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)(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).

Increase Linkage Inbound Principal Order Fees

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 Last Name Hoekstra

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 03/31/2006

By Cynthia Hoekstra Director

(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.

Cynthia Hoekstra,
<table>
<thead>
<tr>
<th>Form 19b-4 Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exhibit 1 - Notice of Proposed Rule Change</th>
</tr>
</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>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</th>
</tr>
</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>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Exhibit 4 - Marked Copies</th>
</tr>
</thead>
<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>
</table>

<table>
<thead>
<tr>
<th>Exhibit 5 - Proposed Rule Text</th>
</tr>
</thead>
<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 1 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>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Partial Amendment</th>
</tr>
</thead>
<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 increase from $0.15 to $0.25 per option contract the Linkage Inbound Principal Order ("P Order")\(^3\) fee sent to the Exchange via the Intermarket Options Linkage ("Linkage") pursuant to the Plan for the Purpose of Creating and Operating an Intermarket Option Linkage ("Plan").\(^4\) Consistent with current practice, the Exchange will charge the clearing member organization of the sender of Inbound Linkage P Orders.

   This proposal is scheduled to become effective for trades settling on or after April 3, 2006 and will remain in effect as part of an existing pilot program, which is scheduled to expire July 31, 2006.\(^5\)

   A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of the applicable section of the Exchange’s Summary of Equity Option Charges is attached hereto as Exhibit 5.

---


\(^3\) Principal Order is an order for the principal account of an Eligible Market Maker.


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 March 30, 2006.

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 purpose of increasing the charge for P Orders from $0.15 to $0.25 is to establish a fee that is competitive with other exchanges that charge similar or even higher fees for P Orders.6

b. Statutory Basis

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act7 in general, and furthers the objectives of Section 6(b)(4) of the Act8 in particular, in that it is an equitable allocation of reasonable fees and other charges 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\(^9\) 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.

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

The proposed rule change is similar to fees assessed for P Orders by the

---


International Securities Exchange Inc. and the Chicago Board Options Exchange, Incorporated. 11

9. **Exhibits**

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

5. Applicable Section of the Exchange’s Summary of Equity Option Charges.

---

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.                  ; File No. SR-Phlx-2006-22)

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

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 increase from $0.15 to $0.25 per option contract the Linkage Inbound Principal Order ("P Order")\(^5\) fee sent to the Exchange via the Intermarket Options Linkage ("Linkage") pursuant to the Plan for the Purpose of Creating and Operating an

---


\(^5\) Principal Order is an order for the principal account of an Eligible Market Maker.
Intermarket Option Linkage ("Plan"). Consistent with current practice, the Exchange will charge the clearing member organization of the sender of Inbound Linkage P Orders. This proposal is scheduled to become effective for trades settling on or after April 3, 2006 and will remain in effect as part of an existing pilot program, which is scheduled to expire July 31, 2006.

A copy of the applicable section of the Exchange’s Summary of Equity Option Charges 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

The purpose of increasing the charge for P Orders from $0.15 to $0.25 is to

---


establish a fee that is competitive with other exchanges that charge similar or even higher fees for P Orders.\textsuperscript{8}

2. \textbf{Statutory Basis}

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act\textsuperscript{9} in general, and furthers the objectives of Section 6(b)(4) of the Act\textsuperscript{10} in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

B. \textit{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. \textit{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. \textit{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{11} and Rule 19b-4(f)(2)\textsuperscript{12} thereunder. Accordingly,


\textsuperscript{9} 15 U.S.C. 78f(b).


\textsuperscript{12} 17 CFR 240.19b-4(f)(2).
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-2006-22 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and
  Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2006-22. 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
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-2006-22 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{13}

Nancy M. Morris  
Secretary

\textsuperscript{13} 17 CFR 200.30-3(a)(12).
OPTION TRANSACTION CHARGE

** ** ** **

Linkage “P” and “P/A” Orders\(^\text{13}\) $0.25 per contract

No further changes are being made to the Exchange’s Summary of Equity Option Charges pursuant to this proposal.

\(^{13}\) Fees for Linkage “P” and “P/A” Orders are subject to a pilot program scheduled to expire July 31, 2006.