Proposed Rule Change by Philadelphia Stock Exchange

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

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Extension of Time Period for Commission Action

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Description

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

Amending Exchange Rule 715, Monthly Payment and Reporting

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.

First Name: Cynthia
Title: Director
E-mail: cynthia.hoekstra@phlx.com
Telephone: (215) 496-5066
Fax: (215) 496-6729

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: 01/26/2006
By: Cynthia Hoekstra

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.

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.

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.

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.

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 Exchange Rule 715, Monthly Payment and Reporting, to clarify that equity floor members are no longer required to submit a monthly report of net commissions on transactions effected on the floor of the Exchange.

Exchange Rule 715 is set forth below, with new text underlined:

Rule 715. Monthly Payment and Reporting

(a) Each member and member organization shall submit to the Exchange's Controller, in such form as the Exchange may prescribe, a monthly report of net commissions on transactions, other than equity transactions, effected on the Floor of the Exchange during the preceding month together with a check payable to the Exchange for the appropriate fee. Said reports and fees must be received by the Exchange on or before the 28th calendar day following the month covered by the report, unless the Exchange is not open for business on such day, in which event the report is to be filed and the fees are to be paid on the next business day.

(b) A member or member organization may, in writing, request that the Controller grant an extension of not more than five business days to file such reports or pay such fees. The Controller has the discretion to grant or deny such extension requests.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

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 January 12, 2006.

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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**

   The Exchange previously adopted a monthly fee of $250 for each member who derives his/her primary income from floor brokerage business conducted on the equity floor of the Exchange and eliminated the equity floor brokerage assessment fee of 5 percent of net floor brokerage income.\(^3\) The Exchange waived the equity floor brokerage assessment and implemented the flat monthly fee of $250 to encourage floor brokers to send additional order flow to the Exchange and to simplify Phlx accounting procedures and billing. Thus, because the equity floor brokerage assessment is no longer based on net commissions, equity floor members do not need to submit monthly reports of net commissions, as required by Exchange Rule 715. Equity option and index option members and foreign currency participants, however, are still required to submit monthly reports, as their floor brokerage assessment continues to be imposed based on monthly net floor brokerage income.

   The purpose of amending Exchange Rule 715 is to update this rule to reflect that monthly reports of net commissions are no longer required to be submitted in connection with equity transactions. This clarification should help avoid any member confusion as it

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relates to the floor brokerage assessment. No fee changes are being made pursuant to this proposal.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^4\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^5\) in particular, in that it should help to foster cooperation and coordination with persons engaged in the regulating, clearing, settling, processing information with respect to and facilitating transactions in securities by clarifying that a floor brokerage assessment form is not required to be completed in connection with the assessment of the flat monthly fee of $250.

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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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 one that constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule pursuant to Section 19(b)(3)(A)(i) of the Act\(^6\) and Rule 19b-4(f)(1)\(^7\) 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 proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. **Exhibits**

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

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Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Exchange Rule 715

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 ______________________ 2006, 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) of the Act\(^3\) and Rule 19b-4 thereunder,\(^4\) proposes to amend Exchange Rule 715, Monthly Payment and Reporting, to clarify that equity floor members are no longer required to submit a monthly report of net commissions on transactions effected on the floor of the Exchange.

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Exchange Rule 715 is set forth below, with new text underlined:

Rule 715.
Monthly Payment and Reporting

(a) Each member and member organization shall submit to the Exchange's Controller, in such form as the Exchange may prescribe, a monthly report of net commissions on transactions, other than equity transactions, effected on the Floor of the Exchange during the preceding month together with a check payable to the Exchange for the appropriate fee. Said reports and fees must be received by the Exchange on or before the 28th calendar day following the month covered by the report, unless the Exchange is not open for business on such day, in which event the report is to be filed and the fees are to be paid on the next business day.

(b) A member or member organization may, in writing, request that the Controller grant an extension of not more than five business days to file such reports or pay such fees. The Controller has the discretion to grant or deny such extension requests.

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 Exchange previously adopted a monthly fee of $250 for each member who derives his/her primary income from floor brokerage business conducted on the equity floor of the Exchange and eliminated the equity floor brokerage assessment fee of 5
percent of net floor brokerage income.\textsuperscript{5} The Exchange waived the equity floor brokerage assessment and implemented the flat monthly fee of $250 to encourage floor brokers to send additional order flow to the Exchange and to simplify Phlx accounting procedures and billing. Thus, because the equity floor brokerage assessment is no longer based on net commissions, equity floor members do not need to submit monthly reports of net commissions, as required by Exchange Rule 715. Equity option and index option members and foreign currency participants, however, are still required to submit monthly reports, as their floor brokerage assessment continues to be imposed based on monthly net floor brokerage income.

The purpose of amending Exchange Rule 715 is to update this rule to reflect that monthly reports of net commissions are no longer required to be submitted in connection with equity transactions. This clarification should help avoid any member confusion as it relates to the floor brokerage assessment. No fee changes are being made pursuant to this proposal.

2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\textsuperscript{6} in general, and furthers the objectives of Section 6(b)(5) of the Act\textsuperscript{7} in particular, in that it should help to foster cooperation and coordination with persons engaged in the regulating, clearing, settling, processing information with respect to and facilitating


\textsuperscript{6} 15 U.S.C. 78f(b).

\textsuperscript{7} 15 U.S.C. 78f(b)(5).
transactions in securities by clarifying that a floor brokerage assessment form is not required to be completed in connection with the assessment of the flat monthly fee of $250.

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.

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

The foregoing proposed rule change has been designated as one that constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule pursuant to Section 19(b)(3)(A)(i) of the Act\(^8\) and Rule 19b-4(f)(1)\(^9\) 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.

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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-2006-08 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-2006-08. 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-2006-08 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.¹⁰

Margaret H. McFarland
Deputy Secretary