September 24, 2004

Mr. Jonathan G. Katz
Secretary
United States Securities
and Exchange Commission
450 Fifth Street, NW.
Washington, DC 20549-0609

Re: File Number SR-Amex-2003-082

Dear Mr. Katz:

Citadel Derivatives Group LLC ("Citadel") is submitting this letter in response to the American Stock Exchange's ("AMEX") proposed rule amendments related to File Number SR-Amex-2003-082 (the "Proposed Rule"). As part of the Proposed Rule, the AMEX has indicated that it intends to amend AMEX Rule 933 – Automatic Execution of Options Orders to include the following provision:

"…neither proprietary orders of an order entry firm that submitted a customer order for placement in the limit order book, orders from any affiliated firm with such order entry firm, or orders solicited by the order entry firm from members or non-member broker-dealers, may execute against the customer order on the book unless the customer order on the book is exposed for at least thirty (30) seconds."

We believe that the Proposed Rule is too broad because it would apply even where there is an information barrier between the side of a firm that routes customer orders on the one hand and the proprietary trading side of a firm or an affiliated firm on the other hand. We understand that a firm that lacks information barriers and routes an order to the AMEX should be required to wait a specified amount of time prior to participating in the order or crossing the order with a solicited order, thereby eliminating any potential concerns related to intentional internalization. But where appropriate information barriers are in place, walled-off departments of the routing firm and its affiliates should not be prohibited from participating in such orders within the proposed 30-second time period. With adequate information barriers in place, the firm's and/or its affiliates' market making operations will be on equal footing with other market participants. They will not have access to information that is unavailable to any other market participants. By restricting trading even when information barriers are in place, the AMEX is simply precluding order interaction from market participants that potentially could improve the prices at which such orders are executed. We believe that any such restrictions would be enacted solely for the purpose of inhibiting competition and would ultimately harm the interests of customers that stand to benefit from more liquid markets.

We also would add that, absent an exception where information barriers exist, the proposed restriction would be impractical. Specifically, when orders are displayed, there is no indication of which routing firm sent the order for representation in the book. Accordingly, if the routing firm has adequate information barriers in place, those within the firm or its affiliates on the other side of the information barrier would not know which orders in the book were sent by the routing firm, and therefore, which orders are off limits during the initial 30-second display period. Such a prohibition would lead to frequent inadvertent violations of the Proposed Rule that only could be remedied by not routing any orders to the AMEX book.

In conclusion, we believe that the Proposed Rule is overly broad. Accordingly, we believe that the Proposed Rule should not be approved in its current form. Thank you for your consideration.

Sincerely,

Matthew Hinerfeld
Managing Director and
Deputy General Counsel
Citadel Investment Group, L.L.C.
On behalf of Citadel Derivatives Group LLC