Proposed Rule Change by Philadelphia Stock Exchange

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

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<tr>
<th>Initial</th>
<th>Amendment</th>
<th>Withdrawal</th>
<th>Section 19(b)(2)</th>
<th>Rule</th>
<th>Section 19(b)(3)(A)</th>
<th>Section 19(b)(3)(B)</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).

Proposed rule change relating to the extension of a pilot program concerning option position limits.

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 08/16/2006

By Richard S. Rudolph
Vice President and Counsel

(Note)

(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.
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") and Rule 19b-4 thereunder, proposes to extend an existing pilot program applicable to Exchange Rule 1001, Position Limits, which increases the standard position and exercise limits for equity option contracts, including options on the Nasdaq-100 Index Tracking Stock ("QQQQ") (the “Pilot Program”). The Exchange proposes to extend the pilot program through March 1, 2007.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and the text of amended Exchange Rule 1001 is set forth below.

Brackets indicate deletions; underlining indicates new text.

**Position Limits**

**Rule 1001.** Except with the prior written approval of the Exchange in each instance, no member or member organization shall effect, for any account in which such member or member organization has an interest or for the account of any partner, officer, director or

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3 The Nasdaq-100®, Nasdaq-100 Index®, Nasdaq®, The Nasdaq Stock Market®, Nasdaq-100 Shares℠, Nasdaq-100 Trust℠, Nasdaq-100 Index Tracking Stock℠, and QQQ℠ are trademarks or service marks of The Nasdaq Stock Market, Inc. (Nasdaq) and have been licensed for use for certain purposes by the Philadelphia Stock Exchange pursuant to a License Agreement with Nasdaq. The Nasdaq-100 Index® (the Index) is determined, composed, and calculated by Nasdaq without regard to the Licensee, the Nasdaq-100 Trust℠, or the beneficial owners of Nasdaq-100 Shares℠. Nasdaq has complete control and sole discretion in determining, comprising, or calculating the Index or in modifying in any way its method for determining, comprising, or calculating the Index in the future.
employee thereof or for the account of any customer, an opening transaction (whether on
the Exchange or on another participating exchange) in an option contract of any class of
options dealt in on the Exchange if the member or member organization has reason to
believe that, as a result of such transaction, the member or member organization or
partner, officer, director or employee thereof or customer would, acting alone or in
concert with others, directly or indirectly control an aggregate position: (a) of more than
13,500, 22,500, 31,500, 60,000 or 75,000), except that for a pilot program period of 6
months (the “Pilot Program Period”) from [March 4, 2006] September 1, 2006 through
[September 1, 2006] March 1, 2007, the position limits shall be 25,000 or 50,000 or
75,000 or 200,000 or 250,000 option contracts (whether long or short), put or call option
contracts on the same side of the market relating to the same underlying security, which
limit is determined in accordance with commentary .05(a), in the case of options on a
stock or Exchange-Traded Fund Share, (except with respect to put or call option contracts
overlying the Nasdaq-100 Index Tracking Stock (“QQQQ”)® for which the position limit
shall be 300,000 contracts (or 900,000 contracts during the Pilot Program Period) on the
same side of the market, and the Standard and Poor’s Depository Receipts (“SPDRs”), for
which the position limit shall be 300,000 contracts on the same side of the market,) or (b)
with respect to a stock or Exchange-Traded Fund Share option not dealt in on the
Exchange, exceeding the applicable position limit established by the exchange on which
the option contract is transacted, when the member or member organization is not a
member of that other exchange, or more than 200,000 put or call option contracts on the
same side of the market relating to the same underlying foreign currency (except for the
U.S. dollar, Italian lira, Spanish peseta, and the Mexican peso) in the case of options on a
foreign currency, or such other number of option contracts as may be fixed from time to
time by the Exchange as the position limit for one or more classes or series. Position
limits for index warrants shall be determined in accordance with Commentary .05(d).

Commentary: No change.

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

Questions and comments on the proposed rule change may be directed to Anthony
Voci, Director and Counsel, at (215) 496-5155, 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 existing Pilot Program which is scheduled to expire September 1, 2006, for an additional six-month period, through March 1, 2007.

   Position limits impose a ceiling on the number of option contracts in each class on the same side of the market relating to the same underlying security that can be held or written by an investor or group of investors acting in concert. Exchange Rule 1002 (not proposed to be amended herein) establishes corresponding exercise limits. Exercise limits prohibit an investor or group of investors acting in concert from exercising more than a specified number of puts or calls in a particular class within five consecutive business days.

   Rule 1001 subjects equity options to one of five different position limits depending on the trading volume and outstanding shares of the underlying security. Rule 1002 establishes exercise limits for the corresponding options at the same levels as the corresponding security’s position limits.⁵

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⁵ Rule 1002 states, in relevant part, “. . . no member or member organization shall exercise, for any account in which such member or member organization has an interest or for the account of any partner, officer, director or employee thereof or for the account of any customer, a long position in any option contract of a class of options dealt in on
Standard Position and Exercise Limit

The Pilot Program increases the standard position and exercise limits for equity options traded on the Exchange to the following levels:

<table>
<thead>
<tr>
<th>Standard Equity Option Contract Limit</th>
<th>Pilot Program Equity Option Contract Limit</th>
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<tbody>
<tr>
<td>13,500 contracts</td>
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<table>
<thead>
<tr>
<th>Standard QQQQ Option Contract Limit</th>
<th>Pilot Program QQQQ Option Contract Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>300,000 contracts</td>
<td>900,000 contracts</td>
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</tbody>
</table>

To date, the Exchange believes that there have been no adverse affects on the market as a result of these increases in the limits for equity option contracts.

b. Statutory Basis

the Exchange (or, respecting an option not dealt in on the Exchange, another exchange if the member or member organization is not a member of that exchange) if as a result thereof such member or member organization, or partner, officer, director or employee thereof or customer, acting alone or in concert with others, directly or indirectly, has or will have exercised within any five (5) consecutive business days aggregate long positions in that class (put or call) as set forth as the position limit in Rule 1001, in the case of options on a stock or on an Exchange-Traded Fund Share…”
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 extending the pilot for an additional six months.

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**

Not applicable.

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

The proposed rule change is being designated by the Exchange as a "non-controversial" rule pursuant to Section 19(b)(3)(A) of the Act and subparagraph (f)(6) of Rule 19b-4 thereunder, because the proposed rule change: (1) does not significantly affect the protection

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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, provided that the Exchange has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the filing of the proposed rule change. Consequently, the rule is being filed for immediate effectiveness and the Exchange requests that the Commission waive the 30-day period for the proposal to become operative, in order to provide for the continuity of the Pilot Program through March 1, 2007.

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 4.11.

9. Exhibits

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

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10 As required under Rule 19b-4(f)(6)(iii), the Exchange has provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date of this proposal.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2006-48)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to the Extension of the Position Limits Pilot Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹, and Rule 19b-4² 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 Act³ and Rule 19b-4 thereunder,⁴ proposes to extend an existing pilot program applicable to Exchange Rule 1001, Position Limits, which increases the standard position and exercise limits for equity option contracts, including options on the Nasdaq-100 Index Tracking Stock⁵ ("QQQQ") (the

⁵ The Nasdaq-100®, Nasdaq-100 Index®, Nasdaq®, The Nasdaq Stock Market®, Nasdaq-100 Shares℠, Nasdaq-100 Trust℠, Nasdaq-100 Index Tracking Stock℠, and
“Pilot Program”). The Exchange proposes to extend the pilot program through March 1, 2007.

The text of amended Exchange Rule 1001 is set forth below.

Brackets indicate deletions; underlining indicates new text.

Position Limits

**Rule 1001.** Except with the prior written approval of the Exchange in each instance, no member or member organization shall effect, for any account in which such member or member organization has an interest or for the account of any partner, officer, director or employee thereof or for the account of any customer, an opening transaction (whether on the Exchange or on another participating exchange) in an option contract of any class of options dealt in on the Exchange if the member or member organization has reason to believe that, as a result of such transaction, the member or member organization or partner, officer, director or employee thereof or customer would, acting alone or in concert with others, directly or indirectly control an aggregate position: (a) of more than 13,500, 22,500, 31,500, 60,000 or 75,000), except that for a pilot program period of 6 months (the “Pilot Program Period”) from [March 4, 2006] September 1, 2006 through [September 1, 2006] March 1, 2007, the position limits shall be 25,000 or 50,000 or 75,000 or 200,000 or 250,000 option contracts (whether long or short), put or call option contracts on the same side of the market relating to the same underlying security, which limit is determined in accordance with commentary .05(a), in the case of options on a stock or Exchange-Traded Fund Share, (except with respect to put or call option contracts overlying the Nasdaq-100 Index Tracking Stock (“QQQQ”)® for which the position limit shall be 300,000 contracts (or 900,000 contracts during the Pilot Program Period) on the same side of the market, and the Standard and Poor’s Depositary Receipts (“SPDRs”), for which the position limit shall be 300,000 contracts on the same side of the market,) or (b) with respect to a stock or Exchange-Traded Fund Share option not dealt in on the Exchange, exceeding the applicable position limit established by the exchange on which the option contract is transacted, when the member or member organization is not a member of that other exchange, or more than 200,000 put or call option contracts on the same side of the market relating to the same underlying foreign currency (except for the U.S. dollar, Italian lira, Spanish peseta, and the Mexican peso) in the case of options on a

QQQSM are trademarks or service marks of The Nasdaq Stock Market, Inc. (Nasdaq) and have been licensed for use for certain purposes by the Philadelphia Stock Exchange pursuant to a License Agreement with Nasdaq. The Nasdaq-100 Index® (the Index) is determined, composed, and calculated by Nasdaq without regard to the Licensee, the Nasdaq-100 Trust SM, or the beneficial owners of Nasdaq-100 SharesSM. Nasdaq has complete control and sole discretion in determining, comprising, or calculating the Index or in modifying in any way its method for determining, comprising, or calculating the Index in the future.
foreign currency, or such other number of option contracts as may be fixed from time to
time by the Exchange as the position limit for one or more classes or series. Position
limits for index warrants shall be determined in accordance with Commentary .05(d).
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 existing Pilot Program
which is scheduled to expire September 1, 2006,\(^6\) for an additional six-month period,
through March 1, 2007.

Position limits impose a ceiling on the number of option contracts in each class on
the same side of the market relating to the same underlying security that can be held or
written by an investor or group of investors acting in concert. Exchange Rule 1002 (not
proposed to be amended herein) establishes corresponding exercise limits. Exercise
limits prohibit an investor or group of investors acting in concert from exercising more

(March 7, 2006); 52261 (August 15, 2005), 70 FR 49004 (August 22, 2005) (SR-Phlx-
2005-51); and 51322 (March 4, 2005), 70 FR 12260 (March 11, 2005) (SR-Phlx-2005-
17).
than a specified number of puts or calls in a particular class within five consecutive business days.

Rule 1001 subjects equity options to one of five different position limits depending on the trading volume and outstanding shares of the underlying security. Rule 1002 establishes exercise limits for the corresponding options at the same levels as the corresponding security’s position limits.\(^7\)

**Standard Position and Exercise Limit**

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\(^7\) Rule 1002 states, in relevant part, “...no member or member organization shall exercise, for any account in which such member or member organization has an interest or for the account of any partner, officer, director or employee thereof or for the account of any customer, a long position in any option contract of a class of options dealt in on the Exchange (or, respecting an option not dealt in on the Exchange, another exchange if the member or member organization is not a member of that exchange) if as a result thereof such member or member organization, or partner, officer, director or employee thereof or customer, acting alone or in concert with others, directly or indirectly, has or will have exercised within any five (5) consecutive business days aggregate long positions in that class (put or call) as set forth as the position limit in Rule 1001, in the case of options on a stock or on an Exchange-Traded Fund Share...”
To date, the Exchange believes that there have been no adverse affects on the market as a result of these increases in the limits for equity option contracts.

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 extending the pilot for an additional six months.

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 proposed rule change is being designated by the Exchange as a "non-controversial" rule pursuant to Section 19(b)(3)(A) of the Act and subparagraph (f)(6) of 15 U.S.C. 78s(b)(3)(A).

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of Rule 19b-4 thereunder,\textsuperscript{11} because the proposed 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, provided that the Exchange has given the Commission written notice of its intent to file the proposed rule change at least five business days prior to the filing of the proposed rule change.\textsuperscript{12} Consequently, the rule is being filed for immediate effectiveness and the Exchange requests that the Commission waive the 30-day period for the proposal to become operative, in order to provide for the continuity of the Pilot Program through March 1, 2007.

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-2006-48 on the subject line.

\textsuperscript{11} 17 CFR 240.19b-4(f)(6).

\textsuperscript{12} As required under Rule 19b-4(f)(6)(iii), the Exchange has provided the Commission with written notice of its intent to file the proposed rule change at least five business days prior to the filing date of this proposal.
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-2006-48. 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-2006-48 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).