Proposed Rule Change by Philadelphia Stock Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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Section 19(b)(2) | Section 19(b)(3)(A) | Section 19(b)(3)(B) |

19b-4(f)(1) | 19b-4(f)(4) |
19b-4(f)(2) | 19b-4(f)(5) |
19b-4(f)(3) | ✓ 19b-4(f)(6) |

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

Expansion of time for exercising expiring options and submitting contrary exercise advices.

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: Jurij  Last Name: Trypupenko
Title: Director
E-mail: jurij.trypupenko@phlx.com
Telephone: (215) 496-5019  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: 02/10/2006
By: Jurij Trypupenko (Name)
Director (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.

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.
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 Phlx Rule 1042 to add two additional minutes within which one could make a final decision to exercise or not exercise an option or deliver a contrary exercise advice ("CEA")³ to the Exchange in order to conform to a change in the closing time for equity options and narrow-based index options from 4:02 p.m. to 4:00 p.m. (EST).⁴

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of the proposed rule change is set forth below.

Brackets indicate deletions; underlining indicates new text.

Rule 1042.

Exercise Of Equity Option Contracts

(a) through (f) – No Change.

(g) Modifying the Time for Close of Trading in Options. In the event the Exchange provides advance notice on or before 5:30 p.m. (EST) on the business day immediately


3 A CEA is a communication either to not exercise an option that would be automatically exercised pursuant to The Options Clearing Corporation’s ("OCC") Exercise-by-Exception ("Ex-by-Ex") procedure, or to exercise an option that would not be automatically exercised pursuant to the OCC’s Ex-by-Ex procedure.

4 The Commission has approved SR-Phlx-2006-01, see Securities Exchange Act Release No. 53247 (February 7, 2006) (SR-Phlx-2006-01), which proposes to amend Phlx Rules 101, 1012, 1047, 1047A, and 1101A and Phlx Floor Procedure Advice ("OFPA") G-2, so that equity options and narrow-based index options may trade until 4:00 p.m. instead of 4:02 p.m. (EST); the proposed rule change does not affect broad-based index options and exchange traded fund options trading to 4:15 p.m. Phlx understands that the 4:00 p.m. (EST) closing time will be implemented on February 13, 2006 on an industry-wide basis.
prior to the last business day before the expiration date indicating that a modified time for
the close of trading in equity options on such last business day before expiration will
occur, then the deadline to make a final decision to exercise or not exercise an expiring
option shall be 1 hour [28]30 minutes following the time announced for the close of
trading on that day instead of the 5:30 p.m. (EST) deadline found in Rule 1042 (c).
However, members and member organizations may deliver a CEA or Advice Cancel to
the Exchange within 2 hours [28]30 minutes following the time announced for the close
of trading in equity options on that day instead of the 6:30 p.m. (EST) deadline found in
Rule 1042(c) for: (i) customer accounts; and, (ii) non-customer accounts where such
member firm employs an electronic submission procedure with an electronic time stamp
(with fixed procedures to ensure security of the time stamp) to indicate the time of receipt
of exercise instructions.

For non-customer accounts, members and member organizations that do not employ an
electronic submission procedure with a time stamp for the submission of exercise
instructions are required to deliver a CEA or Advice Cancel within 1 hour and [28]30
minutes following the time announced for the close of trading on that day instead of the
5:30 p.m. (EST) deadline found in Rule 1042(c).

(h), Commentaries .01 through .08 – No Change.

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

Questions and comments on the proposed rule change may be directed to Jurij
Trypupenko, Director and Counsel, New Products Group and Legal Department, at (215)
496-5019, or Edith Hallahan, Senior Vice President and 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 purpose of the proposed amendment of Phlx Rule 1042 is to change the time for deciding whether to exercise an option and for delivering a contrary exercise advice to conform to the new trading hours for equity options and narrow-based index options.  

   Currently, Phlx Rule 1042 (c) establishes that on the business day immediately prior to an expiration date option holders may make final decisions to exercise or not exercise options, and members and member organizations may accept exercise instructions and submit CEAs to the Exchange as late as 5:30 p.m. or 6:30 p.m. (EST), pursuant to circumstances in Rule 1042(c). Rule 1042(g) establishes that where, on the last business day before the day of expiration, the Exchange provides advance notice of a modified time for the close of trading in equity options, the deadline to make a final decision to exercise or not exercise an expiring option and to deliver a CEA to the Exchange will be 1 hour 28 minutes or 2 hours 28 minutes after the announced modified closing time, instead of the 5:30 p.m. or 6:30 p.m. (EST) deadlines set by Rule 1042(c). The Exchange proposes to add two minutes to each of these timeframes to correspond to the two minute difference in trading time created by the trading time change from 4:02 p.m. to 4:00 p.m. (EST), expected to take effect February 13, 2006.

   This proposal is only changing the exercise timeframes for equity options, not index options, because the rule governing index options does not have pre-set times.

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5 See footnote 3 supra.
Accordingly, for index options, exercise forms submitted by specialists, traders, and others must be time stamped no later than five minutes after the close of trading on the day of the exercise.

b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^6\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^7\) in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by establishing expiring option exercise and CEA timeframes similar to that of other options exchanges and in conformity with new trading hours for equity options and narrow-based index options.

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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\(^7\) 15 U.S.C. 78f(b)(5).
7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The proposed rule change is being designated by the Exchange as a "non-controversial" rule pursuant to Section 19(b)(3)(A)\(^8\) of the Act and subparagraph (f)(6) of Rule 19b-4 thereunder,\(^9\) because the proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the Exchange has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the filing of the proposed rule change. The Exchange requests waiver of the 30-day period for the proposal to become operative, and of the five-business day pre-filing period.

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

The Exchange expects others to file.

9. **Exhibits**

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

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SECURITIES AND EXCHANGE COMMISSION  
(Release No. ; File No. SR-Phlx-2006-12) 

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Expansion of Time for Exercising Expiring Options and Submitting Contrary Exercise Advices

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\), and Rule 19b-4\(^2\) thereunder, 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 Phlx Rule 1042 to add two additional minutes within which one could make a final decision to exercise or not exercise an option or deliver a contrary exercise


\(^4\) 17 CFR 240.19b-4
advice (‘‘CEA’’)\(^5\) to the Exchange in order to conform to a change in the closing time for equity options and narrow-based index options from 4:02 p.m. to 4:00 p.m. (EST).\(^6\)

The text of the proposed rule change is set forth below.

Brackets indicate deletions; underlining indicates new text.

**Rule 1042.**

**Exercise Of Equity Option Contracts**

(a) through (f) – No Change.

(g) Modifying the Time for Close of Trading in Options. In the event the Exchange provides advance notice on or before 5:30 p.m. (EST) on the business day immediately prior to the last business day before the expiration date indicating that a modified time for the close of trading in equity options on such last business day before expiration will occur, then the deadline to make a final decision to exercise or not exercise an expiring option shall be 1 hour [28][30] minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. (EST) deadline found in Rule 1042 (c). However, members and member organizations may deliver a CEA or Advice Cancel to the Exchange within 2 hours [28][30] minutes following the time announced for the close of trading in equity options on that day instead of the 6:30 p.m. (EST) deadline found in Rule 1042(c) for: (i) customer accounts; and, (ii) non-customer accounts where such member firm employs an electronic submission procedure with an electronic time stamp (with fixed procedures to ensure security of the time stamp) to indicate the time of receipt of exercise instructions.

For non-customer accounts, members and member organizations that do not employ an electronic submission procedure with a time stamp for the submission of exercise instructions are required to deliver a CEA or Advice Cancel within 1 hour and [28][30] minutes following the time announced for the close of trading on that day instead of the 5:30 p.m. (EST) deadline found in Rule 1042(c).

\(^5\) A CEA is a communication either to not exercise an option that would be automatically exercised pursuant to The Options Clearing Corporation’s (“OCC”) Exercise-by-Exception (“Ex-by-Ex”) procedure, or to exercise an option that would not be automatically exercised pursuant to the OCC’s Ex-by-Ex procedure.

\(^6\) The Commission has approved SR-Phlx-2006-01, see Securities Exchange Act Release No. 53247 (February 7, 2006) (SR-Phlx-2006-01), which proposes to amend Phlx Rules 101, 1012, 1047, 1047A, and 1101A and Phlx Floor Procedure Advice (“OFPA”) G-2, so that equity options and narrow-based index options may trade until 4:00 p.m. instead of 4:02 p.m. (EST); the proposed rule change does not affect broad-based index options and exchange traded fund options trading to 4:15 p.m. Phlx understands that the 4:00 p.m. (EST) closing time will be implemented on February 13, 2006 on an industry-wide basis.
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 amendment of Phlx Rule 1042 is to change the time for deciding whether to exercise an option and for delivering a contrary exercise advice to conform to the new trading hours for equity options and narrow-based index options. 7

Currently, Phlx Rule 1042 (c) establishes that on the business day immediately prior to an expiration date option holders may make final decisions to exercise or not exercise options, and members and member organizations may accept exercise instructions and submit CEAs to the Exchange as late as 5:30 p.m. or 6:30 p.m. (EST), pursuant to circumstances in Rule 1042(c). Rule 1042(g) establishes that where, on the last business day before the day of expiration, the Exchange provides advance notice of a modified time for the close of trading in equity options, the deadline to make a final decision to exercise or not exercise an expiring option and to deliver a CEA to the

7 See footnote 3 supra.
The Exchange proposes to add two minutes to each of these timeframes to correspond to the two minute difference in trading time created by the trading time change from 4:02 p.m. to 4:00 p.m. (EST), expected to take effect February 13, 2006.

This proposal is only changing the exercise timeframes for equity options, not index options, because the rule governing index options does not have pre-set times. Accordingly, for index options, exercise forms submitted by specialists, traders, and others must be time stamped no later than five minutes after the close of trading on the day of the exercise.

2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^8\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^9\) in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest, by establishing expiring option exercise and CEA timeframes similar to that of other options exchanges and in conformity with new trading hours for equity options and narrow-based index options.

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

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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 proposed rule change is being designated by the Exchange as a "non-controversial" rule pursuant to Section 19(b)(3)(A)\(^{10}\) of the Act and subparagraph (f)(6) of Rule 19b-4 thereunder,\(^{11}\) because the proposed rule change: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest, provided that the Exchange has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the filing of the proposed rule change. The Exchange requests waiver of the 30-day period for the proposal to become operative, and of the five-business day pre-filing period.


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](http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2006-12 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-2006-12. 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](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-2006-12 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.\textsuperscript{12}

Margaret H. McFarland
Deputy Secretary

\textsuperscript{12} 17 CFR 200.30-3(a)(12).