JOHN H. BLUHER
Executive Vice President
General Counsel

November 6, 2003

Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 5th Street, NW
Washington, DC 20549

Re: Comments of Knight Trading Group, Inc. Regarding SR-AMEX-2003-81 and Certain Un-filed Rule Proposals Regarding Closing Procedures on the American Stock Exchange

Dear Mr. Katz:

Knight Trading Group, Inc. ("Knight") welcomes this opportunity to comment on SR-AMEX-2003-81, relating to closing procedures on the American Stock Exchange ("Amex"). KTG would also like to reiterate its views on Amex's joint venture pilot program with Standard and Poor's ("S&P") that would set the closing price for certain Nasdaq-listed securities in the S&P 500 Index.

On September 8, 2003, the Amex filed a proposed rule change relating to reporting of "At-the-Close" orders in Nasdaq securities. The Amex filed the proposed rule change as "non-controversial" rule change under Rule 19b-4(f)(6) of the Securities Exchange Act of 1934 ("Act"). Perhaps in and of itself, the proposed rule would be "non-controversial," as the Amex specialists currently execute less than one-tenth of one percent of the total volume in Nasdaq securities; however, on October 8, 2003, the Amex announced a pilot program together with S&P that would set the closing price for certain Nasdaq-listed securities in the S&P 500 Index. Coupled together, these two changes are quite controversial, as they have potential to significantly alter the closing prices of, as well as the trading of, stocks that affect billions of dollars of investors' money. These changes significantly affect the protection of investors and impose significant burdens on competition. We respectfully request that the public have a meaningful opportunity to comment on these proposals. Moreover, we respectfully request that the SEC exercise its authority to review the current proposal for the express purpose of ascertaining whether policies and procedures are properly documented to insure trading systems are adequately maintained so that a fair and orderly market will be maintained.

The Amex Changes Significantly Affect the Protection of Investors

Under the proposed Amex changes, investors may have less protection on the actual pricing of their stock's closing print, and are potentially subject to inferior pricing. In fact, the Amex specialist will have an ability to price the closing at any price. Currently, Amex rules do not compel specialists to interact with the national best bid and offer ("NBBO"), so long as the closing trade is executed within the Amex best bid and offer. Similarly, specialists on the Amex need not consider the NBBO when quoting a stock. Consequently, the specialist will have discretion to quote a stock and to execute the closing trade anywhere within his spread, regardless of the NBBO. Extra costs could be absorbed by investors due to the loss of the current NBBO protection provided for Nasdaq listed securities in the S&P Index.

The Amex changes would potentially impact investors who desire speedy executions and who are concerned about the certainty of their trade. Amex is currently trading less than one-tenth of one percent of the total volume in Nasdaq securities. If the proposed Amex changes go forward, Amex volumes in Nasdaq listed stocks could rise to a meaningful amount, not only for the closing print, but also for trading in the pilot stocks throughout the day. It is significant to note that according to SEC Rule 11Ac1-5 statistics, Amex's execution speeds are significantly slower than Nasdaq's execution speeds for S&P 500 stocks. This discrepancy can be attributed to the fact that trades on the Amex are manually executed by the specialist while other venues offer electronic and automatic executions (like Nasdaq's SuperMontage). Thus, if order flow at the Amex were to increase, manual executions of order flow could slow down even more. This slow down would be a major setback for investors who have grown accustomed to speedy executions in an electronic marketplace.

Finally, we are concerned that the Amex changes significantly affect the protection of investors who seek adequate regulation and supervision of their executions. As analyzed above, under SR-AMEX-2003-81 and the un-filed pilot program with the S&P, Amex specialists will have considerable discretion in executing investors' orders both in terms of price and time. Since price and time are two significant components of best execution requirements, proper regulation and supervision over specialist activities are indispensable. We believe that Amex should put forth guidelines explaining surveillance capacity, and policies and procedures regarding the oversight of the specialists' execution of orders.

The Amex Changes Impose a Significant Burden on Competition

The Amex proposals impose a significant burden on competition because the Amex does not allow electronic access to their quotes in Nasdaq listed stocks. As mentioned above, Amex is currently trading less than one-tenth of one percent of the total volume in Nasdaq securities, but if the proposed Amex changes go forward, Amex's volumes could become significant. Side by side, Amex's quotes in these Nasdaq listed stocks could grow to be more consequential as well. Denying other market participants' electronic access to these quotes places a heavy burden on Amex's competition, particularly on firms who abide by NBBO executions for their customers. Occurrences of "stale quotes" as well as locked and crossed markets could rise, as specialists would struggle to keep up with the increased order flow. And while market participants may call the specialists on the phone to interact with the specialists' quotes, that solution is impractical and outright unworkable in today's fast paced trading environment where investors see speed as a major component of best execution.

Amex's inability to provide electronic and automatic access to its quotes not only imposes a burden on Amex's competition, it also has the potential to degrade the integrity of the Nasdaq marketplace. Significant liquidity in Nasdaq listed stocks at the Amex could bring about price dislocation created by locked and crossed markets and the inevitable trade-throughs as the specialists struggle to keep up with the electronic markets.

Conclusion

For these reasons, we feel that SR-AMEX-2003-81 is anything but "non controversial." The proposed rule would affect investors' protection and place a significant burden on competition. We respectfully request that the SEC take the necessary steps to insure that the public has a meaningful opportunity to comment on these proposals and to confirm that proper policies and procedures are in place to maintain fair and orderly markets.

Sincerely yours,

/s/

John H. Bluher

Cc: Annette Nazareth, Director, Division of Market Regulation
Robert L.D. Colby, Deputy Director, Division of Market Regulation