**Proposed Rule Change by Philadelphia Stock Exchange**

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

<table>
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<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>
<th>Rule</th>
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- **Pilot** Extension of Time Period for Commission Action
- **Date Expires**

**Description**

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

**Adjustment to PHLX/KBW Bank Index Procedures**

**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**: 05/04/2006

**By**: Cynthia Hoekstra (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.
<table>
<thead>
<tr>
<th>Form 19b-4 Information</th>
<th>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.</th>
</tr>
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<tbody>
<tr>
<td>Exhibit 1 - Notice of Proposed Rule Change</td>
<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>
<tr>
<td>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</td>
<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>
<tr>
<td>Exhibit 3 - Form, Report, or Questionnaire</td>
<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>
<tr>
<td>Exhibit 4 - Marked Copies</td>
<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>
<tr>
<td>Exhibit 5 - Proposed Rule Text</td>
<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>
<tr>
<td>Partial Amendment</td>
<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>
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</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 change the method of calculation and dissemination of the PHLX/KBW Bank Index.

   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 May 4, 2006.

   Questions and comments on the proposed rule change may be directed to Carla Behnfeldt, at 215-496-5208, 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 rule change is to permit the Exchange itself to calculate and disseminate current index values of the PHLX/KBW Bank Index (the "Bank Index" or "Index"), an index developed by Keefe, Bruyette & Woods, Inc. ("KBW"), a registered broker-dealer that specialized in U.S. bank stocks, without using


Bridge Data as a calculation agent. No other changes are being made to the Index. The Exchange seeks continued approval to list and trade options on the Index in view of this change.

The Index was originally listed in 1992 as a narrow-based (industry) index. The Commission’s Approval Order contains the following language regarding the calculation of the underlying current index value:

Even though the Index will be maintained by KBW, the Phlx represents that the Exchange will be solely responsible for the calculation of the Index and that the Index value will be calculated and disseminated in such a way that neither KBW nor any other party will be in receipt of the Index value prior to the public dissemination of the value. In this connection, the Phlx has made arrangements for the Index to be calculated by an independent third party, Bridge Data, a vendor of financial information. Bridge Data will calculate and disseminate the Index value to the Options Price Reporting Authority ("OPRA") four times per minute during the trading day, using the last sale prices of the component stocks in the Index . . . OPRA, in turn, will disseminate the Index value to other financial vendors such as Reuters, Telerate, and Quotron.  

The Exchange is now capable of calculating and disseminating the Index value four times per minute per trading day, using the last sale prices of the component stocks in the Index, without utilizing the services of Bridge Data. The Exchange seeks approval to continue listing and trading options on the Index from time to time without the participation or intervention of Bridge Data in the process of calculating or disseminating the Index value. The Exchange notes that the listing of options on the Index pre-dated the adoption of the Exchange’s generic index option listing standards in Rule 1009A

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4 Id.

5 The Exchange notes that Index values are disseminated not to OPRA, but rather to the Consolidated Tape Association for further dissemination to major market data vendors.
which today permit listing and trading of qualifying index options without regard to the identity of the entity calculating or disseminating the current index values, so long as current underlying index values are reported at least once every fifteen seconds during the time the index options are traded on the Exchange.

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 permitting the calculation and disseminate of current index values to be accomplished by Exchange personnel in addition to by Bridge Data which should assure continuity in the availability of the index’s current value in the event that Bridge Data is unavailable to calculate and disseminate the values as described in the Approval Order.

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.

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\(^7\) 15 U.S.C. 78f(b)(5).
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)**

   Because the foregoing 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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act\(^8\) and Rule 19b-4(f)(6) thereunder.\(^9\)

   A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange is requesting that the Commission waive the 30-day operative delay and the five-day pre-filing notice requirement, as specified in Rule 19b-4(f)(6)(iii), and designate the proposed rule change immediately operative. The Exchange believes that waiving the 30-day

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operative delay and the five-day pre-filing notice requirement is consistent with the protection of investors and the public interest. By waiving the 30-day operative delay and the five-day pre-filing notice requirement, the continued availability of current Index values may be assured notwithstanding any unavailability of Bridge Data to calculate and disseminate those values.

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.
SECURITIES AND EXCHANGE COMMISSION  
(Release No.                  ; File No. SR-Phlx-2006-29) 

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

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 change the method of calculation and dissemination of the PHLX/KBW Bank 
Index. 

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 

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\(^4\) 17 CFR 240.19b-4
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 to permit the Exchange itself to calculate and disseminate current index values of the PHLX/KBW Bank Index (the "Bank Index" or "Index"), an index developed by Keefe, Bruyette & Woods, Inc. ("KBW"), a registered broker-dealer that specialized in U.S. bank stocks, without using Bridge Data as a calculation agent. No other changes are being made to the Index. The Exchange seeks continued approval to list and trade options on the Index in view of this change.

The Index was originally listed in 1992 as a narrow-based (industry) index.5 The Commission’s Approval Order contains the following language regarding the calculation of the underlying current index value:

Even though the Index will be maintained by KBW, the Phlx represents that the Exchange will be solely responsible for the calculation of the Index and that the Index value will be calculated and disseminated in such a way that neither KBW nor any other party will be in receipt of the Index value prior to the public dissemination of the value. In this connection, the Phlx has made arrangements for the Index to be calculated by an independent third party, Bridge Data, a vendor of financial information. Bridge Data will calculate and disseminate the Index value to the Options Price Reporting Authority ("OPRA") four times per minute during the trading day, using the last sale prices of the component stocks.

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vendors such as Reuters, Telerate, and Quotron. 6

The Exchange is now capable of calculating and disseminating the Index value
four times per minute per trading day, using the last sale prices of the component stocks
in the Index, without utilizing the services of Bridge Data. The Exchange seeks approval
to continue listing and trading options on the Index from time to time without the
participation or intervention of Bridge Data in the process of calculating or disseminating
the Index value.7 The Exchange notes that the listing of options on the Index pre-dated
the adoption of the Exchange’s generic index option listing standards in Rule 1009A
which today permit listing and trading of qualifying index options without regard to the
identity of the entity calculating or disseminating the current index values, so long as
current underlying index values are reported at least once every fifteen seconds during
the time the index options are traded on the Exchange.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act
in general, and furthers the objectives of Section 6(b)(5) of the Act 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 permitting the calculation and
disseminate of current index values to be accomplished by Exchange personnel in
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6 Id.

7 The Exchange notes that Index values are disseminated not to OPRA, but rather to
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vendors.
index’s current value in the event that Bridge Data is unavailable to calculate and disseminate the values as described in the Approval Order.

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**

Because the foregoing 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, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act\(^8\) and Rule 19b-4(f)(6) thereunder.\(^9\)

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a

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proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange is requesting that the Commission waive the 30-day operative delay and the five-day pre-filing notice requirement, as specified in Rule 19b-4(f)(6)(iii), and designate the proposed rule change immediately operative. The Exchange believes that waiving the 30-day operative delay and the five-day pre-filing notice requirement is consistent with the protection of investors and the public interest. By waiving the 30-day operative delay and the five-day pre-filing notice requirement, the continued availability of current Index values may be assured notwithstanding any unavailability of Bridge Data to calculate and disseminate those values.

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-2006-29 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-2006-29](http://www.sec.gov/rules/sro.shtml). 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-2006-29](http://www.sec.gov/rules/sro.shtml) 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.

Nancy M. Morris
Secretary

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