Proposed Rule Change by Philadelphia Stock Exchange

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<table>
<thead>
<tr>
<th>Initial</th>
<th>Amendment</th>
<th>Withdrawal</th>
<th>Section 19(b)(2)</th>
<th>Section 19(b)(3)(A)</th>
<th>Section 19(b)(3)(B)</th>
<th>Pilot</th>
<th>Extension of Time Period for Commission Action</th>
<th>Date Expires</th>
<th>Rule</th>
</tr>
</thead>
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Provide a brief description of the proposed rule change (limit 250 characters).

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

<table>
<thead>
<tr>
<th>First Name</th>
<th>Last Name</th>
<th>Title</th>
<th>E-mail</th>
<th>Telephone</th>
<th>Fax</th>
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<tr>
<td>Cynthia</td>
<td>Hoekstra</td>
<td>Director</td>
<td><a href="mailto:cynthia.hoekstra@phlx.com">cynthia.hoekstra@phlx.com</a></td>
<td>(215) 496-5066</td>
<td>(215) 496-6729</td>
</tr>
</tbody>
</table>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date: 01/11/2006

By: Cynthia Hoekstra

(Note)

(Note)

(Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.
The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3).

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e., partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.
1. **Text of the Proposed Rule Change**

The Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\) and Rule 19b-4 thereunder,\(^2\) proposes to amend its dividend spread strategy program in order to: (i) recapture license fees associated with equity option and index option contracts, which carry a license fee and which are executed as part of dividend spread strategy transactions; and (ii) make minor technical changes to its fee schedule.

This proposal is scheduled to become effective for dividend strategy transactions settling on or after December 15, 2005 and will remain in effect as a pilot program, which is scheduled to expire on March 1, 2006.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, a copy of changes made to the Exchange’s Summary of Equity Option Charges is attached hereto as Exhibit 4, and a copy of the applicable section of the Exchange’s Summary of Equity Option Charges and the Exchange’s $60,000 “Firm Related” Equity Option and Index Option Cap Fee Schedule is attached hereto as Exhibit 5.

2. **Procedures of the Self-Regulatory Organization**

The Executive Committee, pursuant to delegated authority, approved the proposal for filing with the Securities and Exchange Commission ("SEC" or "Commission") on December 12, 2005.

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Questions and comments on the proposed rule change may be directed to Cynthia Hoekstra, Director, at (215) 496-5066 or Edith Hallahan, Deputy General Counsel, at (215) 496-5179.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

Currently, the Exchange imposes a fee cap on equity option transaction and comparison charges for dividend spread strategy transactions\(^3\) executed the day immediately prior to ex-date\(^4\) on the same trading day in the same options class. Specifically, Registered Options Traders’ (“ROTs) and specialists’ equity option transaction and comparison charges are capped at $1,750 for transactions effected pursuant to a dividend spread strategy when the declared dividend or distribution is $0.25 or greater. However, for dividend spread transactions for a security with a declared dividend or distribution of less than $0.25, the ROTs’ and specialists’ equity option transaction and comparison charges are capped at $1,000 for transactions effected pursuant to a dividend spread strategy executed on the same trading day in the same options class. The fee caps are implemented after any applicable rebates are applied to ROT and specialist equity option transaction and comparison charges.\(^5\)

\(^3\) A “dividend spread” is any trade done within a defined timeframe in which a dividend arbitrage can be achieved between any two (2) deep-in-the-money options.

\(^4\) The ex-date is the date on or after which a security is traded without a previously declared dividend or distribution. After the ex-date a stock is said to trade ex-dividend.

\(^5\) Currently, the Exchange provides a rebate for certain contracts executed in connection with transactions occurring as part of a dividend spread strategy. Specifically, for those options contracts executed pursuant to a dividend spread strategy, the Exchange rebates $0.08 per contract side for ROT executions and $0.07 per side for specialist executions on the business day before the underlying stock’s ex-date.
The Exchange is now proposing to assess a license fee associated with equity option and index option contracts executed as part of a dividend spread strategy transaction. Specifically, the Exchange is proposing to assess a license fee of $0.05 per contract side for dividend spread strategy transactions in options on: Nasdaq-100 Index Tracking Stock℠ traded under the symbol QQQQ; Russell 1000 Growth iShares, traded under the symbol IWF; Russell 2000 iShares, traded under the symbol IWM; Russell 2000 Value iShares, traded under the symbol IWN; Russell 2000 Growth iShares, traded under the symbol IWO; Russell Midcap Growth iShares, traded under the symbol IWP; Russell Midcap Value iShares, traded under the symbol IWS; NYSE Composite Index, traded under the symbol NYC; NYSE U.S. 100 Index, traded under the symbol NY; Standard & Poor’s Depositary Receipts®, Trust Series 1, traded under the symbol SPY; iShares Lehman 1-3 Year Treasury Bond Fund, traded under the symbol SHY; iShares Lehman 7-10 Year Treasury Bond Fund, traded under the symbol IEF; iShares Lehman 20+ Treasury Bond Fund, traded under the symbol TLT; iShares Lehman Aggregate Bond Fund, traded under the symbol AGG; iShares Lehman TIPS Bond Fund, traded under the symbol TIP; KBW Capital Markets Index, traded under the symbol KSX; 

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6 The Nasdaq-100®, Nasdaq-100 Index®, Nasdaq®, The Nasdaq Stock Market®, Nasdaq-100 Shares℠, Nasdaq-100 Trust℠, Nasdaq-100 Index Tracking Stock℠, and QQQ℠ are trademarks or service marks of The Nasdaq Stock Market, Inc. (Nasdaq) and have been licensed for use for certain purposes by the Phlx pursuant to a License Agreement with Nasdaq. The Nasdaq-100 Index® (the Index) is determined, composed, and calculated by Nasdaq without regard to the Licensee, the Nasdaq-100 Trust℠, or the beneficial owners of Nasdaq-100 Shares℠. Nasdaq has complete control and sole discretion in determining, comprising, or calculating the Index or in modifying in any way its method for determining, comprising, or calculating the Index in the future.

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8 “KBW,” “Keefe, Bruyette & Woods Capital Markets Index,” and “KBW Capital Markets Index” are trademarks of Keefe, Bruyette & Woods, Inc. and have been licensed for use by the Philadelphia Stock Exchange.
KBW Insurance Index, traded under the symbol KIX; Phlx/KBW Bank Index, traded under the symbol BKX; iShares S&P 100 Index, traded under the symbol OEF; iShares S&P Europe 350, traded under the symbol IEV; iShares S&P Global 100 Index, traded under the symbol IOO; iShares S&P Global Energy Sector Index, traded under the symbol IXC; iShares S&P Global Financial Sector Index, traded under the symbol IXG; iShares S&P Global Healthcare Sector Index, traded under the symbol IXJ; iShares S&P Global Information Technology Sector Index, traded under the symbol IXN; iShares S&P Global Telecom Sector Index, traded under the symbol IXP; iShares S&P Latin America 40, traded under the symbol ILF; iShares S&P MidCap 400, traded under the symbol IJH; iShares S&P SmallCap 600, traded under the symbol IJR; iShares S&P TOPIX 150, traded under the symbol ITF; iShares S&P 500, traded under the symbol IVV; S&P Industrial Select Sector SPDR, traded under the symbol XLI; S&P Technology Select Sector SPDR, traded under the symbol XLK; S&P Utilities Select Sector SPDR, traded under the symbol XLU; S&P Consumer Staples Select Sector SPDR, traded under the symbol XLP; S&P Energy Select Sector SPDR, traded under the symbol XLE; S&P Financial Select Sector SPDR, traded under the symbol XLF; S&P Health Care Select Sector SPDR, traded under the symbol XLV; S&P Materials Select Sector SPDR, traded under the symbol XLB; S&P Consumer Discretionary Select Sector SPDR, traded under the symbol XLY; MidCap SPDR, traded under the symbol MDY; Keefe, Bruyette & Woods Regional Banking Index or the KBW Regional Banking Index, traded under the symbol KRX; and Keefe, Bruyette & Woods Mortgage Finance Index or the KBW Mortgage Finance Index, traded under the symbol MFX.

Exchange, Inc. Keefe, Bruyette & Woods, Inc. makes no recommendations concerning the advisability of investing in options based on the KBW Capital Markets Index.
The license fee of $0.05 per contract side will be assessed on every transaction and will not be subject to the $1,750 or $1,000 caps described above. Thus, this fee will be assessed in addition to any other transaction and comparison charges associated with dividend spread strategy transactions and will not count towards reaching the $1,750 or $1,000 caps.

This proposal is scheduled to become effective for dividend strategy transactions settling on or after December 15, 2005 and will remain in effect as a pilot program, which is scheduled to expire on March 1, 2006.

The purpose of this proposal is to recoup the license fees owed in connection with the trading of the products listed above. Even with the assessment of the $0.05 license fee per contract side, the fee caps and rebates should continue to encourage specialists and ROTs to provide liquidity for dividend spread strategy transactions.

The Exchange is also proposing to add a “Q” to the trading symbol “QQQ” on its $60,000 “Firm Related” Equity Option and Index Option Cap Fee Schedule to reflect the current trading symbol of the Nasdaq-100 Index Tracking Stock\textsuperscript{sm}. In addition, the Exchange proposes to delete WellSpring Bio-Clinical Trials Index from the $60,000 “Firm Related” Equity Option and Index Option Cap Fee Schedule, traded under the symbol WHC,\textsuperscript{9} as that product is no longer listed or traded at the Exchange.

\textsuperscript{9}WellSpring Bio-Clinical Trials Index (“WHC”), "ORCHIDs" and "WellSpring" are trademarks of WellSpring BioCapital Partners, LLC ("WellSpring LLC") and have been licensed for use by the Philadelphia Stock Exchange, Inc. WellSpring LLC makes no recommendations concerning the advisability of investing in options based on the WellSpring Bio-Clinical Trials Index.
b. **Statutory Basis**

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act\(^\text{10}\) in general, and furthers the objectives of Section 6(b)(4) of the Act\(^\text{11}\) in particular, in that it is an equitable allocation of reasonable fees among Exchange members.

4. **Self-Regulatory Organization's Statement on Burden on Competition**

The Phlx does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

5. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

No written comments were either solicited or received.

6. **Extension of Time Period for Commission Action**

The Exchange does not consent to an extension of the time period for Commission action.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act\(^\text{12}\) and Rule 19b-4(f)(2)\(^\text{13}\) thereunder. Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate

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\(^\text{10}\) 15 U.S.C. 78f(b).


such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is similar to license fees assessed by the American Stock Exchange, LLC and the Pacific Exchange, Inc.\(^\text{14}\)

9. Exhibits

1. Notice of proposed rule for publication in the Federal Register.

4. Amended Section of the Exchange’s Summary of Equity Option Charges.

5. Applicable Section of the Exchange’s Summary of Equity Option Charges and the Exchange’s $60,000 “Firm Related” Equity Option and Index Option Cap Fee Schedule.

SECURITIES AND EXCHANGE COMMISSION  

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Dividend Spread Strategy Program License Fees

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 ______________________ 2005, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Phlx. 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 Phlx, pursuant to Section 19(b)(1) and Rule 19b-4 thereunder,\(^3\) proposes to amend its dividend spread strategy program in order to: (i) recapture license fees associated with equity option and index option contracts, which carry a license fee and which are executed as part of dividend spread strategy transactions; and (ii) make minor technical changes to its fee schedule.

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\(^3\) 17 CFR 240.19b-4.
This proposal is scheduled to become effective for dividend strategy transactions settling on or after December 15, 2005 and will remain in effect as a pilot program, which is scheduled to expire on March 1, 2006.

A copy of the applicable section of the Exchange’s Summary of Equity Option Charges and the Exchange’s $60,000 “Firm Related” Equity Option and Index Option Cap Fee Schedule is attached hereto as Exhibit 5.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Phlx included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Phlx has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Currently, the Exchange imposes a fee cap on equity option transaction and comparison charges for dividend spread strategy transactions\(^4\) executed the day immediately prior to ex-date\(^5\) on the same trading day in the same options class. Specifically, Registered Options Traders’ (“ROTs) and specialists’ equity option transaction and comparison charges are capped at $1,750 for transactions effected

\(^4\) A "dividend spread" is any trade done within a defined timeframe in which a dividend arbitrage can be achieved between any two (2) deep-in-the-money options.

\(^5\) The ex-date is the date on or after which a security is traded without a previously declared dividend or distribution. After the ex-date a stock is said to trade ex-dividend.
pursuant to a dividend spread strategy when the declared dividend or distribution is $0.25 or greater. However, for dividend spread transactions for a security with a declared dividend or distribution of less than $0.25, the ROTs’ and specialists’ equity option transaction and comparison charges are capped at $1,000 for transactions effected pursuant to a dividend spread strategy executed on the same trading day in the same options class. The fee caps are implemented after any applicable rebates are applied to ROT and specialist equity option transaction and comparison charges.6

The Exchange is now proposing to assess a license fee associated with equity option and index option contracts executed as part of a dividend spread strategy transaction. Specifically, the Exchange is proposing to assess a license fee of $0.05 per contract side for dividend spread strategy transactions in options on: Nasdaq-100 Index Tracking Stocksm7 traded under the symbol QQQQ; Russell 1000 Growth iShares, traded under the symbol IWF; Russell 2000 iShares, traded under the symbol IWM; Russell 2000 Value iShares, traded under the symbol IWN; Russell 2000 Growth iShares, traded under the symbol IWO; Russell Midcap Growth iShares, traded under the symbol IWP; Russell Midcap Value iShares, traded under the symbol IWS; NYSE Composite Index, traded under the symbol NYC; NYSE U.S. 100 Index, traded under the symbol NY;

6 Currently, the Exchange provides a rebate for certain contracts executed in connection with transactions occurring as part of a dividend spread strategy. Specifically, for those options contracts executed pursuant to a dividend spread strategy, the Exchange rebates $0.08 per contract side for ROT executions and $0.07 per side for specialist executions on the business day before the underlying stock’s ex-date.

7 The Nasdaq-100®, Nasdaq-100 Index®, Nasdaq®, The Nasdaq Stock Market®, Nasdaq-100 SharesSM, Nasdaq-100 TrustSM, Nasdaq-100 Index Tracking StockSM, and QQQSM are trademarks or service marks of The Nasdaq Stock Market, Inc. (Nasdaq) and have been licensed for use for certain purposes by the Phlx pursuant to a License Agreement with Nasdaq. The Nasdaq-100 Index® (the Index) is determined, composed, and calculated by Nasdaq without regard to the Licensee, the Nasdaq-100 TrustSM, or the beneficial owners of Nasdaq-100 SharesSM. Nasdaq has complete control and sole discretion in determining, comprising, or calculating the Index or in modifying in any way its method for determining, comprising, or calculating the Index in the future.
Standard & Poor's Depositary Receipts® Trust Series 1, traded under the symbol SPY; iShares Lehman 1-3 Year Treasury Bond Fund, traded under the symbol SHY; iShares Lehman 7-10 Year Treasury Bond Fund, traded under the symbol IEF; iShares Lehman 20+ Year Treasury Bond Fund, traded under the symbol TLT; iShares Lehman Aggregate Bond Fund, traded under the symbol AGG; iShares Lehman TIPS Bond Fund, traded under the symbol TIP; KBW Capital Markets Index, traded under the symbol KSX; KBW Insurance Index, traded under the symbol KIX; Phlx/KBW Bank Index, traded under the symbol BKX; iShares S&P 100 Index, traded under the symbol OEF; iShares S&P Europe 350, traded under the symbol IEV; iShares S&P Global 100 Index, traded under the symbol I00; iShares S&P Global Energy Sector Index, traded under the symbol IXC; iShares S&P Global Financial Sector Index, traded under the symbol IXG; iShares S&P Global Healthcare Sector Index, traded under the symbol IXJ; iShares S&P Global Information Technology Sector Index, traded under the symbol IXN; iShares S&P Global Telecom Sector Index, traded under the symbol IXP; iShares S&P Latin America 40, traded under the symbol ILF; iShares S&P MidCap 400, traded under the symbol IJH; iShares S&P SmallCap 600, traded under the symbol IJR; iShares S&P TOPIX 150, traded under the symbol ITF; iShares S&P 500, traded under the symbol IVV; S&P Industrial Select Sector SPDR, traded under the symbol XLI; S&P Technology Select

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Sector SPDR, traded under the symbol XLK; S&P Utilities Select Sector SPDR, traded under the symbol XLU; S&P Consumer Staples Select Sector SPDR, traded under the symbol XLP; S&P Energy Select Sector SPDR, traded under the symbol XLE; S&P Financial Select Sector SPDR, traded under the symbol XLF; S&P Health Care Select Sector SPDR, traded under the symbol XLV; S&P Materials Select Sector SPDR, traded under the symbol XLB; S&P Consumer Discretionary Select Sector SPDR, traded under the symbol XLY; MidCap SPDR, traded under the symbol MDY; Keefe, Bruyette & Woods Regional Banking Index or the KBW Regional Banking Index, traded under the symbol KRX; and Keefe, Bruyette & Woods Mortgage Finance Index or the KBW Mortgage Finance Index, traded under the symbol MFX.

The license fee of $0.05 per contract side will be assessed on every transaction and will not be subject to the $1,750 or $1,000 caps described above. Thus, this fee will be assessed in addition to any other transaction and comparison charges associated with dividend spread strategy transactions and will not count towards reaching the $1,750 or $1,000 caps.

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The purpose of this proposal is to recoup the license fees owed in connection with the trading of the products listed above. Even with the assessment of the $0.05 license fee per contract side, the fee caps and rebates should continue to encourage specialists and ROTs to provide liquidity for dividend spread strategy transactions.
The Exchange is also proposing to add a “Q” to the trading symbol “QQQ” on its $60,000 “Firm Related” Equity Option and Index Option Cap Fee Schedule to reflect the current trading symbol of the Nasdaq-100 Index Tracking Stock. In addition, the Exchange proposes to delete WellSpring Bio-Clinical Trials Index from the $60,000 “Firm Related” Equity Option and Index Option Cap Fee Schedule, traded under the symbol WHC, as that product is no longer listed or traded at the Exchange.

2. Statutory Basis

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(4) of the Act in particular, in that it is an equitable allocation of reasonable fees among Exchange members.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

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10 WellSpring Bio-Clinical Trials Index (“WHC”), "ORCHIDs" and "WellSpring" are trademarks of WellSpring BioCapital Partners, LLC ("WellSpring LLC") and have been licensed for use by the Philadelphia Stock Exchange, Inc. WellSpring LLC makes no recommendations concerning the advisability of investing in options based on the WellSpring Bio-Clinical Trials Index.


III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act\textsuperscript{13} and Rule 19b-4(f)(2)\textsuperscript{14} thereunder. Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission’s Internet comment form [http://www.sec.gov/rules/sro.shtml]; or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2005-82 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.


\textsuperscript{14} 17 CFR 240.19b-4(f)(2).
All submissions should refer to File Number SR-Phlx-2005-82. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission’s Public Reference Room. Copies of the filing also will be available for inspection and copying at the principal office of the Phlx. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2005-82 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority. 15

Margaret H. McFarland
Deputy Secretary

New Text Underlined; deleted Text Bracketed

SUMMARY OF EQUITY OPTION CHARGES (p. 1/6)

OPTION COMPARISON CHARGE (applicable to all trades – except specialist trades)
- Registered Option Trader $0.03 per contract
- Firm / Proprietary $0.04 per contract
- Customer Executions, Broker-Dealer Orders No charge

OPTION TRANSACTION CHARGE
- Customer Executions No charge
- Firm / Proprietary $0.20 per contract
- Firm / Proprietary Facilitation + $0.10 per contract
- Registered Option Trader (on-floor) * $0.19 per contract
- Specialist * $0.21 per contract
- Broker/Dealer11 (AUTOM-delivered) $0.45 per contract
- Broker/Dealer12 (non-AUTOM-delivered)
  - Up to 2,000 contracts $0.35 per contract
  - Between 2,001 and 3,000 contracts $0.25 per contract (for all contracts)
  - Residual above 3,000 contracts $0.20 per contract above 3,000 contracts
  (with the first 3,000 contracts charged $0.25 per contract)
- Linkage “P” and “P/A” Orders13 $0.15 per contract

+ Subject to a maximum fee of $60,000, except for certain license fees which are assessed per contract side – see $60,000 “Firm Related” Equity Option and Index Option Cap.
* ROTs are eligible for a $.08/contract side rebate and specialists are eligible for a $.07/contract side rebate for trades occurring as part of a dividend or merger spread transaction. The net transaction and comparison charges after the rebate is applied will be capped at $1,750 for all merger spread transactions executed on the same trading day in the same options class. The net transaction and comparison charges after the rebate is applied will be capped at $1,750 for all dividend spreads transactions on the same day in the same options class, except for a security with a declared dividend or distribution less than $0.25. In that instance, the net transaction and comparison charges after the rebate is applied will be capped at $1,000 for all dividend spread transactions on the same day in the same options class. A $0.05 per contract side license fee is imposed for dividend spread strategy transactions in connection with certain products that carry license fees. For a complete list of these product symbols, see the $60,000 Firm-Related Equity Option Cap.

9 For the purpose of this Summary of Equity Option Charges, the Firm / Proprietary comparison or transaction charge applies to member organizations for orders for the proprietary account of any member or non-member broker-dealer that derives more than 35% of its annual, gross revenues from commissions and principal transactions with customer. Member organizations will be required to verify this amount to the Exchange by certifying that they have reached this threshold and by submitting a copy of their annual report, which was prepared in accordance with Generally Accepted Accounting Principles (“GAAP”). In the event that a firm has not been in business for one year, the most recent quarterly reports, prepared in accordance with GAAP, will be accepted.

10 See footnote 9

11 For the purpose of this Summary of Equity Option Charges, this charge applies to members for transactions, received from other than the floor of the Exchange, for any account (i) in which the holder of beneficial interest is a member or non-member broker-dealer or (ii) in which the holder of beneficial interest is a person associated with or employed by a member or non-member broker-dealer. This includes transactions for the account of an ROT entered from off-floor.

12 See footnote 11.

13 Fees for Linkage “P” and “P/A” Orders are subject to a pilot program scheduled to expire July 31, 2006.
Option and Index Option Cap Fee Schedule. The license fee is assessed on every transaction and is not subject to the $1,750 or $1,000 cap, nor does it count towards reaching the caps. The $1,000 and $1,750 caps and the $0.05 per contract side license fee are subject to a pilot program scheduled to expire on March 1, 2006. A $0.05 per contract side license fee is imposed for dividend spread strategy transactions in connection with products that carry license fees. For a complete list of applicable symbols, see the $60,000 Firm-Related Equity Option and Index Option Cap Fee Schedule.
Exhibit 5

SUMMARY OF EQUITY OPTION CHARGES (p. 1/6)

OPTION COMPARISON CHARGE (applicable to all trades – except specialist trades)

<table>
<thead>
<tr>
<th>Description</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Option Trader</td>
<td>$.03 per contract</td>
</tr>
<tr>
<td>Firm / Proprietary +</td>
<td>$.04 per contract</td>
</tr>
<tr>
<td>Customer Executions, Broker-Dealer Orders</td>
<td>No charge</td>
</tr>
</tbody>
</table>

OPTION TRANSACTION CHARGE

<table>
<thead>
<tr>
<th>Description</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Executions</td>
<td>No charge</td>
</tr>
<tr>
<td>Firm / Proprietary 10 +</td>
<td>$.20 per contract</td>
</tr>
<tr>
<td>Firm / Proprietary Facilitation +</td>
<td>$.10 per contract</td>
</tr>
<tr>
<td>Registered Option Trader (on-floor) *</td>
<td>$.19 per contract</td>
</tr>
<tr>
<td>Specialist *</td>
<td>$.21 per contract</td>
</tr>
<tr>
<td>Broker/Dealer 11 (AUTOM-delivered)</td>
<td>$.45 per contract</td>
</tr>
<tr>
<td>Broker/Dealer 12 (non-AUTOM-delivered)</td>
<td></td>
</tr>
<tr>
<td>Up to 2,000 contracts</td>
<td>$.35 per contract</td>
</tr>
<tr>
<td>Between 2,001 and 3,000 contracts</td>
<td>$.25 per contract (for all contracts)</td>
</tr>
<tr>
<td>Residual above 3,000 contracts</td>
<td>$.20 per contract above 3,000 contracts (with the first 3,000 contracts charged $.25 per contract)</td>
</tr>
</tbody>
</table>

Linkage “P” and “P/A” Orders 13

<table>
<thead>
<tr>
<th>Description</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linkage “P” and “P/A” Orders</td>
<td>$.15 per contract</td>
</tr>
</tbody>
</table>

+ Subject to a maximum fee of $60,000, except for certain license fees which are assessed per contract side – see $60,000 “Firm Related” Equity Option and Index Option Cap.

* ROTs are eligible for a $.08/contract side rebate and specialists are eligible for a $.07/contract side rebate for trades occurring as part of a dividend or merger spread transaction. The net transaction and comparison charges after the rebate is applied will be capped at $1,750 for all merger spread transactions executed on the same trading day in the same options class. The net transaction and comparison charges after the rebate is applied will be capped at $1,750 for all dividend spreads transactions on the same day in the same options class, except for a security with a declared dividend or distribution less than $0.25. In that instance, the net transaction and comparison charges after the rebate is applied will be capped at $1,000 for all dividend spread transactions on the same day in the same options class. The $1,000 and $1,750 caps are subject to a pilot program scheduled to expire on March 1, 2006. A $0.05 per contract side license fee is imposed for dividend spread strategy transactions in connection with certain products that carry license fees. For a complete list of these product symbols, see the $60,000 Firm-Related Equity Option and Index Option Cap Fee Schedule. The license fee is assessed on every transaction and is

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9 For the purpose of this Summary of Equity Option Charges, the Firm / Proprietary comparison or transaction charge applies to member organizations for orders for the proprietary account of any member or non-member broker-dealer that derives more than 35% of its annual, gross revenues from commissions and principal transactions with customer. Member organizations will be required to verify this amount to the Exchange by certifying that they have reached this threshold and by submitting a copy of their annual report, which was prepared in accordance with Generally Accepted Accounting Principles (“GAAP”). In the event that a firm has not been in business for one year, the most recent quarterly reports, prepared in accordance with GAAP, will be accepted.

10 See footnote 9.

11 For the purpose of this Summary of Equity Option Charges, this charge applies to members for transactions, received from other than the floor of the Exchange, for any account (i) in which the holder of beneficial interest is a member or non-member broker-dealer or (ii) in which the holder of beneficial interest is a person associated with or employed by a member or non-member broker-dealer. This includes transactions for the account of an ROT entered from off-floor.

12 See footnote 11.

13 Fees for Linkage “P” and “P/A” Orders are subject to a pilot program scheduled to expire July 31, 2006.
not subject to the $1,750 or $1,000 cap, nor does it count towards reaching the caps. The $1,000 and $1,750 caps and the $0.05 per contract side license fee are subject to a pilot program scheduled to expire on March 1, 2006.
$60,000 “FIRM RELATED” EQUITY OPTION AND INDEX OPTION CAP

“Firm related” transaction and comparison charges for equity and index options, in the aggregate, for one billing month will not exceed $60,000 per month, per member organization, except when a member organization who trades QQQQ, IWF, IWM, IWN, IWO, IWP, IWS, NYC, NY, SPY, SHY, IEF, TLT, AGG, TIP, KRX, KIX, BKX, OEF, IEV, IOO, IXC, IYG, IXI, IXN, IXP, ILF, IJH, IJR, ITF, IVV, XLI, XLK, XLU, XLP, XLE, XLF, XLV, XLB, XLY, MDY, [WHC,] KRX and MFX options exceeds the $60,000 cap, a license fee of $0.10 per contract side will be in addition, once the cap is reached. When calculating the $60,000 cap, all equity option and index option transaction and comparison charges for products without license fees are calculated first and then equity option and index option transaction and comparison charges for products with license fees that are assessed by the Exchange after the $60,000 cap is reached are calculated.

QXC, QCE and FXI Options are not subject to the $60,000 cap described above.

See Appendix A for additional fees.

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