Proposed Rule Change by Philadelphia Stock Exchange

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

Initial Amendment Withdrawal

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

Rule

Pilot Extension of Time Period for Commission Action Date Expires

Section 19(b)(1) Section 19(b)(4)

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).

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 and Counsel

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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 07/14/2006

By Jurij Trypupenko Director and Counsel

(Name) (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.
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.
Partial Amendment

The Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”) is filing the following partial Amendment No. 2 to its rule filing SR-Phlx-2006-17 in order to:

1) Add at the end of the first partial paragraph on Page 8 of 39 and the first full paragraph on Page 23 of 39 the following sentence --
“The Exchange represents that its surveillance procedures are adequate to properly monitor the trading of broad-based index options.”;

2) Indicate that Amendment No. 1 replaces and supersedes the original filing in its entirety; and

3) Indicate that Exhibit 4 below replaces and supersedes Exhibit 4 filed with Amendment No. 1.

Exhibit 4

Changes to the immediately preceding rule text that was filed are indicated as follows: double underlining indicates new additions; bolded bracketing indicates new deletions.

New material underlined; Deleted material bracketed

Rule 1000A.

Applicability and Definitions

(a) -- No Change.

(b)(1) - (10) -- No Change.

(11) The terms "market index" and “broad-based index”["industry index"] mean [respectively] an index designed to be representative of [general price movements in the stock market and an index designed to be representative of price movements in particular categories of stocks] a stock market as a whole or of a range of companies in unrelated industries.

(12) The terms “industry index” and “narrow-based index” mean an index designed to be representative of a particular industry or a group of related industries.
(1[2][3]) The term "European option" means an option contract that can be exercised only on the day it expires.

(1[3][4]) The term "expiration date" means, in the case of options on stock indexes, 11:59 P.M. Eastern Time, on the Saturday immediately following the third Friday of the expiration month, except quarterly expiring options shall expire at 11:59 P.M. Eastern Time, on the first business day of the month following the end of the quarter.

Rule 1001A.

Position Limits

(a) Except as otherwise indicated, the position limit for a broad-based (market) index option shall be 25,000 contracts on the same side of the market. All other broad-based (market) index options contracts shall be subject to a contract limitation fixed by the Exchange, which shall not be larger than the limits provided in this section (a). [Position limits for options on market indexes shall be as follows,] except certain positions must be aggregated in accordance with paragraph (d) or (e) below.

Remainder of (a[i) - (iii)] – No Change.

[ (iv) Respecting the Russell 200® Index, the Russell 200® Value Index, the Russell 200® Growth Index (1) 50,000 contracts total for full-size options, with 30,000 contracts in the nearest expiration month, and (2) 500,000 contracts total for mini size options, with 300,000 contracts total in the nearest expiration month.

(v) Respecting the Russell 1000® Index, the Russell 1000® Value Index, the Russell 1000® Growth Index (1) 50,000 contracts total for full-size options, with 30,000 contracts in the nearest expiration month, and (2) 500,000 contracts total for mini size options, with 300,000 contracts total in the nearest expiration month.

(vi) Respecting the Russell 2000® Index, the Russell 2000® Value Index, the Russell 2000® Growth Index (1) 50,000 contracts total for full-size options, with 30,000 contracts in the nearest expiration month, and (2) 500,000 contracts total for mini size options, with 300,000 contracts total in the nearest expiration month.

(vii) Respecting the Russell 2500® Index, the Russell 2500® Value Index, the Russell 2500® Growth Index (1) 50,000 contracts total for full-size options, with 30,000 contracts in the nearest expiration month, and (2) 500,000 contracts total for mini size options, with 300,000 contracts total in the nearest expiration month.

(viii) Respecting the Russell 3000® Index, the Russell 3000® Value Index, the Russell 3000® Growth Index (1) 50,000 contracts total for full-size options, with 30,000 contracts in the nearest expiration month, and (2) 500,000 contracts total for mini size options, with 300,000 contracts total in the nearest expiration month.
(ix) Respecting the Russell SmallCap Completeness® Index, the Russell SmallCap Completeness® Value Index, the Russell SmallCap Completeness® Growth Index (1) 50,000 contracts total for full-size options, with 30,000 contracts in the nearest expiration month, and (2) 500,000 contracts total for mini size options, with 300,000 contracts total in the nearest expiration month.

(x) Respecting the Russell MidCap® Index, the Russell MidCap® Value Index, the Russell MidCap® Growth Index (1) 50,000 contracts total for full-size options, with 30,000 contracts in the nearest expiration month, and (2) 500,000 contracts total for mini size options, with 300,000 contracts total in the nearest expiration month.

(b)(i) In determining compliance with Rule 1001, option contracts on a[n] narrow-based (industry) index shall, subject to the procedures specified in subparagraph (iii) of this rule, be subject to the following position limits:

Remainder of (b) – No Change.

(c) - (d|e) – No Change.

[ (e) Aggregation -- Full value, reduced value, long term and quarterly expiring options based on the same index shall be aggregated.

(i) - (iii) – No Change.

(iv) For aggregation purposes, one full-size Russell index option contract is the equivalent of 10 mini size Russell index option contracts delineated in (a) of this rule.

Commentary .01 - .02 – No Change.

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Rule 1009A.

Designation of the Index

(a) – No change.

(b)(1) - (b)(7) – No Change.

(b)(8) [All] Each component security[ies] must be [are ] ["reported securities" as defined in Rule 11Aa3-1] an “NMS Stock[s]” as defined in Rule 600 of Regulation NMS under the Exchange Act;

Remainder of (b) – No Change.

(c) – No change.
(d) Notwithstanding paragraph (a) above, the Exchange may trade options on a broad-based (market) index pursuant to Rule 19b-4(e) of the Exchange Act, if each of the following conditions is satisfied:

1. The index is broad-based, as defined in Rule 1000A(b)(11);

2. Options on the index are designated as A.M.-settled index options;

3. The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;

4. The index consists of 50 or more component securities;

5. Component securities that account for at least ninety-five percent (95%) of the weight of the index have a market capitalization of at least $75 million, except that component securities that account for at least sixty-five percent (65%) of the weight of the index have a market capitalization of at least $100 million;

6. Component securities that account for at least eighty percent (80%) of the weight of the index satisfy the requirements of Rule 1009 applicable to individual underlying securities;

7. Each component security that accounts for at least one percent (1%) of the weight of the index has an average daily trading volume of at least 90,000 shares during the last six month period;

8. No single component security accounts for more than ten percent (10%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than thirty-three percent (33%) of the weight of the index;

9. Each component security must be an “NMS Stock(s)” as defined in Rule 600 of Regulation NMS under the Exchange Act;

10. Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;

11. The current index value is widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors during the time options on the index are traded on the Exchange;
(12) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index;

(13) An equal dollar-weighted index is rebalanced at least once every calendar quarter;

(14) If an index is maintained by a broker-dealer, the index is calculated by a third-party who is not a broker-dealer, and the broker-dealer has erected an informational barrier around its personnel who have access to information concerning changes in, and adjustments to, the index;

(15) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(e) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph (d) above:

(1) The conditions set forth in subparagraphs (d)(1), (2), (3), (9), (10), (11), (12), (13), (14) and (15) must continue to be satisfied. The conditions set forth in subparagraphs (d)(5), (6), (7) and (8) must be satisfied only as of the first day of January and July in each year;

(2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the [SEC]Commission under Section 19(b)(2) of the Exchange Act.