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

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Description
Provide a brief description of the proposed rule change (limit 250 characters).
Reduce Staffing Requirements for Options Specialist Units

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: Edith
Last Name: Hallahan
Title: Sr. Vice President
E-mail: Edith.hallahan@phlx.com
Telephone: (215) 496-5179
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

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.
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 Rule 501(d) to reduce the mandatory staffing requirement to be approved as an options specialist unit and to retain such status, while enabling the Exchange’s Options Allocation, Evaluation and Securities Committee ("Options Allocations Committee" or "Committee")\(^3\) to continue to require a unit to obtain additional staffing.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is set forth below. Deletions bracketed; additions underlined

**Rule 501. Specialist Appointment**

(a)-(c)- No Change.

(d) To be approved as a specialist unit and to retain the privilege of such status, an options or foreign currency options specialist unit must maintain the approved clearing arrangements and capital structure stated on their application as described in (b)(2) and (b)(3) above. Changes regarding the requirements in (b)(4) must be submitted and approved by the Committee. In addition, each unit must consist of at least the following staff for each [quarter turret (or equivalent portion of a] trading floor specialist post[)]: (1) one head specialist; and (2)[two] one assistant specialist[s with respect to options specialist units] [(of which at least one] that must be associated with the specialist unit[); and (3) one specialist clerk]. The Committee, in its discretion, may require a unit to obtain additional staff depending upon the number of assigned options classes and associated order flow.


\(^3\) See Phlx By-Law Article X, Section 10-7. The Options Allocations Committee has jurisdiction over, among other things: the appointment of specialists on the options and foreign currency options trading floors; allocation, retention and transfer of privileges to deal in options on the trading floors; and administration of the 500 series of Phlx rules.
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 April 20, 2006.

Questions and comments on the proposed rule change may be directed to 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 provide flexibility in options specialist unit staffing by reducing the mandatory staffing requirement, in light of increased automation respecting options trading.

Currently, Exchange Rule 501(d) requires that in order to be approved as an options specialist unit and retain such status, the specialist unit shall have at each quarter turret or trading post one head specialist, two assistant specialists (at least one of whom must be associated with the specialist unit), and one specialist clerk. However, as the Exchange and member organizations continue to enhance options trading technology and orders are now automatically executed on the Exchange over 90% of the time, the need to maintain the present required staffing levels for every specialist unit (three specialists and

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4 The Exchange is also proposing to make non-substantive language changes to Rule 501(d) such as, for example, deletion of obsolete references to quarter turrets, which are no longer used on the floor.
The changes proposed to Rule 501(d) herein are not intended to alter other specialist unit obligations established by Phlx rules.


Commission action.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The Exchange requests accelerated effectiveness pursuant to Section 19(b)(2) of the Act\(^8\) so that specialist unit operational efficiencies may be enhanced as a result of increased specialist unit staffing flexibility.

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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SECURITIES AND EXCHANGE COMMISSION
(Release No.                  ; File No. SR-Phlx-2006-30)

Self-Regulatory Organizations; Notice of Filing and Accelerated Approval of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Reducing Staffing Requirements for Options Specialist Units

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 Rule 501(d) to reduce the mandatory staffing requirement to be approved as an options specialist unit and to retain such status, while enabling the Exchange’s Options Allocation, Evaluation and Securities Committee ("Options

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Allocations Committee” or “Committee”) ⁵ to continue to require a unit to obtain additional staffing.

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

Deletions bracketed; additions underlined

**Rule 501. Specialist Appointment**

(a)-(c)- No Change.

(d) To be approved as a specialist unit and to retain the privilege of such status, an options or foreign currency options specialist unit must maintain the approved clearing arrangements and capital structure stated on their application as described in (b)(2) and (b)(3) above. Changes regarding the requirements in (b)(4) must be submitted and approved by the Committee. In addition, each unit must consist of at least the following staff for each [quarter turret (or equivalent portion of a] trading floor specialist post[)]:

1. one head specialist;
2. one [two] assistant specialist[s with respect to options specialist units] [(of which at least one] that must be associated with the specialist unit[); and
3. one specialist clerk]. The Committee, in its discretion, may require a unit to obtain additional staff depending upon the number of assigned options classes and associated order flow.

(e)-(f)- No Change.

Commentary- No Change.

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.

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⁵ See Phlx By-Law Article X, Section 10-7 the Options Allocations Committee has jurisdiction over, among other things: the appointment of specialists on the options and foreign currency options trading floors; allocation, retention and transfer of privileges to deal in options on the trading floors; and administration of the 500 series of Phlx rules.
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 provide flexibility in options specialist unit staffing by reducing the mandatory staffing requirement, in light of increased automation respecting options trading.

Currently, Exchange Rule 501(d) requires that in order to be approved as an options specialist unit and retain such status, the specialist unit shall have at each quarter turret or trading post one head specialist, two assistant specialists (at least one of whom must be associated with the specialist unit), and one specialist clerk. However, as the Exchange and member organizations continue to enhance options trading technology and orders are now automatically executed on the Exchange over 90% of the time, the need to maintain the present required staffing levels for every specialist unit (three specialists and a clerk) is significantly reduced. The Exchange believes that, in light of such technological advances, and in conjunction with requests from specialist units for greater staffing flexibility, requiring only one assistant specialist and eliminating the requirement for a specialist clerk, is warranted.

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6 The Exchange is also proposing to make non-substantive language changes to Rule 501(d) such as, for example, deletion of obsolete references to quarter turrets, which are no longer used on the floor.

7 The changes proposed to Rule 501(d) herein are not intended to alter other specialist unit obligations established by Phlx rules.
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, and to protect investors and the public interest, by adding flexibility to specialist staffing requirements while retaining the ability of the Options Allocations Committee to require additional staffing where appropriate, which should enhance operational efficiencies.

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 Exchange requests accelerated effectiveness pursuant to Section 19(b)(2) of the Act so that specialist unit operational efficiencies may be enhanced as a result of increased specialist unit staffing flexibility.

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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-2006-30 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-2006-30. 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-2006-30 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. ¹¹

Nancy M. Morris
Secretary