

CHRISTOPHER CORNETTE
Member American Stock Exchange
86 Trinity Pl.
New York, NY 10006

Florence E. Harmon
Deputy Secretary
Securities Exchange Commission
100 F St. N.E.
Washington D.C. 20549-0609

Dear Deputy Secretary, Regulators and Investing Public;

The American Stock Exchange has put forth a notice of filing “Proposed Rule Change to Establish a Passive Price Improvement Order for Specialists and Registered Traders” as noted by SR-Amex 2007-08 release number 34-55179 dated Jan. 26, 2007. It is the intention of this letter to bring attention to issues associated with this rule change that have not been stated or addressed by the American Stock Exchange, henceforth will be referred to as Amex. The Amex, as clearly stated in the title of this rule change, plans to develop this order type for specialists and registered traders only, and ignores the other and most important type of market participant - the broker who is representing a customer order.

The Amex will be giving its specialists and traders an unfair advantage by not providing this valuable order type to all of its market participants, and thereby will not be fulfilling their obligation to adhere to Section 6(b) of the Securities Exchange Act of 1934, “in general, and furthers the objectives of Section 6(b)(5), in particular, in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.” Thus, this rule filing is in direct conflict of what is stated at the top of page 9 under Statutory Basis.

A floor broker who is representing a marketable not held customer order on the same side of a stock where the specialist is employing a PPI order for his own account at a better price will not and cannot have access to the aggressing order that the specialist or trader wishes to give price improvement to. It is often the case, where a broker would be willing to better existing markets, but does not wish to dramatically influence the price of a security. The PPI order type would allow him to represent his customer fairly and at the same time give an aggressing order a better price. The Amex rule change should also provide the PPI order type for the floor broker to keep him in step with “just and equitable principles of trade.” If you look at this situation carefully you might even say that a specialist or trader that is employing the PPI is trading ahead of the floor broker’s marketable order instead of providing price improvement. It all depends on which side of the market you look at. The Amex rule filing makes no provision to monitor and police such situations, and thus cannot ensure protections to “investors and the public interest”, and has not designed a prevention of “fraudulent and manipulative acts and practices.”

The Amex's AEMI system has many limiting features that slow down a brokers ability to compete with the other participants. As it stands now, for a broker to change a price or size to compete with or interact with the NBBO, he must go through several steps to manipulate his order entering device. This already has the broker at a disadvantage to a specialist or trader who has several new tools at his disposal. To offer the PPI order type to only specialists and traders would put the floor broker at a greater disadvantage in representing his customer properly.

The Amex had good intentions in asking for the PPI order type, but the Amex regulatory staff did not think through all situations clearly. For this rule to be fair and just it must be rewritten. It must be provided to all member market participants, and not just specialists and traders. It must address the possibility of unfair trading practices, and it must police itself electronically. As the rule filing stands now it should be rejected by the SEC. To allow this rule change to proceed in its current form the SEC would not be exercising its responsibility. I respectfully ask the Commission to address the issues contained here within, and send this rule filing back to the Amex for a rewrite.

Sincerely yours,

**Christopher Cornette
Member American Stock Exchange**

P.S. Oscar, I do have ideas on ways to fix every problem that may arise with the PPI order type.