend Amex Rule 154 by adding a new paragraph (b) that, if approved, would prohibit equity specialists from charging commissions in certain cases. If adopted, the Proposal would have a significant and adverse impact on our business and, importantly, on our ability to continue to make markets of the same quality in many of the more thinly traded securities that we now handle.

In my comment letter, I raised a number of concerns. These included concerns with the Proposal's likely adverse impact on market quality on the Exchange and its significant implementation costs, which are particularly hard to justify in light of the Exchange's intent to further revise the Proposal upon implementation of its AEMI trading system, which is currently being "rolled out" to the Floor.

By letter dated November 28<sup>th</sup>, Neal Wolkoff, the Amex's Chairman & Chief Executive Officer, responded to my comment letter. Mr. Wolkoff's response begins by labeling my general objections "spurious." Unfortunately, this reference seems to set the letter's tone, which is long on assertions but ultimately short on analysis. Mr. Wolkoff's response also mischaracterizes the Proposal as "essentially" prohibiting charges for commissions in

Nancy M. Morris  
December 5, 2006

situations where specialists “do not provides a service.” As discussed below, this characterization is clearly at odds with both the Proposal itself as well as the facts.

In light of the importance that I attach to the Proposal, both personally and with respect to the protection of investors, I appreciate the opportunity provided by the Securities and Exchange Commission (the “Commission”) to respond to Mr. Wolkoff’s letter.

Remarkably, Mr. Wolkoff begins the substance of his response by wholly mischaracterizing the Proposal. Specifically, his letter states that the Proposal “essentially codifies that specialists should not charge a commission for the execution of market and marketable limit orders for which they do not provide a service.” (emphasis added) As Mr. Wolkoff well knows, the Proposal is in no way limited to market and marketable limit orders, which terms do not even appear in the text of the proposed rule. Indeed, on the next page of his letter, Mr. Wolkoff abandons this mischaracterization and states, accurately, that commissions would be prohibited on all orders, that is whether or not marketable, that remain on the books for two minutes or less. This correction is also accompanied by a new formulation of the services that specialists are obligated to provide such orders. Rather than the flat assertion that specialists “do not provide a service” with respect to such orders, the letter, begrudging, characterizes those services as not “meaningful.”

The letter then states that specialists can charge a commission for orders that rest on the book for more than two minutes “because of the responsibilities that the specialist assumes with respect to the order.” Ironically, the letter then goes on to describe responsibilities that attach not after two minutes, as Mr. Wolkoff’s letter seems to imply, but immediately. Lest there be any misunderstanding on this point, I would like to make it perfectly clear that, as a specialist, I simply am not allowed to wait two minutes to decide whether to execute or display a limit order. As Mr. Wolkoff well knows, the failure to immediately display such orders would be a violation of the Commission’s Limit Order Display Rule. Moreover, once an order is placed on the book, as Mr. Wolkoff’s response also acknowledges, I am responsible for ensuring that order is properly represented in any trade that occurs on the Floor. Clearly, the Proposal’s prohibition on commissions is not limited to situations where the specialist has no responsibilities or even no meaningful responsibilities.

Even with respect to market and marketable limit orders that are executed electronically, it is not infrequent that customers are unhappy with the execution that they receive. This can happen for a variety of reasons but frequently occurs due to delays or other problems with the Exchange’s auto-execution system. When this happens, customers look to me, as the specialist, for an adjustment. So even with respect to these orders, the specialist is not without responsibility and potential economic costs.

Nancy M. Morris  
December 5, 2006

I also take exception to Mr. Wolkoff's characterization, in his discussion of the rule proposal put forward by the Chicago Board Options Exchange in CBOE 98-35, that my comment letter "fails" to acknowledge the Commission's rejection of the Department of Justice's concerns that the CBOE proposal would negatively impact spreads. Quite simply, the reason I did not mention it is because I did not think the Commission's findings with respect to a derivatively priced security like an option were relevant to equities. Options have an intrinsic value that can be determined by widely accepted models within a very narrow tolerance. In contrast, an equity has no intrinsic value apart from the value assigned by the marketplace. For this reason, the Commission's findings with respect to the CBOE proposal are not applicable to the Amex's Proposal. As a result, the Amex should be required, in the words of the Department of Justice, to indicate why the Proposal will "not adversely affect spreads and/or net consumer costs."

While it is true that Amex listed securities generally trade in at least one additional market center, it does not necessarily follow that these additional market centers actually make an active market that sets independent quotes for these securities. In reality, these markets frequently offer little more than a means to internalize order flow using the quote established by the Amex as the dominant marketplace for the security in question. This is hardly "robust competition" that is likely to keep spreads narrow.

Mr. Wolkoff's response also states that it "is against the specialist's own economic interest to widen its spreads and thereby risk losing order flow. . . ." Obviously, a specialist's economic interest is composed of a combination of factors of which volume of orders is just one. Where, as is probable under the Proposal, orders are likely to result in a very small return or perhaps no return or even the possibility of a loss, an economic model that looks towards a greater return on fewer orders might very well make sense and be in my best economic interest.

I would also like to touch upon Mr. Wolkoff's response to my concerns about the implementation cost associated with the Proposal. Mr. Wolkoff's response takes exception to my characterization of the Proposal as being "expected to remain in effect for a relatively short period." Notwithstanding his exception to this statement, his response precedes to acknowledge that the Exchange intends to significantly revise the Proposal in connection with the implementation of AEMI -- its new equity trading system. Given that the Amex is even now in the midst of implementing AEMI, it would seem to make sense to have one proposal rather than two and to defer the current Proposal for the presumably relatively short period until the Amex is ready to finalize an allowable commission schedule under AEMI. Not only would this save implementation costs, but it would appear that such course would also contribute to the Proposal's stated goal of "clarity and consistency" insofar as it would mean that order flow providers would only need absorb one set of changes rather than two.

Nancy M. Morris  
December 5, 2006

In closing, I would like to comment on a couple of additional points. First, Mr. Wolkoff's response, like the Proposal itself, notes in passing on several occasions concerns regarding the lack of notice supposedly provided by specialists from time-to-time with respect to changes in their commission schedules. To the extent this is indeed a concern, I note that the solution to this concern is the implementation of a rule prohibiting such practice, which of course the Proposal does not do.

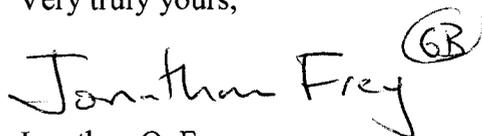
Second, Mr. Wolkoff's response also notes that my letter "provides the views and concerns of only one specialist firm" and offers the letter of William Silver, Managing Partner, Weiskopf, Silver & Co., LP as evidence, I suppose, of support for the Proposal among the Amex equity specialist community. In response, I would note that Mr. Silver's position, as a member of the Amex's board, may color his reasons for commenting on the Proposal as he did. In any event, I would also suggest that the entirely perfunctory nature of his letter speaks for itself.

As to my being the only specialist, I think it can reasonably be inferred that all specialists that currently charge commissions that would be prohibited by the Proposal share my view while the others, to judge from their non-response, would seem to have no opinion one way or the other on the need for this proposal. This lack of interest is itself interesting since specialists, who make their living from attracting order flow to the Amex, would have every interest in commenting favorably on the Proposal, assuming, of course, that they were persuaded that the Proposal was likely to correct the Amex's "competitive imbalance."

For the foregoing reasons, the undersigned respectfully requests that the Commission not approve the Proposal. Alternatively, in the event the Commission does decide to approve the Proposal, I ask that the Commission delay the effective date of the proposal for a minimum period of at least two weeks that coincides with month end to allow sufficient time for the clearing firms used by the specialists to process the changes required by the Propose and implement them at month end.

Thank you in advance for your consideration of these concerns.

Very truly yours,



Jonathan Q. Frey  
Managing Partner of J. Streicher & Co.

JQF