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September 7, 2004

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VIA E-MAIL

Elizabeth King, Esq.
Associate Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549

Re: Susquehanna Investment Group; AMEX Rule Proposal 2004-75

Dear Elizabeth:

Thank you for speaking last week with me and several of our clients relative to Susquehanna Investment Group's recent proposal unilaterally to impose certain fees and cancellation charges on option classes and ETFs for which it acts as specialist. Thank you also for bringing the above AMEX rule proposal to our attention. We appreciate your interest in these matters, which we believe they could have a profound impact on the competitiveness and transparency of the relevant markets.

We have reviewed the AMEX's proposed rule, and while our clients anticipate submitting more formal comment letters at a later date, we wanted to advise you of certain changes to the proposed rule that our clients believe would enhance the effectiveness of the rule and prevent the imposition by Susquehanna or other specialists of anti-competitive and potentially discriminatory commissions or fees on orders that they are responsible for handling in their privileged capacity as exchange-appointed specialists. These proposed changes are reflected in the redlined version of the AMEX rule attached hereto. Briefly, we propose that the rule be amended:

- To prevent any commission from being charged for orders executed automatically by exchange systems (even if executed several minutes after receipt), because such executions require no effort by the specialist and because automatic execution systems are exchange, not specialist facilities (and any fee would therefore constitute an exchange fee requiring Section 19(b) approval);

- To prevent any commission from being charged for linkage orders, given that these orders are required to be routed to the specialist at the receiving exchange; and

- To prevent any commission from being charged simply because the order is from "a competing market maker," because (unlike the other exceptions in the rule in which commissions may be charged) the commission in this case is based solely on the *status* of the sender rather than the manual effort involved in handling the order, and is clearly anti-competitive.

On behalf of our clients we encourage your support for these changes, and note that our clients will be encouraging the other options exchanges to promptly propose similar rules.

Please do not hesitate to contact me if you have any questions or comments.

Sincerely,

James D. Van De Graaff

James D. Van De Graaff

JDVDG/vl/#60308015
Attachment
cc: David M. Battan – TimberHill Group/Interactive Brokers LLC
Adam C. Cooper – Citadel Investment Group, LLC
James V. Harkness – Wolverine Trading L.P.

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-50307; File No. SR-Amex-2004-75)

September 2, 2004

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the American Stock Exchange LLC Relating to Revisions to Amex Rule 154

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder[2], notice is hereby given that on August 30, 2004, the American Stock Exchange LLC ("Amex" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Amex Rule 154. The text of the proposed rule change is set forth below in its entirety. Proposed new language is in italics.

* * * * *

Orders Left with Specialist

Rule 154 (a) No member or member organization shall place with a specialist, acting as broker, any order to effect on the Exchange any transaction except at the market or at a limited price.

(b) A specialist shall not charge a commission for handling an order (or portion thereof) that is not executed, an order that is executed on an opening or reopening, ~~or~~ an order (or portion thereof) that is executed against the specialist as principal (see Amex Rule 152(c)), a linkage order, or an order executed automatically by an Exchange system. Without limiting the

1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

foregoing, a specialist also shall not charge a commission for the execution of an off floor order delivered to the specialist through the Exchange's electronic order routing systems except in the following cases:

> (i) A limit order executed more than two minutes from the time of receipt on the book. In the case of a limit order partially executed in two minutes or less and partially executed in more than two minutes, a specialist shall not charge a commission for handling the portion of the order executed in two minutes or less.
>
> (ii) An on close (market or limit) order.
>
> (iii) A tick sensitive (market or limit) order that is not executed upon receipt in the book by the Exchange's automatic execution facilities.
>
> (iv) A non-regular way settlement (market or limit) order.
>
> (v) A stop or stop limit order.
>
> (vi) A market or marketable limit order stopped at one price and executed at a better price. In the case of an order stopped at one price and partially executed at a better price, a specialist shall not charge a commission for handling the portion of the order executed at the stop price.
>
> (vii) A fill-or-kill, immediate-or-cancel or all-or-none order that is not executed upon receipt in the book by the Exchange's automatic execution facilities~~.~~, except where it should have been executed upon receipt.
>
> ~~(viii) An order for the account of a competing market maker.~~

For purposes of this paragraph (b), in all instances where an order received by the specialist is canceled and replaced with another order, the replacement shall be deemed to be a new order.

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