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 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).

Proposed rule change relating to the extension of a pilot concerning split price priority.

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 Richard Last Name Rudolph

Title Vice President and Counsel

E-mail Richard.Rudolph@phlx.com

Telephone (215) 496-5074 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 06/08/2006

By Richard S. Rudolph Vice President and Counsel

(Note)

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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.

Richard Rudolph,
**Form 19b-4 Information**

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.

**Exhibit 1 - Notice of Proposed Rule Change**

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).

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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.

**Exhibit 3 - Form, Report, or Questionnaire**

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.

**Exhibit 4 - Marked Copies**

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.

**Exhibit 5 - Proposed Rule Text**

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.

**Partial Amendment**

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\(^2\) thereunder, proposes to extend, for a one-year period, a pilot program (the "pilot") concerning Rule 1014(g)(i)(C), Priority on Split-Price Transactions in Open Outcry.

   The pilot affords priority to a member with an order for at least 100 contracts\(^3\) who buys (sells) at least 50 contracts at a particular price to have priority over all others in purchasing (selling) up to an equivalent number of contracts of the same order at the next lower (higher) price without being required to yield priority, including to existing customer interest in the limit order book. The pilot also establishes priority for in-crowd participants in split price transactions represented in open outcry over the quotations of participants that are not located in the crowd (i.e., out-of-crowd Streaming Quote Traders ("SQTs")\(^4\) and Remote Streaming Quote Traders ("RSQTs")\(^5\)) even where the market has a bid/ask differential of one minimum trading increment.\(^6\)

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\(^3\) Orders for a size of less than 100 contracts are not affected by the current pilot and would not be affected by this proposed rule change.

\(^4\) An SQT is an Exchange Registered Options Trader ("ROT") who has received permission from the Exchange to generate and submit option quotations electronically through AUTOM in eligible options to which such SQT is assigned. An SQT may only submit such quotations while such SQT is physically present on the floor of the Exchange. See Exchange Rule 1014(b)(ii)(A).

\(^5\) An RSQT is an ROT that is a member or member organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically through AUTOM in eligible options to which such RSQT has been assigned. An RSQT may only submit such quotations electronically from off the floor of the Exchange. See Exchange Rule 1014(b)(ii)(B).

\(^6\) Generally, all options on stocks, indexes, and Exchange Traded Funds quoting in decimals at $3.00 or higher have a minimum increment of $.10, and those quoting in decimals under $3.00 have a minimum increment of $.05. See Exchange Rule 1034(a).

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. Brackets indicate deletions; underlining indicates new text.

**Obligations and Restrictions Applicable to Specialists and Registered Options Traders**

**Rule 1014.** (a) – (f) No change.

(g) Equity Option and Index Option Priority and Parity

(i) (A) – (B)

(C) Purchase or sale priority for orders of 100 contracts or more. If a member purchases (sells) 50 or more option contracts of a particular series at a particular price or prices, he shall, at the next lower (higher) price have priority in purchasing (selling) up to the equivalent number of option contracts of the same series that he purchased (sold) at the higher (lower) price or prices, but only if his bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales).

When the market has a bid/ask differential of one minimum trading increment and the bid and/or offer represent the quotation of an out-of-crowd SQT or an RSQT, such member shall have priority over such SQT and/or RSQT with respect to both the bid and the offer.

The Options Committee may increase the “minimum qualifying order size” above 100 contracts for all products under its jurisdiction. Announcements regarding changes to the minimum qualifying order size shall be made via an Exchange circular. This paragraph is subject to a pilot scheduled to expire June 30, 200[6], and shall only apply to transactions in equity options (including options overlying Exchange Traded Fund Shares (“ETFs”)) and only to such transactions that are effected in open outcry.

(h) No change.

Commentary: No change.
2. Procedures of the Self-Regulatory Organization

The Exchange’s Board of Governors approved the proposal for filing with the Securities and Exchange Commission (“SEC” or “Commission”) on June 7, 2006.

Questions and comments on the proposed rule change may be directed to Richard S. Rudolph, Vice President and Counsel, at (215) 496-5074, 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 extend the pilot concerning priority in split-price transactions, which by virtue of their size and the need to execute them at multiple prices, may be difficult to execute without a limited exception to current Exchange priority rules, as described below. The pilot is scheduled to expire June 30, 2006.

The pilot was originally adopted in June, 2005, and subsequently extended in December, 2005. In May, 2006, the pilot was expanded to include priority for in-crowd participants in both trades of the split price transaction where there is a minimum trading increment market, but only over RSQTs and out-of-crowd SQTs in that circumstance.

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The current pilot, applicable to equity options (including options overlying Exchange Traded Fund Shares (“ETFs”)), operates in two ways. First, it permits a member with an order for at least 100 contracts\(^{10}\) who buys (sells) at least 50 contracts at a particular price to have priority over all others in purchasing (selling) up to an equivalent number of contracts of the same order at the next lower (higher) price without being required to yield priority, including to existing customer interest in the limit order book. Absent this rule, such orders would be required to yield priority.\(^{11}\)

For example, where the market is $.25 - $.35, a Floor Broker representing an order to purchase 100 contracts that executes a purchase of 50 of those contracts at a price of $.30 has priority over all market participants to purchase the remaining 50 contracts in the order at $.25. Two trades would be reported to the tape, one a purchase of 50 contracts at $.30, and the other a purchase of 50 contracts at $.25. The effect to that Floor Broker’s customer would be a net purchase price of $.275 for 100 contracts.

Second, as stated above, the current pilot contemplates that a member who purchases (sells) 50 or more option contracts of a particular series at a particular price or prices has priority at the next lower (higher) price in purchasing (selling) up to the equivalent number of option contracts of the same series that he purchased (sold) at the higher (lower) price or prices. The pilot, respecting split price transactions, also affords priority to members physically located in the crowd even where the market has a bid/ask differential of one minimum trading increment. The Exchange believes that this provision should enable it to compete for order flow in situations where Floor Brokers

\(^{10}\) Orders for a size of less than 100 contracts are not affected by the current pilot and would not be affected by this proposed rule change.

\(^{11}\) See, e.g. Exchange Rule 119(a).
seek split price executions in open outcry when the market consists of RSQT quotations and/or SQT quotations where the SQT is located out of that trading crowd with a bid/ask differential of one minimum trading increment.

For example, assume a Floor Broker represents an order to purchase 100 contracts in a series where the market is $0.25 bid, $0.30 offer, and both the bid and offer represent quotations submitted by out-of-crowd SQTs or RSQTs. Under the proposal, the Floor Broker would be afforded priority over the out-of-crowd SQT or RSQT at both $0.25 and $0.30, because the bid/ask differential is one minimum trading increment ($0.05). This would enable the Floor Broker to execute a split-price order at a net price ($0.275) that improves the market. The effect (and ultimate benefit) to that Floor Broker’s customer would be a net purchase price of $.275 for 100 contracts. This provision only applies regarding quotations submitted by out-of-crowd SQTs and RSQTs, and thus would not operate to afford priority over, for example, customer or broker-dealer orders or in-crowd SQT quotes.

The Exchange believes that, in situations where the market has a bid/ask differential of one minimum trading increment, it is potentially difficult for the Floor Broker to achieve price improvement for the Floor Broker’s customer on the Phlx. Instead, the order might trade at another exchange that has no impediments, *i.e.*, rules that

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12 The specialist and/or SQTs participating in a trading crowd may, in response to a verbal request for a market by a floor broker, state a bid or offer that is different than their electronically submitted bid or offer, provided that such stated bid or offer is not inferior to such electronically submitted bid or offer. *See* Exchange Rule 1014, Commentary .05(c).
afford priority to in-crowd participants over out-of-crowd participants generally, regardless of split price priority.\textsuperscript{13}

b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\textsuperscript{14} in general, and furthers the objectives of Section 6(b)(5) of the Act\textsuperscript{15} 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, enabling Floor Brokers representing split price orders in open outcry to provide split-price executions at improved prices on behalf of customers by establishing a limited priority rule regarding split-price transactions.

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

\textsuperscript{13} Chicago Board Options Exchange, Inc. ("CBOE") Rule 6.45A, provides that only in-crowd market participants are eligible to participate in open outcry trade allocations. See Securities Exchange Act Release No. 51366 (March 14, 2005), 70 FR 13217 (March 18, 2005) (SR-CBOE-2004-75).

\textsuperscript{14} 15 U.S.C. 78f(b).

\textsuperscript{15} 15 U.S.C. 78f(b)(5).
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: (1) does not significantly affect the protection of investors or the public interest; and (2) does not impose any significant burden on competition. Therefore, it has become effective pursuant to Section 19(b)(3)(A)\(^\text{16}\) of the Act and Rule 19b-4(f)(6)\(^\text{17}\) thereunder. The Exchange requests that the Commission waive the 5-day pre-filing requirement, and that the Commission waive the 30-day period for the proposal to become operative in order to ensure the continuity of the pilot, which is scheduled to expire June 30, 2006.

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

   The proposed rule change is based on Chicago Board Options Exchange, Inc. (“CBOE”) Rule 6.45A(b)(ii)(B)(1).\(^\text{18}\)

9. **Exhibits**

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

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\(^{18}\) See e.g., Securities Exchange Act Release No. 51366 (March 14, 2005), 70 FR 13217 (March 18, 2005) (SR-CBOE-2004-75)(CBOE Rule 6.45A affords priority over out-of-crowd participants even where there is no split price priority situation). CBOE’s Rule 6.47 contains their split price provision, which is akin to the Exchange’s pilot, but not as modified by this proposal.
Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.                  ; File No. SR-Phlx-2006-37)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to the Extension of a Pilot Program Concerning Split Price Priority in Open Outcry

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 extend, for a one-year period, a pilot program (the “pilot”) concerning Rule 1014(g)(i)(C), Priority on Split-Price Transactions in Open Outcry.

The pilot affords priority to a member with an order for at least 100 contracts\(^5\) who buys (sells) at least 50 contracts at a particular price to have priority over all others

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\(^5\) Orders for a size of less than 100 contracts are not affected by the current pilot and would not be affected by this proposed rule change.
in purchasing (selling) up to an equivalent number of contracts of the same order at the next lower (higher) price without being required to yield priority, including to existing customer interest in the limit order book. The pilot also establishes priority for in-crowd participants in split price transactions represented in open outcry over the quotations of participants that are not located in the crowd (i.e., out-of-crowd Streaming Quote Traders (“SQTs”))\(^6\) and Remote Streaming Quote Traders (“RSQTs”)\(^7\) even where the market has a bid/ask differential of one minimum trading increment.\(^8\)

The current pilot is scheduled to expire June 30, 2006. The extended pilot would expire June 30, 2007. The text of the proposed rule change is set forth below.

Brackets indicate deletions; underlining indicates new text.

**Obligations and Restrictions Applicable to Specialists and Registered Options Traders**

**Rule 1014.** (a) – (f) No change.

(g) Equity Option and Index Option Priority and Parity

(i) (A) – (B)

(C) Purchase or sale priority for orders of 100 contracts or more. If a member purchases (sells) 50 or more option contracts of a particular series at a particular price or prices, he shall, at the next lower (higher) price have priority in purchasing (selling) up to the equivalent number of option contracts of the same series that he purchased (sold) at the higher (lower) price or prices, but only if his

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\(^6\) An SQT is an Exchange Registered Options Trader (“ROT”) who has received permission from the Exchange to generate and submit option quotations electronically through AUTOM in eligible options to which such SQT is assigned. An SQT may only submit such quotations while such SQT is physically present on the floor of the Exchange. See Exchange Rule 1014(b)(ii)(A).

\(^7\) An RSQT is an ROT that is a member or member organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically through AUTOM in eligible options to which such RSQT has been assigned. An RSQT may only submit such quotations electronically from off the floor of the Exchange. See Exchange Rule 1014(b)(ii)(B).

\(^8\) Generally, all options on stocks, indexes, and Exchange Traded Funds quoting in decimals at $3.00 or higher have a minimum increment of $.10, and those quoting in decimals under $3.00 have a minimum increment of $.05. See Exchange Rule 1034(a).
bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales).

When the market has a bid/ask differential of one minimum trading increment and the bid and/or offer represent the quotation of an out-of-crowd SQT or an RSQT, such member shall have priority over such SQT and/or RSQT with respect to both the bid and the offer.

The Options Committee may increase the “minimum qualifying order size” above 100 contracts for all products under its jurisdiction. Announcements regarding changes to the minimum qualifying order size shall be made via an Exchange circular. This paragraph is subject to a pilot scheduled to expire June 30, 200[6], and shall only apply to transactions in equity options (including options overlying Exchange Traded Fund Shares (“ETFs”)) and only to such transactions that are effected in open outcry.

(h) 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.

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 extend the pilot concerning priority in split-price transactions, which by virtue of their size and the need to execute them at multiple prices, may be difficult to execute without a limited exception to current
Exchange priority rules, as described below. The pilot is scheduled to expire June 30, 2006.

The pilot was originally adopted in June, 2005,\(^9\) and subsequently extended in December, 2005.\(^{10}\) In May, 2006, the pilot was expanded to include priority for in-crowd participants in both trades of the split price transaction where there is a minimum trading increment market, but only over RSQTs and out-of-crowd SQTs in that circumstance.\(^{11}\)

The current pilot, applicable to equity options (including options overlying Exchange Traded Fund Shares (“ETFs”)), operates in two ways. First, it permits a member with an order for at least 100 contracts\(^{12}\) who buys (sells) at least 50 contracts at a particular price to have priority over all others in purchasing (selling) up to an equivalent number of contracts of the same order at the next lower (higher) price without being required to yield priority, including to existing customer interest in the limit order book. Absent this rule, such orders would be required to yield priority.\(^{13}\)

For example, where the market is $.25 - $.35, a Floor Broker representing an order to purchase 100 contracts that executes a purchase of 50 of those contracts at a price of $.30 has priority over all market participants to purchase the remaining 50 contracts in the order at $.25. Two trades would be reported to the tape, one a purchase

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\(^{12}\) Orders for a size of less than 100 contracts are not affected by the current pilot and would not be affected by this proposed rule change.

\(^{13}\) See, e.g., Exchange Rule 119(a).
of 50 contracts at $.30, and the other a purchase of 50 contracts at $.25. The effect to that
Floor Broker’s customer would be a net purchase price of $.275 for 100 contracts.

Second, as stated above, the current pilot contemplates that a member who
purchases (sells) 50 or more option contracts of a particular series at a particular price or
prices has priority at the next lower (higher) price in purchasing (selling) up to the
equivalent number of option contracts of the same series that he purchased (sold) at the
higher (lower) price or prices. The pilot, respecting split price transactions, also affords
priority to members physically located in the crowd even where the market has a bid/ask
differential of one minimum trading increment. The Exchange believes that this
provision should enable it to compete for order flow in situations where Floor Brokers
seek split price executions in open outcry when the market consists of RSQT quotations
and/or SQT quotations where the SQT is located out of that trading crowd with a bid/ask
differential of one minimum trading increment.

For example, assume a Floor Broker represents an order to purchase 100 contracts
in a series where the market is $0.25 bid, $0.30 offer, and both the bid and offer represent
quotations submitted by out-of-crowd SQTs\(^\text{14}\) or RSQTs. Under the proposal, the Floor
Broker would be afforded priority over the out-of-crowd SQT or RSQT at both $0.25 and
$0.30, because the bid/ask differential is one minimum trading increment ($0.05). This
would enable the Floor Broker to execute a split-price order at a net price ($0.275) that
improves the market. The effect (and ultimate benefit) to that Floor Broker’s customer
would be a net purchase price of $.275 for 100 contracts. This provision only applies
\(^{14}\) The specialist and/or SQTs participating in a trading crowd may, in response to a verbal request for a
market by a floor broker, state a bid or offer that is different than their electronically submitted bid or offer,
provided that such stated bid or offer is not inferior to such electronically submitted bid or offer. See
Exchange Rule 1014, Commentary .05(c).
regarding quotations submitted by out-of-crowd SQTs and RSQTs, and thus would not operate to afford priority over, for example, customer or broker-dealer orders or in-crowd SQT quotes.

The Exchange believes that, in situations where the market has a bid/ask differential of one minimum trading increment, it is potentially difficult for the Floor Broker to achieve price improvement for the Floor Broker’s customer on the Phlx. Instead, the order might trade at another exchange that has no impediments, i.e., rules that afford priority to in-crowd participants over out-of-crowd participants generally, regardless of split price priority.\(^\text{15}\)

2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^\text{16}\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^\text{17}\) 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, enabling Floor Brokers representing split price orders in open outcry to provide split-price executions at improved prices on behalf of customers by establishing a limited priority rule regarding split-price transactions.


\(^{17}\) 15 U.S.C. 78f(b)(5).
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 foregoing proposed rule change: (1) does not significantly affect the protection of investors or the public interest; and (2) does not impose any significant burden on competition. Therefore, it has become effective pursuant to Section 19(b)(3)(A)\(^\text{18}\) of the Act and Rule 19b-4(f)(6)\(^\text{19}\) thereunder. The Exchange requests that the Commission waive the 5-day pre-filing requirement, and that the Commission waive the 30-day period for the proposal to become operative in order to ensure the continuity of the pilot, which is scheduled to expire June 30, 2006.

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:**

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• 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-2006-37 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-2006-37. 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-2006-37 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{20}

Nancy M. Morris
Secretary

\textsuperscript{20} 17 CFR 200.30-3(a)(12).