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>
</tr>
</thead>
<tbody>
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<td>✔</td>
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Pilot

Extension of Time Period for Commission Action

<table>
<thead>
<tr>
<th>Date Expires</th>
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<tbody>
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Rule

<table>
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<tr>
<th>Rule</th>
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<tbody>
<tr>
<td>✔ 19b-4(f)(2)</td>
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<tr>
<td>✔ 19b-4(f)(5)</td>
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<tr>
<td>✔ 19b-4(f)(6)</td>
</tr>
</tbody>
</table>

Description

Provide a brief description of the proposed rule change (limit 250 characters).

The Phlx proposes to adopt an Account Fee.

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>
</tr>
</thead>
<tbody>
<tr>
<td>John</td>
<td>Dayton</td>
<td>Director and Counsel</td>
<td><a href="mailto:john.dayton@phlx.com">john.dayton@phlx.com</a></td>
<td>(215) 496-5162</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 12/23/2005

By John Dayton, Director and Counsel

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.

John Dayton, john.dayton@phlx.com
<table>
<thead>
<tr>
<th>Exhibit 1 - Notice of Proposed Rule Change</th>
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</thead>
<tbody>
<tr>
<td>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).</td>
</tr>
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<tr>
<th>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</th>
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</thead>
<tbody>
<tr>
<td>Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.</td>
</tr>
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</table>

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<thead>
<tr>
<th>Exhibit 3 - Form, Report, or Questionnaire</th>
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<tbody>
<tr>
<td>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.</td>
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</table>

<table>
<thead>
<tr>
<th>Exhibit 4 - Marked Copies</th>
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<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
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<tr>
<th>Exhibit 5 - Proposed Rule Text</th>
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<tbody>
<tr>
<td>The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.</td>
</tr>
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</table>

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<thead>
<tr>
<th>Partial Amendment</th>
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<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>
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 schedule of fees to adopt a fee on member organizations of fifty dollars ($50.00) per month, or any part of a month, for each account that a member organization maintains with the Exchange beyond the number of permits\(^3\) billed to that member organization (the “Fee”). The Fee shall be effective beginning on January 1, 2006.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as **Exhibit 1** and a copy of Appendix A of the Exchange’s schedule of fees is attached hereto as **Exhibit 5**.

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

The Phlx Board of Governors approved the proposal for filing with the Securities and Exchange Commission ("SEC" or "Commission") on December 14, 2005.

Questions and comments on the proposed rule change may be directed to John Dayton, Director and Counsel, at (215) 496-5162, or Edith Hallahan, Senior Vice President and Deputy General Counsel, at (215) 496-5179.

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\(^3\) See Phlx Rule 908.
3. **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

   a. **Purpose**

   The purpose of the proposed rule change is to encourage member organizations to discontinue holding inactive trading accounts, which should, in turn, eliminate the need to expend resources to create additional account fields. Also, staff time allocated to maintaining account records should be reduced, which should allow for a more efficient use of staff resources.

   Member organizations currently have the option to request an unlimited number of trading accounts through the Exchange’s Membership Services Department. In many instances, multiple accounts are assigned at the member organization’s request to allow them to track their own activity using the Exchange’s account numbers. In many cases, however, accounts are not released back to the Exchange when they are no longer required by the member organization or a member organization may request more accounts than needed. This practice limits the number of available accounts and adds to increased staff time to maintain accurate records of active accounts and the retiring of inactive accounts.

   With this proposed rule change, member organizations may have, without charge, the number of accounts equal to the number of permits billed to that member organization. Any additional accounts requested by the member organization will be $50.00 per month, or any part thereof, per account. Each account has 22 suffixes or sub-

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4 This proposed rule change does not limit the amount of accounts a member organization may request.
accounts.\(^5\) There will be no additional charge for suffixes assigned within the same account.

b. **Statutory Basis**

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act\(^6\) in general, and furthers the objectives of Section 6(b)(4) of the Act\(^7\) 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.

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\(^5\) For example, account number 202 can actually be used as accounts 202-A, 202-B, etc.


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 and Rule 19b-4(f)(2) 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.

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

The Fee in this proposed rule change is similar to the clearing support account fee of the Chicago Stock Exchange, Inc.

9. **Exhibits**

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

5. Appendix A of the Exchange’s schedule of fees.

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SECURITIES AND EXCHANGE COMMISSION
(Release No.                  ; File No. SR-Phlx-2005-89)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of
Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to adopt an
Account Fee

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 schedule of fees to adopt a fee on member organizations of fifty dollars
($50.00) per month, or any part of a month, for each account that a member organization
maintains with the Exchange beyond the number of permits\(^4\) billed to that member
organization (the “Fee”). The Fee shall be effective beginning on January 1, 2006.

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\(^3\) 17 CFR 240.19b-4.

\(^4\) See Phlx Rule 908.
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**

The purpose of the proposed rule change is encourage member organizations to discontinue holding inactive trading accounts, which should, in turn, eliminate the need to expend resources to create additional account fields. Also, staff time allocated to maintaining account records should be reduced, which should allow for a more efficient use of staff resources.

Member organizations currently have the option to request an unlimited number of trading accounts through the Exchange’s Membership Services Department. In many instances, multiple accounts are assigned at the member organization’s request to allow them to track their own activity using the Exchange’s account numbers. In many cases, however, accounts are not released back to the Exchange when they are no longer required by the member organization or a member organization may request more accounts than needed. This practice limits the number of available accounts and adds to

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5 This proposed rule change does not limit the amount of accounts a member organization may request.
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With this proposed rule change, member organizations may have, without charge, the number of accounts equal to the number of permits billed to that member organization. Any additional accounts requested by the member organization will be $50.00 per month, or any part thereof, per account. Each account has 22 suffixes or sub-accounts.\(^6\) There will be no additional charge for suffixes assigned within the same account.

2. Statutory Basis

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act\(^7\) in general, and furthers the objectives of Section 6(b)(4) of the Act\(^8\) 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.

\(^6\) For example, account number 202 can actually be used as accounts 202-A, 202-B, etc.

\(^7\) 15 U.S.C. 78f(b).

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\(^9\) and Rule 19b-4(f)(2)\(^10\) 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-2005-89 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.


All submissions should refer to File Number SR-Phlx-2005-89. 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-2005-89 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.\footnote{17 CFR 200.30-3(a)(12).}

Margaret H. McFarland
Deputy Secretary
**Exhibit 5**

New text is underlined

**APPENDIX A**

<table>
<thead>
<tr>
<th>Permit Fees</th>
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<tbody>
<tr>
<td><strong>Order Flow Provider Permit Fee</strong></td>
</tr>
<tr>
<td>a. Permits used only to submit orders to the equity, foreign currency options, or options trading floor (one floor only)</td>
</tr>
<tr>
<td>b. Permits used only to submit orders to more than one trading floor</td>
</tr>
<tr>
<td><strong>Floor Broker, Specialist, or ROT (including RSQTs and SQTs) or Off-Floor Trader Permit Fee</strong></td>
</tr>
<tr>
<td>a. First Permit</td>
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<tr>
<td>b. Additional permits for members in the same organization</td>
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<tr>
<td><strong>Excess Permit Holders</strong></td>
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<tr>
<td><strong>Other Permit Holders</strong></td>
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<td><strong>Foreign Currency User Fee</strong></td>
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<td><strong>Application Fee</strong></td>
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<tr>
<td><strong>Initiation Fee</strong></td>
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<tr>
<td><strong>Account Fee</strong></td>
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</table>

No additional changes are being made to Appendix A

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20 The Exchange has established the date of notification of termination of a permit as the date that permit fee billing will cease. Additionally, a permit holder will be billed only one monthly permit fee if the holder transfers from one member organization to another previously unrelated member organization as a result of a merger, partial sale or other business combination during a monthly permit fee period in order to avoid double billing in the month the merger or business combination occurred. These policies will be effective as of February 2, 2004.

21 A permit holder or the member organization they solely qualify must apply for “other” status in writing to the Membership Services Department. This status requires that a permit holder or the member organization have no transaction activity for the applicable monthly billing period. Should a permit holder actively transact business during a particular month, the highest applicable monthly permit fee will apply to such permit holder and member organization for that monthly period. The “other” status only applies to permit holders who solely qualify their member organization. These policies will be effective as of February 2, 2004.

22 This fee is imposed on a member upon election, on a non-member FCO participant upon the purchase of an FCO participation, and on persons or entities registering as approved lessors.