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Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-9303

Re: Response to Comment Letter Regarding Release No. 34-55179; File No. SR-AMEX-2007-08

Dear Ms. Morris:

The American Stock Exchange (“Amex” or “Exchange”) wishes to take this opportunity to respond to the comment letter of Christopher Cornette, a member of the Exchange (the “Comment Letter”), regarding the Amex’s proposed rule change to establish a new Passive Price Improvement (“PPI”) order type to encourage specialists and registered traders to provide aggressing orders with increased opportunities for price improvement in the operation of the Exchange’s new AEMI trading platform (“AEMI”). Among other things, the Comment Letter asserted that, “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.” The Comment Letter recommended that the Exchange “should also provide the PPI order type for the floor broker . . .” and that this order type “must be provided to all member market participants, and not just specialists and traders.” In addition, the Comment Letter stated that the Exchange “must address the possibility of unfair trading practices” and “must police itself electronically” in connection with use of the PPI order type. Our responses to these comments are provided below.

Opportunities for Other Market Participants to Provide Price Improvement for Aggressing Orders in AEMI

In response to the above-referenced comments that other member market participants, including floor brokers, should also be allowed to have the ability to provide price improvement for aggressing orders in AEMI, the Exchange is in the process of developing the means by which other market participants, including floor brokers, would have the ability to systematically provide such price improvement, including consideration of issues relating to how the price improvement offered by other market participants will participate relative to the price improvement provided by specialists and registered traders using PPI orders. The Exchange will submit a subsequent rule filing regarding the aforementioned future capability of other market participants to provide price improvement, once all the related issues have been resolved.

With respect to assertions in the Comment Letter that floor brokers on the Exchange operate in AEMI at a disadvantage to specialists and registered traders, the Exchange would like to point out that, under the AEMI rules, floor brokers have certain order types that are currently available only to them and not to other market participants (e.g., percentage orders and reserve orders). It is therefore the Exchange's position that floor brokers are able to operate effectively in AEMI in competition with specialists and registered traders. Based on its strong commitment to make its marketplace more open and accessible to all market participants, the Exchange expects to expand the use of reserve orders and to introduce electronic crosses in equities¹ to all of its market participants at the same time that it provides these participants with the price improvement capability discussed above.

Surveillance for Unfair Trading Practices

In response to the assertion in the Comment Letter concerning the need for the Exchange to "police itself electronically" to address the possibility of "unfair trading practices" in connection with the use of PPI orders by specialists and registered traders, it is important to note that the conditions set forth in the proposed rule text for the execution of PPI orders are entirely automated in AEMI and are therefore not subject to circumvention by those who enter the orders. In other words, the use of PPI orders will indeed be policed electronically. In addition, with respect to possible unfair trading practices by specialists and/or registered traders in connection with PPI orders, the Exchange's regulatory program would detect such activity in a number of ways. First, a number of surveillance reviews will be conducted which are designed to assess whether specialists and registered traders are complying with their trading and market making obligations under Amex rules. Second, reviews will be conducted of potentially violative activity identified by the floor surveillance staff. Third, the activity will be reviewed on a complaint-driven basis.

¹ Amex already provides the ability for member firms to enter electronic crosses in ETFs and NASDAQ UTP securities.

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The Exchange appreciates this opportunity to reply to the single comment letter received regarding its proposal to provide the new PPI order type in AEMI, and believes that it has addressed all of the key issues raised in that letter. We urge the Commission to approve the proposed AEMI rule change with respect to this new order type that will provide significant benefits for aggressing orders on the Exchange. We will be happy to provide more information at your request.

Sincerely,

A handwritten signature in cursive script, reading "Claire P. McHale".

cc: Mr. Erik Sirri, Director, Division of Market Regulation
Mr. Robert L. D. Colby, Deputy Director, Division of Market Regulation
Mr. Michael Gaw, Division of Market Regulation
Mr. Marc McKayle, Division of Market Regulation