

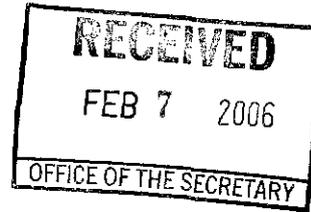


**AMERICAN
STOCK EXCHANGE**
Equities Options ETFs

BSE200552-7
ISE200602-1

Neal L. Wolkoff
Chairman & Chief Executive Officer

American Stock Exchange
86 Trinity Place
New York, NY 10006-1872
T 212 306 2200
F 212 306 5464
neal.wolkoff@amex.com



February 3, 2006

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington D.C. 20549

Re: Comments in Connection with Boston Stock Exchange ("BSE") Directed Order Process on the Boston Options Exchange ("BOX") (SR-BSE-2005-52) and International Securities Exchange, Inc. ("ISE") Directed Order System Change ("SR-ISE-2006-02")

Dear Ms. Morris:

The American Stock Exchange, LLC ("Amex" or "Exchange") appreciates this opportunity to comment on the Boston Options Exchange (the "BOX") proposal to eliminate the anonymity in the directed order process (SR-BSE-2005-52)¹ and the subsequent response by the International Securities Exchange, Inc. ("ISE") to similarly change its directed order process (SR-ISE-2006-02).²

The Exchange believes that a Directed Order Process without anonymity further erodes best execution obligations by fostering "unfair" discrimination between customers largely on the basis of a payment for order flow ("PFOF") program.³

Lack of Anonymity

Current BOX rules require anonymity in the BOX's Directed Order Process. In particular, the Rules provide that a market maker is not to receive a directed order other than through the BOX Trading Host. Additionally, the identity of Options Participants who submit orders to the Trading Host under the rules will remain anonymous to market participants at all times, except during error resolution or through the normal clearing process.⁴ Clearly, the BOX has violated these anonymity provisions as detailed in SR-BSE-2005-52. Accordingly, at the time a directed order is received by a market maker, the BOX reveals to that market maker the identity of the BOX member that routed the order.

¹ See Securities Exchange Act Release No. 53015 (December 22, 2005), 70 FR 77207 (December 29, 2005).

² See Securities Exchange Act Release No. 53104 (January 11, 2006).

³ The Exchange reiterates its opposition to the Directed Order Process as set forth in our letters dated February 14, 2003 and September 12, 2003 submitted in connection with the original BOX proposal. Attached as Exhibits A and B to this letter are copies of the February 14, 2003 and September 12, 2003 letters, respectively.

⁴ See Chapter VI, Section 5(c)(i) and Chapter V, Section 14(e) of the BOX Rules.

The Exchange believes that the Commission should commence proceedings to disapprove the BOX practice, and should strongly consider enforcement action. We further assert the same arguments and concerns against the ISE's proposal to mimic the BOX's directed order process. Two wrongs do not make a "right," and therefore, we maintain that the Commission should abrogate the ISE's rule change that became immediately effective on January 5, 2006 pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934 and Rule 19b-4(f)(5) thereunder.

Rule Proposals Are Anti-Competitive

Competition in and among the options exchanges has long been of concern to the SEC as well as the U.S. Department of Justice ("DOJ"). Providing the identity of an order flow provider to BOX and ISE market makers provides them with the ability to enter into anti-competitive customer allocation arrangements. That is, if BOX and ISE market makers know who the order flow providers are, agree to allocate those order flow providers among themselves and provide price improvement to only those that each has been allocated. The Exchange believes that the BOX and ISE Rules whereby market makers or liquidity providers are able to know the identity of order flow providers and discriminate among the same, is in contravention of the spirit and intent of recent efforts of the Commission and DOJ to make the options markets more competitive.

Market makers should not be provided the opportunity to discriminate among customers. We believe that such discrimination will effectively institutionalize disparate pricing. This may occur due to customer savvy or a tacit or "gentlemen's agreement" that certain customers are to be favored because of their status as marketplace shareholders or the existence of preferential PFOF programs. This would lead to lower transaction costs for certain preferred users while raising costs for other market participants. We submit that the effect of the BOX and ISE Rules invites anti-competitive behavior and should be disapproved and abrogated, respectively.

Pattern and Practice of Rule Violations Should Not Be A Basis for Market Equalization

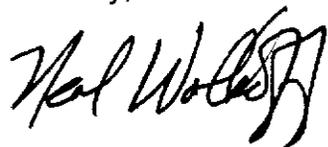
The Amex asserts that permitting the ISE to institute its proposal immediately flies in the face of common sense. The argument that equalizing market conduct based on the fact that the BOX has been in violation of its rules requiring anonymity in connection with the Directed Order Process is not persuasive. We believe that the Commission should require market fairness across all options exchanges and should punish the party that has been violating its own Rules. This lack of compliance and candor by the BOX has effectively permitted the BOX to misrepresent its trading system to investors and the Commission. Achieving regulatory parity or equality by rewarding improper and bad conduct in violation of previously-approved Rules contradicts any standard of fair dealing and good faith.

* * * *

If you have any questions, please contact the undersigned at 212.306.2200, Michael T. Bickford at 212.306.2500 or Jeffrey P. Burns at 212.306.1822.

Mr. Jonathan G. Katz, Secretary
Securities and Exchange Commission
February 3, 2006
Page 3

Sincerely,

A handwritten signature in black ink, appearing to read "Neal Wolke". The signature is written in a cursive, somewhat stylized font.

cc: Robert L. Colby
Elizabeth K. King
Deborah Lassman Flynn