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)

Pilot Extension of Time Period for Commission Action Date Expires

Rule

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).

Adopting fees for the trading of equity securities on XLE

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 Vice President
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 11/02/2006
By Cynthia Hoekstra

Vice President

(Note)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Cynthia Hoekstra,
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.

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).

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.

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.

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.

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.

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 adopt the proposed fees set forth below for the trading of equity securities on the Exchange in connection with its new equity system ("XLE"). With XLE, the Exchange will no longer operate a physical trading floor for equity securities, nor the Philadelphia Stock Exchange Automated Communication and Execution ("PACE") system. Therefore, the Exchange proposes to adopt a new fee schedule to accommodate the trading of equity securities on XLE and to amend Appendix A of the Exchange’s fee schedule to adopt XLE-related fees, delete obsolete fees, and modify other fees that will no longer apply to equity trading.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of the Exchange’s Summary of XLE Fee

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3. XLE will provide the opportunity for entirely automated executions to occur within a central matching system accessible by Exchange members and member organizations and their Sponsored Participants, as defined below. See Securities Exchange Act Release No. 54538 (September 28, 2006), 71 FR 59184 (October 6, 2006) (SR-Phlx-2006-43).

4. PACE is the Exchange’s order routing, delivery, execution and reporting system for its equity trading floor. See Exchange Rules 229 and 229A.

5. Although the fees herein have been filed to become immediately effective, the fees will not become operative until the Exchange discontinues its physical equities trading floor and commences operation of XLE, which is expected to occur on November 10, 2006. See Securities Exchange Act Release No. 54538 (September 28, 2006), 71 FR 59184 (October 6, 2006) (SR-Phlx-2006-43). (Order approving XLE rules, which become operative when the Exchange discontinues its physical equities trading floor and commences operation of XLE).
Schedule is attached hereto as Exhibit 5A, a copy of the Exchange’s fee schedule is attached hereto as Exhibit 5B, and a copy of Appendix A of the Exchange’s Fee Schedule is attached hereto as Exhibit 5C. 6

2. Procedures of the Self-Regulatory Organization

The Board of Governors approved the proposal for filing with the Commission on November 1, 2006.

Questions and comments on the proposed rule change may be directed to Cynthia Hoekstra, Vice President, at (215) 496-5066, John Dayton, Director, at (215) 496-5162 or Edith Hallahan, Deputy General Counsel, at (215) 496-5179.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

The purpose of the proposed rule change is to adopt a fee schedule for the trading of equity securities on the Exchange in connection with XLE. The XLE fee schedule includes transaction fees (execution and routing fees), covered sale fees, and system fees, as well as a market data revenue sharing proposal. Changes to Appendix A include permit fees, application fees, a modified examination fee, as well as the deletion of certain floor-based fees. The fees will be assessed on Exchange members or member organizations, which may include Sponsoring Member Organizations, 7 (collectively

6 Stock Clearing Corporation of Philadelphia (“SCCP”) filed a separate proposed rule change with the Commission to amend its fee schedule to reflect fees associated with the trade processing of equity securities through SCCP in connection with XLE. See SR-SCCP-2006-04.

7 A Sponsoring Member Organization is a member organization that has authorized access to XLE for a Sponsored Participant (a person who has access to XLE which is authorized by a Sponsoring Member Organization). See Exchange Rules 1(jj) and 1(kk).
referred to herein as “member organizations”). Sponsoring Member Organizations are responsible for the fees generated by their Sponsored Participant’s activities.

**Transaction Fees**

Other than securities trading below $1.00 (as explained below), the Exchange intends to charge member organizations an execution fee ranging from $0.0026 to $0.003 per share, depending on the number of total shares executed monthly, for orders that remove liquidity from XLE. Additionally, the Exchange intends to offer an execution credit to member organizations ranging from $0.002 to $0.0026 per share for orders that provide liquidity to XLE. Any available credits would be applied to the member organization’s monthly invoice. Excess credits would be carried over into subsequent months or rebated to the applicable member organization, as requested by the member organization.

In addition, in lieu of the above-referenced execution fees, the Exchange proposes to adopt a separate execution fee for securities executed on XLE at a per share price below $1.00 that remove liquidity. For these securities, the Exchange will charge 0.1% (i.e., 10 basis points) of the total dollar value of the transaction. There will be no execution fee credit for providing liquidity for shares with a per share price below $1.00.

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8 The total monthly shares executed includes executions resulting from removing and providing liquidity on XLE and crosses executed on XLE, as well as shares executed when routed via XLE to an away trading center and executed on that away trading center, except for liquidity provided by NMS Linkage Orders or ITS Commitments. The total monthly shares will be calculated separately per XLE Participant Organization, which, for purposes of this proposal, refers to Sponsored Participants, Sponsoring Member Organizations, and member organizations without Sponsored Participants. Thus, Sponsored Participant activity will accrete towards that Sponsored Participant’s volume tier and not towards the Sponsoring Member Organization’s volume tier. Once a specific tier has been reached in a month, all transactions that month will be subject to the fee that corresponds with that volume tier.
With regards to routing fees, the Exchange proposes to charge $0.0036 per share for shares executed on an away market center if routed through XLE.

Additional transaction fees are set forth on the proposed fee schedule under the heading “Miscellaneous Transaction Fees.” The Exchange proposes to adopt an execution fee of $0.0023 per share per side for IOC Cross Orders and Mid-Point Cross Orders entered over technology provided by Phlx.9 There will be no transaction fees for executions of Immediate-or-Cancel (“IOC”) Cross Orders10 and Mid-Point Cross Orders.11 There will be no execution credit for any IOC Cross or Mid-Point Cross transactions, whether entered over technology provided by Phlx or not. In addition, in connection with IOC Cross Orders and Mid-Point Cross Orders entered over technology provided by Phlx, there will be a $50 maximum fee per trade side.

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9 Phlx will provide optional technology to XLE Participants for the entry of two-sided orders into XLE. Executed volume will accrete towards the volume tier breakpoint for each XLE Participant Organization that is a party to the execution. There is no execution credit for IOC Cross and Mid-Point Cross executions entered through technology provided by Phlx.

10 IOC Cross Orders are two-sided orders that match immediately and automatically on XLE the identified buy-side with the identified sell-side. Specifically, an IOC Cross Order is a two-sided order that executes, in its entirety, at the specified price, provided that XLE will cancel an IOC Cross Order at the time of order entry under certain conditions. See Exchange Rules 185(c) and 185(c)(2).

11 A Mid-Point Cross Order is a two-sided order that executes, in its entirety, at the midpoint of the best Protected Bid and the best Protected Offer in a security. These orders will match immediately and automatically on XLE the identified buy-side with the identified sell-side. See Exchange Rules 185(c) and 185(c)(1).
The execution fee for Odd Lot Orders\textsuperscript{12} will be $0.003 per share executed, which applies to orders initially entered as Odd Lot Orders and executed in XLE. There will also be no execution credit for orders initially entered as Odd Lot Orders and executed on XLE. Also, for NMS Linkage Orders or ITS Commitments routed to Phlx and executed on XLE, the Exchange will charge $0.003 per share for removing liquidity.\textsuperscript{13}

**Covered Sale Fee**

The Exchange will continue to charge a Covered Sale Fee. Each XLE Participant Organization engaged in executing sale transactions on XLE during any computational period shall pay (or if engaged in by a Sponsored Participant, the Sponsoring Member Organization shall pay) a Covered Sale Fee equal to (i) the Section 31\textsuperscript{14} fee rate multiplied by (ii) the XLE Participant Organization’s aggregate dollar amount of covered sales.\textsuperscript{15}

\textsuperscript{12} An Odd Lot Order means an order for less than a round lot, which is defined for purposes of XLE as a unit of trading that is 100 shares. See Exchange Rules 1(w) and 1(gg).

\textsuperscript{13} This fee will be assessed on the member organization sponsoring the NMS Linkage Order or ITS Commitment or, if there is no member organization sponsoring the NMS Linkage Order or ITS Commitment, on the exchange or the Participant in the National Association of Securities Dealers, Inc. Alternative Display Facility (“ADF Participant”) sending the ITS Commitment or NMS Linkage Order. The arrangement to charge other exchanges or ADF Participants was part of separate proposed rule changes that were approved by the Commission. See Securities Exchange Act Release Nos. 54548 (September 29, 2006), 71 FR 59159 (October 6, 2006) (SR-Phlx-2006-58) and 54555 (October 2, 2006), 71 FR 59577 (October 10, 2006) (SR-Phlx-2006-60).


\textsuperscript{15} See Exchange Rule 607.
System Fees

The Exchange proposes to charge a monthly FIX\textsuperscript{16} Computer-to-Computer Interface (CTCI) Port Fee\textsuperscript{17} of $100.00 per port. At this time, however, the Exchange does not intend to charge for monthly Drop Copy Feeds,\textsuperscript{18} Monthly Phlx Systems\textsuperscript{19} or Depth of Book Data Feeds.\textsuperscript{20}

Marketing Data Revenue Sharing

In addition, the Exchange is proposing to adopt a quarterly market data revenue sharing program that would provide for 50\% of gross market data revenue to be shared with the member organization responsible for providing the liquidity portion of the trade. Sponsored Participant trades will be credited to the applicable Sponsoring Member Organization. Any market data revenue would be paid to the applicable member organization on a quarterly basis.

The market data revenue sharing will apply to all securities: Tape A, Tape B and Tape C. Although there is a difference in the manner in which the underlying Tape A and

\textsuperscript{16} The Financial Information eXchange (FIX) Protocol is a messaging standard developed specifically for the real-time electronic exchange of securities transactions.

\textsuperscript{17} A port is defined as an Internet Protocol (“IP”) address assigned by the Exchange for connectivity to XLE.

\textsuperscript{18} The Drop Copy Feed provides real-time information concerning trades executed by an XLE Participant Organization and will be provided on a subscription basis.

\textsuperscript{19} The Monthly Phlx Systems Fee refers to the use of optional Phlx technology to enter in two-sided orders and related clearing information.

\textsuperscript{20} The Depth of Book feed displays every order, except the undisplayed portion of a Reserve Order, within XLE at each price level and will be provided on a subscription basis.
Tape B revenue versus Tape C revenue is distributed to Phlx and the exchanges\textsuperscript{21} there is no difference in the manner in which member organizations will share in Tape A and B revenue versus Tape C revenue because the proposed rule language bases the credits on revenue attributable to the executions of a member organization. Thus, a member organization responsible for providing the liquidity portion of the trade will receive 50\% of the revenue attributable to its executions reported to each of the three tapes.\textsuperscript{22}

\textbf{Appendix A}

Appendix A of the Exchange’s fee schedule contains general fees that are currently assessed on members, foreign currency options (“FCO”) participants, member organizations or FCO participant organizations that are not transaction-based, such that many of the fees relate to gaining access to trading on the Exchange or being physically present on the trading floor. As set forth below, the Exchange intends to adopt, modify or delete, as appropriate, fees to correspond with the trading of equity securities on XLE.

The Exchange proposes to adopt permit fees related to the trading of equity securities on XLE. Currently, the Exchange assesses a permit fee to access trading on the Exchange. Permit fees are assessed based on how each permit is used. Specifically, the Exchange will charge a permit fee of $200 per month to submit orders to XLE only and $300 per month to submit orders to more than one trading venue (i.e. XLE, foreign currency options trading floor or options trading floor). Members who are registered as

\textsuperscript{21} Tape A and Tape B revenue is currently distributed to Phlx and exchanges based on the number of trades reported, while Tape C revenue is distributed based on an average of number of trades and number of shares reported.

\textsuperscript{22} The proposed market data revenue sharing program is similar to programs implemented by other self-regulatory organizations. See e.g. Securities Exchange Act Release No. 53860 (May 24, 2006), 71 FR 31250 (June 1, 2006) (SR-NSX-2006-07).
Market Maker Authorized Traders\textsuperscript{23} will be charged $1,200 per month for the first permit; and $1,000 per month for each additional permit for members in the same member organization. If a member organization only sponsors a Sponsored Participant and does not have any other trading functions, that member organization will be charged a permit fee of $1,200 per month and $1,000 per month for additional permits for members in the same member organization.

The permit fees will be assessed consistent with current practices. For example, any member who is associated with one or more member organizations and uses a permit in more than one category will pay the higher of the applicable fees each month for such permit.\textsuperscript{24} In addition, permits may not be transferred from one member organization to another, thus a Transfer Fee is inapplicable for permits relating to XLE trading.

Excess permit fees\textsuperscript{25} will continue to apply, but will be expanded to include XLE users. Therefore, permit holders may also be designated as “excess” permit holders in cases where permit holders in the same organization, other than the permit holder who qualifies the member organization, are either: (1) not floor brokers, specialists, ROTs (including RSQTs and SQTs), Off-Floor Traders, Market Maker Authorized Traders or an XLE Sponsoring Member Organization whose only function is to sponsor a Sponsored Participant Authorized User who is a member and who performs market making activities pursuant to Exchange Rules 170 et.seq. A Participant Authorized User means an individual authorized by a member organization or a Sponsored Participant to enter orders, on its behalf, on XLE. See Exchange Rules 1(m) and 1(x).

\textsuperscript{23} The term “Market Maker Authorized Trader” means a Participant Authorized User who is a member and who performs market making activities pursuant to Exchange Rules 170 et.seq. A Participant Authorized User means an individual authorized by a member organization or a Sponsored Participant to enter orders, on its behalf, on XLE. See Exchange Rules 1(m) and 1(x).


Participant; or (2) not associated with a member organization that meets the definition of an order flow provider, which now includes submitting orders to XLE. The rate remains unchanged. Thus, member organizations that have excess permit holders will continue to be assessed $200 for each “excess” permit.

The Exchange also proposes to charge Sponsoring Member Organizations an application fee of $1,850.00 for each Sponsored Participant that it sponsors to help offset the costs associated with the processing of the application, including administrative costs associated with reviewing the application and creating the appropriate accounts. The account fee will also apply to member organizations that trade on XLE. Currently, the Exchange charges member organizations a fee of $50.00 for each account beyond the number of permits billed to that member organization. Therefore, if a member organization sponsors a Sponsored Participant and establishes a new account, each account beyond the number of permits billed to that member organization would be subject to the $50.00 fee.

In addition, any equity floor-based fees, such as post and booth space fees, would no longer apply to members or member organizations due to the fact that there will no longer be a physical equity trading floor. The Exchange will not assess these equity

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26 This fee is the same amount as the Exchange’s current application ($350.00) and initiation fees ($1,500) combined for members and member organizations.


28 Examples of these floor-based fees include trading post/booth space, controller space, floor facility, direct wire to the floor, telephone system line extension, trading floor personnel registration, computer equipment services, repairs or replacements, and computer relocation requests. These fees will remain on Appendix A to reflect that they will still be assessed on members, participants and member or participant organizations on the options and/or foreign currency trading floors.
floor-based fees for any part of the month in which XLE is launched.29 These fees will
remain on the fee schedule as applicable to the Exchange’s other trading floors.

Any fees applicable only to the equity trading floor will be deleted from the fee
schedule, such as the stock execution machine registration fee due to the fact that there
will no longer be a physical equity trading floor. Additionally, the Exchange will delete
all Remote Specialist fees30 as they no longer exist in XLE.

Apart from the launch of XLE and merely to update the fee schedule, the
Exchange also proposes to delete the “Equity, Option or FCO Transmission Charge” and
the “FCO Pricing Tape” fees, because the Exchange will no longer be providing these
services, thus a charge for these services will not be assessed.

The Exchange also proposes to delete its off-floor examinations fee of $30.00 per
month per off-floor trader and, in turn, amend its examinations fee. The implementation
of a tiered monthly examinations fee will replace, in part, the traders that were covered
by the off-floor trader fee. Currently, the Exchange assesses a monthly fee of $30.00 per
off-floor trader for off-floor traders associated with member organizations for whom the
Exchange is the Designated Examining Authority (“DEA”).31 With the closing of the
Exchange’s equity trading floor, traders that physically traded on the floor of the
Exchange (and for whom the Exchange was the DEA for their member organization) will

29 For example, if XLE is launched in mid-November, no equity floor-based fees from
Appendix A will be assessed for the month of November.

30 Specifically, these fees include the Remote Specialist System Fee, Remote Specialist
Security Routing Fee, Remote Specialist Telecommunications Installation Fee, Remote
Specialist Telecommunications Fee, Remote Specialist Equipment Installation Fee and
Remote Specialist Equipment Rental Fee.

no longer be considered “on-floor traders,” but would be designated as “off-floor traders” and therefore would have been assessed the “off-floor trader fee.”

To address the unintended consequence that XLE would now cover several traders under the off-floor trader fee, the Exchange is proposing to delete the off-floor trader fee and adopt a tiered examinations fee based on the number of off-floor traders in the member organization. Specifically, a member organization will be assessed a monthly fee of $2,100 for one to ten off-floor traders; $2,600 for eleven to fifty off-floor traders; $5,000 for fifty-one to two hundred off-floor traders and $12,500 for over two hundred off-floor traders in the same member organization. The following member organizations will be exempt from the examinations fee, consistent with current practice: (1) inactive organizations; and (2) organizations operating through one or more Phlx trading venues that demonstrated that 25% or more of its revenue as reflected on the most recently submitted FOCUS Report or transactions as reflected on its purchase and sales blotter are derived from securities transactions on the Phlx. The Exchange proposes to eliminate the following exemptions to clarify and simplify the application of the examinations fee: (1) the exemption category for member organizations for any month where they incur transaction or clearing fees charged directly by the Exchange or by its registered clearing subsidiary, provided that the fees exceed the examination fee for that

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32 The examinations fee is applicable to member/participant organizations for whom the Exchange is the DEA, unless an exemption to the assessment of the examinations fee applies. See e.g., Securities Exchange Act Release Nos. 46392 (August 21, 2002), 67 FR 55294 (August 28, 2002) (SR-Phlx-2002-45); and 42562 (March 22, 2000), 65 FR 16445 (March 28, 2000) (SR-Phlx-00-18).

33 In connection with amending the examination fee as described above, the definition of an inactive organization is being modified slightly so that it will be defined as an organization that had no securities transaction revenue, as determined by FOCUS reports or other financial filings, as long as the organization continues to have no such revenue each month.
month and (2) the exemption for member organizations affiliated with a member organization exempt from the examination fee due to the exemption listed immediately above or the exemption if that member organization is affiliated with a member organization operating from the Phlx trading floor or as a remote specialist which have demonstrated that at least 25% or more of their income as reflected on the most recently submitted FOCUS Report was derived from floor activities or remote specialist activities.

The proposed revised examinations fee, which replaces, in part, the members covered by the off-floor trader fee, should more efficiently and effectively assess member organizations for recovery of regulatory-related costs related to conducting examinations and clarify how the examinations fee will be assessed in connection with the member organizations that trade equity securities on XLE. 34

The purpose of renumbering the footnotes on the Exchange’s fee schedule is to update the fee schedule to incorporate the changes described above.

b. Statutory Basis

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act 35 in general, and furthers the objectives of Section 6(b)(4) of the Act 36 in particular, in that it is an equitable allocation of reasonable fees and other charges among its members and other persons using its facilities.

34 The proposed examination fee will be implemented the first full month after XLE is launched. For example, if XLE is launched in mid-November, the current off-floor trader fee and examination fee will apply for the month of November and the examination fee set forth in this proposal will be assessed beginning with the month of December.


4. **Self-Regulatory Organization's Statement on Burden on Competition**

The Phlx does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

5. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

No written comments were either solicited or received.

6. **Extension of Time Period for Commission Action**

The Exchange does not consent to an extension of the time period for Commission action.

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

The foregoing proposed rule change establishes or changes a due, fee, or other charge applicable only to a member pursuant to Section 19(b)(3)(A)(ii) of the Act\(^\text{37}\) and Rule 19b-4(f)(2)\(^\text{38}\) thereunder. Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

The proposed rule change is similar in part to the rules of another self-regulatory organization or of the Commission.\(^{39}\)

9. **Exhibits**

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

   5A. XLE Fee Schedule.

   5B. Exchange’s Fee Schedule.

   5C. Appendix A of the Exchange’s Fee Schedule.

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SECURITIES AND EXCHANGE COMMISSION
(Release No.               ; File No. SR-Phlx-2006-70)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of
Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Adopting
Fees for the Trading of Equity Securities on XLE.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\), and
Rule 19b-4 thereunder,\(^2\) notice is hereby given that on _________________ 2006,
the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities
and Exchange Commission ("SEC" or "Commission") the proposed rule change as
described in Items I, II, and III, below, which Items have been prepared by the Phlx. The
Commission is publishing this notice to solicit comments on the proposed rule change
from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the
   Proposed Rule Change

   The Phlx, pursuant to Section 19(b)(1) of the Act\(^3\) and Rule 19b-4 thereunder,\(^4\)
proposes to adopt the proposed fees set forth below for the trading of equity securities on
the Exchange in connection with its new equity system ("XLE").\(^5\) With XLE, the
Exchange will no longer operate a physical trading floor for equity securities, nor the

\(^5\) XLE will provide the opportunity for entirely automated executions to occur within a
central matching system accessible by Exchange members and member organizations and
their Sponsored Participants, as defined below. See Securities Exchange Act Release No.
Philadelphia Stock Exchange Automated Communication and Execution ("PACE") system.  Therefore, the Exchange proposes to adopt a new fee schedule to accommodate the trading of equity securities on XLE and to amend Appendix A of the Exchange’s fee schedule to adopt XLE-related fees, delete obsolete fees, and modify other fees that will no longer apply to equity trading. 7

The text of the proposed rule change is available on the Exchange’s Website at http://www.Phlx.com. 8

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.

6 PACE is the Exchange’s order routing, delivery, execution and reporting system for its equity trading floor. See Exchange Rules 229 and 229A.

7 Although the fees herein have been filed to become immediately effective, the fees will not become operative until the Exchange discontinues its physical equities trading floor and commences operation of XLE, which is expected to occur on November 10, 2006. See Securities Exchange Act Release No.54538 (September 28, 2006), 71 FR 59184 (October 6, 2006) (SR-Phlx-2006-43). (Order approving XLE rules, which become operative when the Exchange discontinues its physical equities trading floor and commences operation of XLE).

8 Stock Clearing Corporation of Philadelphia ("SCCP") filed a separate proposed rule change with the Commission to amend its fee schedule to reflect fees associated with the trade processing of equity securities through SCCP in connection with XLE. See SR-SCCP-2006-04.
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 adopt a fee schedule for the trading of equity securities on the Exchange in connection with XLE. The XLE fee schedule includes transaction fees (execution and routing fees), covered sale fees, and system fees, as well as a market data revenue sharing proposal. Changes to Appendix A include permit fees, application fees, a modified examination fee, as well as the deletion of certain floor-based fees. The fees will be assessed on Exchange members or member organizations, which may include Sponsoring Member Organizations,\(^9\) (collectively referred to herein as “member organizations”). Sponsoring Member Organizations are responsible for the fees generated by their Sponsored Participant’s activities.

Transaction Fees

Other than securities trading below $1.00 (as explained below), the Exchange intends to charge member organizations an execution fee ranging from $0.0026 to $0.003 per share, depending on the number of total shares executed monthly,\(^{10}\) for orders that

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\(^9\) A Sponsoring Member Organization is a member organization that has authorized access to XLE for a Sponsored Participant (a person who has access to XLE which is authorized by a Sponsoring Member Organization). See Exchange Rules 1(jj) and 1(kk).

\(^{10}\) The total monthly shares executed includes executions resulting from removing and providing liquidity on XLE and crosses executed on XLE, as well as shares executed when routed via XLE to an away trading center and executed on that away trading center, except for liquidity provided by NMS Linkage Orders or ITS Commitments. The total monthly shares will be calculated separately per XLE Participant Organization, which, for purposes of this proposal, refers to Sponsored Participants, Sponsoring Member Organizations, and member organizations without Sponsored Participants. Thus, Sponsored Participant activity will accrete towards that Sponsored Participant’s volume tier and not towards the Sponsoring Member Organization’s volume tier. Once a specific
remove liquidity from XLE. Additionally, the Exchange intends to offer an execution credit to member organizations ranging from $0.002 to $0.0026 per share for orders that provide liquidity to XLE. Any available credits would be applied to the member organization’s monthly invoice. Excess credits would be carried over into subsequent months or rebated to the applicable member organization, as requested by the member organization.

In addition, in lieu of the above-referenced execution fees, the Exchange proposes to adopt a separate execution fee for securities executed on XLE at a per share price below $1.00 that remove liquidity. For these securities, the Exchange will charge 0.1% (i.e. 10 basis points) of the total dollar value of the transaction. There will be no execution fee credit for providing liquidity for shares with a per share price below $1.00.

With regards to routing fees, the Exchange proposes to charge $0.0036 per share for shares executed on an away market center if routed through XLE.

Additional transaction fees are set forth on the proposed fee schedule under the heading “Miscellaneous Transaction Fees.” The Exchange proposes to adopt an execution fee of $0.0023 per share per side for IOC Cross Orders and Mid-Point Cross Orders entered over technology provided by Phlx.\textsuperscript{11} There will be no transaction fees for

\textsuperscript{11} Phlx will provide optional technology to XLE Participants for the entry of two-sided orders into XLE. Executed volume will accrete towards the volume tier breakpoint for each XLE Participant Organization that is a party to the execution. There is no execution credit for IOC Cross and Mid-Point Cross executions entered through technology provided by Phlx.
executions of Immediate-or-Cancel ("IOC") Cross Orders\textsuperscript{12} and Mid-Point Cross Orders.\textsuperscript{13} There will be no execution credit for any IOC Cross or Mid-Point Cross transactions, whether entered over technology provided by Phlx or not. In addition, in connection with IOC Cross Orders and Mid-Point Cross Orders entered over technology provided by Phlx, there will be a $50 maximum fee per trade side.

The execution fee for Odd Lot Orders\textsuperscript{14} will be $0.003 per share executed, which applies to orders initially entered as Odd Lot Orders and executed in XLE. There will also be no execution credit for orders initially entered as Odd Lot Orders and executed on XLE. Also, for NMS Linkage Orders or ITS Commitments routed to Phlx and executed on XLE, the Exchange will charge $0.003 per share for removing liquidity.\textsuperscript{15}

\textsuperscript{12} IOC Cross Orders are two-sided orders that match immediately and automatically on XLE the identified buy-side with the identified sell-side. Specifically, an IOC Cross Order is a two-sided order that executes, in its entirety, at the specified price, provided that XLE will cancel an IOC Cross Order at the time of order entry under certain conditions. \textit{See} Exchange Rules 185(c) and 185(c)(2).

\textsuperscript{13} A Mid-Point Cross Order is a two-sided order that executes, in its entirety, at the midpoint of the best Protected Bid and the best Protected Offer in a security. These orders will match immediately and automatically on XLE the identified buy-side with the identified sell-side. \textit{See} Exchange Rules 185(c) and 185(c)(1).

\textsuperscript{14} An Odd Lot Order means an order for less than a round lot, which is defined for purposes of XLE as a unit of trading that is 100 shares. \textit{See} Exchange Rules 1(w) and 1(gg).

\textsuperscript{15} This fee will be assessed on the member organization sponsoring the NMS Linkage Order or ITS Commitment or, if there is no member organization sponsoring the NMS Linkage Order or ITS Commitment, on the exchange or the Participant in the National Association of Securities Dealers, Inc. Alternative Display Facility ("ADF Participant") sending the ITS Commitment or NMS Linkage Order. The arrangement to charge other exchanges or ADF Participants was part of separate proposed rule changes that were approved by the Commission. \textit{See} Securities Exchange Act Release Nos. 54548 (September 29, 2006), 71 FR 59159 (October 6, 2006) (SR-Phlx-2006-58) and 54555 (October 2, 2006), 71 FR 59577 (October 10, 2006) (SR-Phlx-2006-60).
Covered Sale Fee

The Exchange will continue to charge a Covered Sale Fee. Each XLE Participant Organization engaged in executing sale transactions on XLE during any computational period shall pay (or if engaged in by a Sponsored Participant, the Sponsoring Member Organization shall pay) a Covered Sale Fee equal to (i) the Section 31\textsuperscript{16} fee rate multiplied by (ii) the XLE Participant Organization’s aggregate dollar amount of covered sales.\textsuperscript{17}

System Fees

The Exchange proposes to charge a monthly FIX\textsuperscript{18} Computer-to-Computer Interface (CTCI) Port Fee\textsuperscript{19} of $100.00 per port. At this time, however, the Exchange does not intend to charge for monthly Drop Copy Feeds,\textsuperscript{20} Monthly Phlx Systems\textsuperscript{21} or Depth of Book Data Feeds.\textsuperscript{22}

\begin{itemize}
\item \textsuperscript{16} See 15 U.S.C. 78ee.
\item \textsuperscript{17} See Exchange Rule 607.
\item \textsuperscript{18} The Financial Information eXchange (FIX) Protocol is a messaging standard developed specifically for the real-time electronic exchange of securities transactions.
\item \textsuperscript{19} A port is defined as an Internet Protocol (“IP”) address assigned by the Exchange for connectivity to XLE.
\item \textsuperscript{20} The Drop Copy Feed provides real-time information concerning trades executed by an XLE Participant Organization and will be provided on a subscription basis.
\item \textsuperscript{21} The Monthly Phlx Systems Fee refers to the use of optional Phlx technology to enter in two-sided orders and related clearing information.
\item \textsuperscript{22} The Depth of Book feed displays every order, except the undisplayed portion of a Reserve Order, within XLE at each price level and will be provided on a subscription basis.
\end{itemize}
Marketing Data Revenue Sharing

In addition, the Exchange is proposing to adopt a quarterly market data revenue sharing program that would provide for 50% of gross market data revenue to be shared with the member organization responsible for providing the liquidity portion of the trade. Sponsored Participant trades will be credited to the applicable Sponsoring Member Organization. Any market data revenue would be paid to the applicable member organization on a quarterly basis.

The market data revenue sharing will apply to all securities: Tape A, Tape B and Tape C. Although there is a difference in the manner in which the underlying Tape A and Tape B revenue versus Tape C revenue is distributed to Phlx and the exchanges\(^\text{23}\) there is no difference in the manner in which member organizations will share in Tape A and B revenue versus Tape C revenue because the proposed rule language bases the credits on revenue attributable to the executions of a member organization. Thus, a member organization responsible for providing the liquidity portion of the trade will receive 50% of the revenue attributable to its executions reported to each of the three tapes.\(^\text{24}\)

Appendix A

Appendix A of the Exchange’s fee schedule contains general fees that are currently assessed on members, foreign currency options (“FCO”) participants, member organizations or FCO participant organizations that are not transaction-based, such that

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\(^{23}\) Tape A and Tape B revenue is currently distributed to Phlx and exchanges based on the number of trades reported, while Tape C revenue is distributed based on an average of number of trades and number of shares reported.

\(^{24}\) The proposed market data revenue sharing program is similar to programs implemented by other self-regulatory organizations. See e.g. Securities Exchange Act Release No. 53860 (May 24, 2006), 71 FR 31250 (June 1, 2006) (SR-NSX-2006-07).
many of the fees relate to gaining access to trading on the Exchange or being physically present on the trading floor. As set forth below, the Exchange intends to adopt, modify or delete, as appropriate, fees to correspond with the trading of equity securities on XLE.

The Exchange proposes to adopt permit fees related to the trading of equity securities on XLE. Currently, the Exchange assesses a permit fee to access trading on the Exchange. Permit fees are assessed based on how each permit is used. Specifically, the Exchange will charge a permit fee of $200 per month to submit orders to XLE only and $300 per month to submit orders to more than one trading venue (i.e. XLE, foreign currency options trading floor or options trading floor). Members who are registered as Market Maker Authorized Traders\(^25\) will be charged $1,200 per month for the first permit; and $1,000 per month for each additional permit for members in the same member organization. If a member organization only sponsors a Sponsored Participant and does not have any other trading functions, that member organization will be charged a permit fee of $1,200 per month and $1,000 per month for additional permits for members in the same member organization.

The permit fees will be assessed consistent with current practices. For example, any member who is associated with one or more member organizations and uses a permit in more than one category will pay the higher of the applicable fees each month for such

\(^{25}\) The term “Market Maker Authorized Trader” means a Participant Authorized User who is a member and who performs market making activities pursuant to Exchange Rules 170 et seq. A Participant Authorized User means an individual authorized by a member organization or a Sponsored Participant to enter orders, on its behalf, on XLE. See Exchange Rules 1(m) and 1(x).
permit. In addition, permits may not be transferred from one member organization to another, thus a Transfer Fee is inapplicable for permits relating to XLE trading.

Excess permit fees will continue to apply, but will be expanded to include XLE users. Therefore, permit holders may also be designated as “excess” permit holders in cases where permit holders in the same organization, other than the permit holder who qualifies the member organization, are either: (1) not floor brokers, specialists, ROTs (including RSQTs and SQTs), Off-Floor Traders, Market Maker Authorized Traders or an XLE Sponsoring Member Organization whose only function is to sponsor a Sponsored Participant; or (2) not associated with a member organization that meets the definition of an order flow provider, which now includes submitting orders to XLE. The rate remains unchanged. Thus, member organizations that have excess permit holders will continue to be assessed $200 for each “excess” permit.

The Exchange also proposes to charge Sponsoring Member Organizations an application fee of $1,850.00 for each Sponsored Participant that it sponsors to help offset the costs associated with the processing of the application, including administrative costs associated with reviewing the application and creating the appropriate accounts. The account fee will also apply to member organizations that trade on XLE. Currently, the Exchange charges member organizations a fee of $50.00 for each account beyond the


[28] This fee is the same amount as the Exchange’s current application ($350.00) and initiation fees ($1,500) combined for members and member organizations.
number of permits billed to that member organization. Therefore, if a member organization sponsors a Sponsored Participant and establishes a new account, each account beyond the number of permits billed to that member organization would be subject to the $50.00 fee.

In addition, any equity floor-based fees, such as post and booth space fees, would no longer apply to members or member organizations due to the fact that there will no longer be a physical equity trading floor. The Exchange will not assess these equity floor-based fees for any part of the month in which XLE is launched. These fees will remain on the fee schedule as applicable to the Exchange’s other trading floors.

Any fees applicable only to the equity trading floor will be deleted from the fee schedule, such as the stock execution machine registration fee due to the fact that there will no longer be a physical equity trading floor. Additionally, the Exchange will delete all Remote Specialist fees as they no longer exist in XLE.

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30 Examples of these floor-based fees include trading post/booth space, controller space, floor facility, direct wire to the floor, telephone system line extension, trading floor personnel registration, computer equipment services, repairs or replacements, and computer relocation requests. These fees will remain on Appendix A to reflect that they will still be assessed on members, participants and member or participant organizations on the options and/or foreign currency trading floors.

31 For example, if XLE is launched in mid-November, no equity floor-based fees from Appendix A will be assessed for the month of November.

32 Specifically, these fees include the Remote Specialist System Fee, Remote Specialist Security Routing Fee, Remote Specialist Telecommunications Installation Fee, Remote Specialist Telecommunications Fee, Remote Specialist Equipment Installation Fee and Remote Specialist Equipment Rental Fee.
Apart from the launch of XLE and merely to update the fee schedule, the Exchange also proposes to delete the “Equity, Option or FCO Transmission Charge” and the “FCO Pricing Tape” fees, because the Exchange will no longer be providing these services, thus a charge for these services will not be assessed.

The Exchange also proposes to delete its off-floor examinations fee of $30.00 per month per off-floor trader and, in turn, amend its examinations fee. The implementation of a tiered monthly examinations fee will replace, in part, the traders that were covered by the off-floor trader fee. Currently, the Exchange assesses a monthly fee of $30.00 per off-floor trader for off-floor traders associated with member organizations for whom the Exchange is the Designated Examining Authority (“DEA”). 33 With the closing of the Exchange’s equity trading floor, traders that physically traded on the floor of the Exchange (and for whom the Exchange was the DEA for their member organization) will no longer be considered “on-floor traders,” but would be designated as “off-floor traders” and therefore would have been assessed the “off-floor trader fee.” 34

To address the unintended consequence that XLE would now cover several traders under the off-floor trader fee, the Exchange is proposing to delete the off-floor trader fee and adopt a tiered examinations fee based on the number of off-floor traders in the member organization. Specifically, a member organization will be assessed a monthly fee of $2,100 for one to ten off-floor traders; $2,600 for eleven to fifty off-floor traders associated with member organizations for whom the Exchange is the Designated Examining Authority (“DEA”).


34 The examinations fee is applicable to member/participant organizations for whom the Exchange is the DEA, unless an exemption to the assessment of the examinations fee applies. See e.g., Securities Exchange Act Release Nos. 46392 (August 21, 2002), 67 FR 55294 (August 28, 2002) (SR-Phlx-2002-45); and 42562 (March 22, 2000), 65 FR 16445 (March 28, 2000) (SR-Phlx-00-18).
traders; $5,000 for fifty-one to two hundred off-floor traders and $12,500 for over two hundred off-floor traders in the same member organization. The following member organizations will be exempt from the examinations fee, consistent with current practice: (1) inactive organizations; and (2) organizations operating through one or more Phlx trading venues that demonstrated that 25% or more of its revenue as reflected on the most recently submitted FOCUS Report or transactions as reflected on its purchase and sales blotter are derived from securities transactions on the Phlx. The Exchange proposes to eliminate the following exemptions to clarify and simplify the application of the examinations fee: (1) the exemption category for member organizations for any month where they incur transaction or clearing fees charged directly by the Exchange or by its registered clearing subsidiary, provided that the fees exceed the examination fee for that month and (2) the exemption for member organizations affiliated with a member organization exempt from the examination fee due to the exemption listed immediately above or the exemption if that member organization is affiliated with a member organization operating from the Phlx trading floor or as a remote specialist which have demonstrated that at least 25% or more of their income as reflected on the most recently submitted FOCUS Report was derived from floor activities or remote specialist activities.

The proposed revised examinations fee, which replaces, in part, the members covered by the off-floor trader fee, should more efficiently and effectively assess member organizations for recovery of regulatory-related costs related to conducting examinations.

35 In connection with amending the examination fee as described above, the definition of an inactive organization is being modified slightly so that it will be defined as an organization that had no securities transaction revenue, as determined by FOCUS reports or other financial filings, as long as the organization continues to have no such revenue each month.
and clarify how the examinations fee will be assessed in connection with the member organizations that trade equity securities on XLE.\textsuperscript{36}

The purpose of renumbering the footnotes on the Exchange’s fee schedule is to update the fee schedule to incorporate the changes described above.

2. **Statutory Basis**

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act\textsuperscript{37} in general, and furthers the objectives of Section 6(b)(4) of the Act\textsuperscript{38} in particular, in that it is an equitable allocation of reasonable fees and other charges among its members and other persons using its facilities.

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.

\textsuperscript{36} The proposed examination fee will be implemented the first full month after XLE is launched. For example, if XLE is launched in mid-November, the current off-floor trader fee and examination fee will apply for the month of November and the examination fee set forth in this proposal will be assessed beginning with the month of December.

\textsuperscript{37} 15 U.S.C. 78f(b).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act\(^{39}\) and paragraph (f)(2) of Rule 19b-4\(^{40}\) thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission’s Internet comment form [http://www.sec.gov/rules/sro.shtml](http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comment@sec.gov. Please include File Number SR-Phlx-2006-70 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-2006-70. 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-2006-70 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.\(^\text{41}\)

Nancy M. Morris
Secretary

\(^{41}\) 17 CFR 200.30-3(a)(12).
**XLE Fee Schedule**

### Transaction Fees

<table>
<thead>
<tr>
<th>XLE Participant Organization Tier</th>
<th>Monthly Shares Executed</th>
<th>Fee to Remove Liquidity (Per Share Executed)</th>
<th>Credit for Providing Liquidity (Per Share Executed)</th>
<th>Fee for Routing Liquidity (Per Share Executed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Less than or equal to 10 million shares executed</td>
<td>$0.003</td>
<td>$0.002</td>
<td>$.0036</td>
</tr>
<tr>
<td>2</td>
<td>Greater than 10 million and less than or equal to 50 million shares executed</td>
<td>$0.0028</td>
<td>$0.0025</td>
<td>$.0036</td>
</tr>
<tr>
<td>3</td>
<td>Greater than 50 million and less than or equal to 200 million shares executed</td>
<td>$0.0027</td>
<td>$0.0026</td>
<td>$.0036</td>
</tr>
<tr>
<td>4</td>
<td>Greater than 200 million shares executed</td>
<td>$0.0026</td>
<td>$0.0026</td>
<td>$.0036</td>
</tr>
</tbody>
</table>

* Securities executed on XLE with a per share price below $1.00 that remove liquidity, will be charged 0.1% (i.e., 10 basis points) of total dollar value of the transaction. There is no execution fee credit for providing liquidity for shares with a per share price below $1.00.

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1. Per XLE Participant Organization. Sponsoring Member Organizations are responsible for the fees generated by a Sponsored Participant.
2. The total monthly shares executed includes executions resulting from removing and providing liquidity on XLE and crosses executed on XLE, as well as shares executed when routed via XLE to an away trading center and executed on that away trading center, except for liquidity provided by NMS Linkage Orders or ITS Commitments. The total monthly shares will be calculated separately per XLE Participant Organization, which, for purposes of these fees, refers to Sponsored Participants, Sponsoring Member Organizations, and member organizations without Sponsored Participants. Thus, Sponsored Participant activity will accrete towards that Sponsored Participant’s volume tier and not towards the Sponsoring Member Organization’s volume tier. Once a specific tier has been reached in a month, all transactions that month will be subject to the fee that corresponds with that volume tier.
3. Executed volume will accrete towards the volume tier breakpoint per XLE Participant Organization.
Miscellaneous Transaction Fees

Execution Fee for IOC Cross and Mid-Point Cross Orders entered over technology provided by
the Phlx\(^4\) ………………………………………………… For All Tiers – $0.0023 per share per side,
maximum charge of $50.00 per trade side

Execution Fee for All Other IOC Cross and Mid-Point
Cross Orders: \(^5\) ………………………………………………… For All Tiers – No Charge

Execution Fee for Odd Lot Orders: \(^6\) …………………………… For All Tiers – $0.003 per share

Execution Fee for NMS Linkage Orders or ITS Commitments\(^7\) … For All Tiers – $0.003 per share

Covered Sale Fee

Each XLE Participant Organization engaged in executing sale transactions on XLE during any
computational period shall pay (or if engaged in by a Sponsored Participant, the Sponsoring
Member Organization shall pay) a Covered Sale Fee equal to (i) the Section 31 fee rate multiplied
by (ii) the XLE Participant Organization’s aggregate dollar amount of covered sales.

System Fees

Monthly FIX Computer-to-Computer Interface (CTCI) Port Fee\(^8\) ………………… $100 per port

Monthly Drop Copy Feed Fee\(^9\) ………………………………………………………… No Charge

Monthly Phlx Systems Fee\(^10\) ……………………………………………………………… No Charge

Depth of Book Data Feed Fee\(^11\) ………………………………………………………… No Charge

Quarterly Market Data Revenue Sharing for Tape A (NYSE), Tape B (Amex and other
non-NASDAQ, non-NYSE exchanges), and Tape C (Nasdaq) Securities

\(^4\) Phlx provides optional technology to XLE Participants for the entry of two-sided orders into XLE.
Executed volume will accrete towards the volume tier breakpoint for each XLE Participant Organization
that is a party to the execution. There is no execution credit for IOC Cross and Mid-Point Cross executions
entered through technology provided by Phlx.

\(^5\) Executed volume will accrete towards the volume tier breakpoint per XLE Participant Organization.
There is no execution credit for IOC Cross and Mid-Point Cross executions.

\(^6\) Applicable to orders initially entered as odd-lot orders and executed on XLE. Executed volume will
accrete towards the volume tier breakpoint per XLE Participant Organization. There is no execution credit
for orders initially entered as odd-lot orders and executed on XLE.

\(^7\) Applicable to NMS Linkage Orders or ITS Commitments routed to the Phlx and executed on XLE.
Activity will not accrete towards the XLE Participant Organization’s volume tier.

\(^8\) A port is defined as an IP address assigned by the Exchange for connectivity to XLE.

\(^9\) The drop copy feed will be provided on a subscription basis. The feed will provide real-time information
concerning trades executed by an XLE Participant Organization.

\(^10\) Per device, for use of optional Phlx technology to enter in two-sided orders and related clearing
information.

\(^11\) The Depth of Book feed will be provided on a subscription basis. The feed will display every order,
except the undisplayed portion of a Reserve Order, within XLE at each price level.
50% of gross market data revenue for trades executed on XLE will be shared with the member organization responsible for providing the liquidity portion of the trade. Sponsored Participant trades will be credited to the applicable Sponsoring Member Organization.
New Text Underlined; Deleted Text Bracketed

[SUMMARY OF EQUITY CHARGES (p 1/3)*]

[EQUITY TRANSACTION CHARGE]
Based on total shares per transaction with the exception of specialist trades and PACE trades\(^1\).

Transaction Fee $ 0.0023

[$50 maximum fee per trade side.]

[LICENSE FEE]
SPDRs, STANDARD & POOR’S DEPOSITORY RECEIPTS**
Customer Non-PACE and ELECTRONIC COMMUNICATIONS NETWORK \(^E\) (“ECN”)
License Fee
$0.00025 per share per trade side for sides greater than 500 shares
No maximum fee per trade side
Specialist License Fee
$0.00035 per share per trade side
No maximum fee per trade side

DIAMONDS® EXCHANGE TRADED FUNDS**
Customer Non-PACE and ELECTRONIC COMMUNICATIONS NETWORK \(^E\) (“ECN”)
License Fee
$0.00025 per share per trade side for sides greater than 500 shares
No maximum fee per trade side
Specialist License Fee
$0.0005 per share per trade side
No maximum fee per trade side

[EQUITY FLOOR BROKERAGE ASSESSMENT]
$250 monthly charge\(^2\)

[EQUITY FLOOR BROKERAGE TRANSACTION FEE]
$.05 per 100 shares or fraction thereof, for floor broker executing transactions for their own member firms.]

[See Appendix A for additional fees.]
[* not applicable to transactions in Nasdaq-100 Index Tracking Stock\(^SM\) (see page 4 for fees).]

\(^1\) However, this charge applies where an order, after being delivered to the Exchange by the PACE system is executed by the specialist by way of an outbound ITS commitment or NMS Linkage order, when such outbound ITS commitment or NMS Linkage order reflects the PACE order’s clearing information, but does not apply where a PACE trade was executed against an inbound ITS commitment or NMS Linkage order.

\(^2\) Applies to each member who derives at least 80% of gross income generated from Phlx floor based activities from his/her brokerage business conducted on the equity floor of the Exchange. Floor brokerage business conducted on the Exchange includes orders that are received on the equity floor of the Phlx, even if those orders are executed on an exchange other than the Phlx.
SUMMARY OF EQUITY CHARGES (p 2/3)*

Covered Sale Fee

Each member and member organization engaged in executing sale transactions on the Exchange or executing transactions, which were routed over the Intermarket Trading System or the NMS Linkage Plan, on another exchange or ADF Participant during any computational period shall pay a Covered Sale Fee equal to (i) the Section 31 fee rate multiplied by (ii) the member's aggregate dollar amount of covered sales.

OFF-EXCHANGE TRADE INFORMATION FEE

$.10 per DOT trade

REMOTE INFORMATION ACCESS FEE

$300.00 per month

ELECTRONIC COMMUNICATIONS NETWORKE (“ECN”) FEE

$2,500.00 per month (in lieu of equity transaction charges)

See Appendix A for additional fees.

* not applicable to transactions in Nasdaq-100 Index Tracking StockSM (see page 4 for fees).
OUTBOUND ITS FEE (also applicable to transactions in Nasdaq-100 Index Tracking Stock℠)³

For PACE orders sent over ITS with the customer information attached:

- 500 shares or less: $0.60 per 100 shares
- 501 to 4,999 shares: $0.30 per 100 shares

NET INBOUND ITS CREDIT (also applicable to transactions in Nasdaq-100 Index Tracking Stock℠)⁴

$0.30 per 100 shares on the excess, if any, of the number of inbound ITS shares executed over the number of outbound ITS shares sent and executed on a monthly basis.

The Net Inbound ITS Credit is limited to the amount of Phlx Permit Fees, Phlx Outbound ITS Fees, SCCP Trade Recording Fees, SCCP Value Fees, SCCP ETF Fees, and SCCP Transaction Charge (Remote Specialist Only) incurred in the same month that the credit is earned.

ECNs shall mean any electronic system that widely disseminates to third parties orders entered therein by an Exchange market maker or over-the-counter (“OTC”) market maker, and permits such orders to be executed against in whole or in part; except that the term ECN shall not include: any system that crosses multiple orders at one or more specified times at a single price set by the ECN (by algorithm or by any derivative pricing mechanism) and does not allow orders to be crossed or executed against directly by participants outside of such times; or, any system operated by, or on behalf of, an OTC market-maker or exchange market-maker that executes customer orders primarily against the account of such market maker as principal, other than riskless principal.

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Any fees, credits, discounts and other charges in the Exchange’s fee schedule which are based upon an equity specialist’s specialist activity apply to competing specialists.

³ This fee will only apply when the specialist sends an order received over PACE to ITS and receives an execution, if the specialist used the PACE customer’s clearing information on the outbound ITS commitment.
⁴ This credit will include all inbound and outbound ITS executions, including both PACE and non-PACE and both proprietary and customer commitments.
[NASDAQ-100 INDEX TRACKING STOCK℠ FEE SCHEDULE]

[PHLX FEE SCHEDULE]

[Customer

PACE

Non-PACE

Transaction Fee

$.0035 per share

$50 maximum fee per trade side.]

[EQUITY FLOOR BROKERAGE ASSESSMENT

$250 monthly charge]

[REMOTE INFORMATION ACCESS FEE

$300.00 per month]

[Covered Sale Fee

Each member and member organization engaged in executing sale transactions on the Exchange or executing transactions, which were routed over the Intermarket Trading System or the NMS Linkage Plan, on another exchange or ADF Participant during any computational period shall pay a Covered Sale Fee equal to (i) the Section 31 fee rate multiplied by (ii) the member's aggregate dollar amount of covered sales.]

[SCCP FEE SCHEDULE

Customer

$0.30 per trade (Non-PACE customers)

Specialist

$0.50 per trade – for the first 1,000 trades

$0.25 per trade – for all subsequent trades (no further volume discounts)]

[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.]

[However, this charge applies where an order, after being delivered to the Exchange by the PACE system is executed by the specialist by way of an outbound ITS commitment, when such outbound ITS commitment reflects the PACE order’s clearing information, but does not apply where a PACE trade was executed against an inbound ITS commitment.]

[Applies to each member who derives at least 80% of gross income generated from Phlx floor based activities from his/her brokerage business conducted on the equity floor of the Exchange. Floor brokerage business conducted on the Exchange includes orders that are received on the equity floor of the Phlx, even if those orders are executed on an exchange other than the Phlx..]
SPECIALIST REVENUE SHARING PROGRAM FOR NASDAQ-100 INDEX TRACKING STOCK (“QQQ”)]

[The Exchange will share a portion of net revenues that it receives for Tape B under the Consolidated Tape Association (“CTA”) Plan attributable to the Nasdaq-100 Index Trading Stock (“QQQ”) with the specialist unit for the QQQ. The Specialist Revenue Sharing Program operates as follows:

- Revenues under the CTA Plan are distributed to Plan Participants on a quarterly basis. Each quarter, the Phlx will start its calculation with the quarterly revenues actually received for Tape B.
  - First, Phlx will determine the portion of such quarterly revenues attributable to the trading of QQQ for each calendar month in the quarter to which the revenue is attributed.
  - Then, Phlx will subtract the amount it owes Nasdaq under its license agreement for each such calendar month, to arrive at the “Monthly Residual QQQ Tape Revenue” for that month.

- The Monthly Residual QQQ Tape Revenue will be shared between Phlx and the QQQ specialist unit in the following order of priority, in each case to the extent that Monthly Residual QQQ Tape Revenues are available:
  i) Phlx will receive the first $15,000 per month of the Monthly Residual QQQ Tape Revenue to cover, at a minimum, its estimated monthly costs for operating and regulating trading of the QQQ on the Exchange;
  ii) the specialist unit will receive the next $15,000 per month; and
  iii) Phlx and the specialist unit will share equally, subject to reasonable rounding, any remaining Monthly Residual QQQ Tape Revenue for that month.

Phlx intends to perform this calculation monthly and then make distributions to the specialist unit quarterly, after it receives its Tape B distribution under the Plan for that quarter and following a reasonable processing period of ten business days.]

The program will apply to Tape B revenues in respect of QQQ trading on or after November 1, 2002.

[Accordingly, this proposal is dependent upon the Exchange actually collecting its quarterly distribution of Tape B revenues. Any transaction or other fees that the QQQ specialist unit may owe to the Exchange are handled separately from this program, pursuant to the Exchange’s fee schedules and billing practices.]

[For the first quarter of implementation, because the program will begin on November 1, 2002, the calculations will be based on the quarterly revenues received for the period November 1- December 31, 2002 (excluding the month of October).]
### SUMMARY OF EQUITY OPTION CHARGES (p. 1/6)

**OPTION COMPARISON CHARGE** (applicable to all trades – except specialist trades)

<table>
<thead>
<tr>
<th>Role</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Option Trader</td>
<td>$0.03 per contract</td>
</tr>
<tr>
<td>Firm / Proprietary[^9]</td>
<td>$0.04 per contract</td>
</tr>
<tr>
<td>Customer Executions, Broker-Dealer Orders</td>
<td>No charge</td>
</tr>
</tbody>
</table>

**OPTION TRANSACTION CHARGE**

<table>
<thead>
<tr>
<th>Role</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Executions</td>
<td>No charge</td>
</tr>
<tr>
<td>Firm / Proprietary[^10]</td>
<td>$0.20 per contract</td>
</tr>
<tr>
<td>Firm / Proprietary Facilitation +</td>
<td>$0.10 per contract</td>
</tr>
<tr>
<td>Registered Option Trader (on-floor) *</td>
<td>$0.19 per contract</td>
</tr>
<tr>
<td>Specialist * 9</td>
<td>$0.21 per contract</td>
</tr>
<tr>
<td>Broker/Dealer[^11] (AUTOM-delivered)</td>
<td>$0.45 per contract</td>
</tr>
<tr>
<td>Broker/Dealer[^12] (non-AUTOM-delivered)</td>
<td>$0.25 per contract</td>
</tr>
</tbody>
</table>

[^9]: For the purpose of this Summary of Equity Option Charges, the Firm / Proprietary comparison or transaction charge applies to member organizations for orders for the proprietary account of any member or non-member broker-dealer that derives more than 35% of its annual, gross revenues from commissions and principal transactions with customer. Member organizations will be required to verify this amount to the Exchange by certifying that they have reached this threshold and by submitting a copy of their annual report, which was prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). In the event that a firm has not been in business for one year, the most recent quarterly reports, prepared in accordance with GAAP, will be accepted.


[^11]: For the purpose of this Summary of Equity Option Charges, this charge applies to members for transactions, received from other than the floor of the Exchange, for any account (i) in which the holder of beneficial interest is a member or non-member broker-dealer or (ii) in which the holder of beneficial interest is a person associated with or employed by a member or non-member broker-dealer. This includes transactions for the account of an ROT entered from off-floor.

SUMMARY OF EQUITY OPTION CHARGES (p. 2/6)

OPTION TRANSACTION CHARGE
Linkage “P” Orders[13] $0.25 per contract
Linkage “P/A” Orders[13] $0.15 per contract

OPTION FLOOR BROKERAGE ASSESSMENT

<table>
<thead>
<tr>
<th>Monthly Net Floor Brokerage Income</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $300,000</td>
<td>5.5%</td>
</tr>
<tr>
<td>$300,001 - $500,000</td>
<td>6.5% (excess &gt; $300,000)</td>
</tr>
<tr>
<td>$500,001 and Over</td>
<td>7.5% (excess &gt; $500,000)</td>
</tr>
</tbody>
</table>

Monthly Cap: $100,000

CANCELLATION FEE
$1.10 per order for each cancelled AUTOM-delivered order in excess of the number of orders executed on the Exchange by a member organization in a given month. The cancellation fee is not assessed in a month in which fewer than 500 AUTOM-delivered orders are cancelled.

SPECIALIST DEFICIT (Shortfall) FEE
$0.35 per contract for specialists trading any top 120 equity option if 12% of the total national monthly contract volume (“volume threshold”) for such top 120 equity option is not effected on the PHLX. The fee shall be limited to the following caps imposed per month per option, subject to the Transition Period described below:

- If Phlx volume in any top 120 equity option, except options on Nasdaq-100 Index Tracking StockSM (traded under the symbol QQQQ)[14], is less than or equal to 50 percent of the current volume threshold (presently 6 percent), a cap of $10,000 will apply,
- If Phlx volume in any top 120 equity option, except options on QQQQ, is greater than 50 percent of the current volume threshold (presently 6 percent) and less than the volume threshold, a cap of $5,000 will apply,
- If Phlx volume in options on QQQQ, is less than or equal to 50 percent of the current volume threshold (presently 6 percent), a cap of $20,000 will apply,
- If Phlx volume in options on QQQQ, is greater than 50 percent of the current volume threshold (presently 6 percent) and less than the volume threshold, a cap of $10,000 will apply.

When a specialist unit's trading volume in any top 120 equity option, effected on the Exchange in one month, exceeds 15% of the total national contract volume for such top 120 equity option in that same month, a shortfall credit of $0.35 per contract will be applied to such specialist unit's invoice, the dollar amount of which shall (i) directly correspond to the number of contracts of such top 120 equity option in excess of 15% of the total national contract volume for such top 120 equity option, and (ii) offset any shortfall fee charged to such specialist unit with respect to any other top 120 equity option traded in that same month; provided that such shortfall credit shall not (a) exceed the total amount of any shortfall fee charged to such specialist unit with respect to any other top 120 equity option traded in that same month, and (b) be applied against any other Exchange charges on the invoice(s) of such specialist unit or subsidiary of such specialist unit. Any excess shortfall credit will not be carried over to subsequent months.

[13] Fees for Linkage “P” and “P/A” Orders are subject to a pilot program scheduled to expire July 31, 2007.
[14] The Nasdaq-100®, Nasdaq-100 Index®, Nasdaq®, The Nasdaq Stock Market®, Nasdaq-100 SharesSM, Nasdaq-100 TrustSM, Nasdaq-100 Index Tracking StockSM, and 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 TrustSM, 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.
SUMMARY OF EQUITY OPTION CHARGES (p. 3/6)

Transition Period
For any top 120 equity option listed after February 1, 2004 and for any top 120 equity option acquired by a new specialist unit** within the first 60-days of operations, the following thresholds will apply, with a cap of $10,000 for the first 4 full months of trading per month per option provided that the total monthly market share effected on the Phlx in that top 120 equity option is equal to or greater than 50% of the volume threshold in effect:

| First full month of trading: | 0% national market share |
| Second full month of trading: | 3% national market share |
| Third full month of trading: | 6% national market share |
| Fourth full month of trading: | 9% national market share |
| Fifth full month of trading (and thereafter): | 12% national market share |

** A new specialist unit is one that is approved to operate as a specialist unit by the Options Allocation, Evaluation, and Securities Committee on or after February 1, 2004 and is a specialist unit that is not currently affiliated with an existing options specialist unit as reported on the member organization’s Form BD, which refers to direct and indirect owners, or as reported in connection with any other financial arrangement, such as is required by Exchange Rule 783.

REAL-TIME RISK MANAGEMENT FEE
$.0025 per contract for firms/members receiving information on a real-time basis

EQUITY OPTION PAYMENT FOR ORDER FLOW FEES*

(1) For trades resulting from either Directed or non-Directed Orders that are delivered electronically and executed on the Exchange: Assessed on ROTs, specialists and Directed ROTs on those trades when the specialist unit or Directed ROT elects to participate in the payment for order flow program.***

(2) No payment for order flow fees will be assessed on trades that are not delivered electronically.

QQQQ (NASDAQ-100 Index Tracking StockSM) $0.75 per contract
Remaining Equity Options $0.70 per contract

See Appendix A for additional fees.

*Assessed on transactions resulting from customer orders. This proposal will be in effect for trades settling on or after October 1, 2005 and will remain in effect as a pilot program that is scheduled to expire on May 27, 2007.

***Any excess payment for order flow funds billed but not utilized by the specialist or Directed ROT will be carried forward unless the Directed ROT or specialist elects to have those funds rebated to the applicable ROT, Directed ROT or specialist on a pro rata basis, reflected as a credit on the monthly invoices. At the end of each calendar quarter, the Exchange will calculate the amount of excess funds from the previous quarter and subsequently rebate excess funds on a pro-rata basis to the applicable ROT, Directed ROT or specialist who paid into that pool of funds.
STREAMING QUOTE TRADER FEES

Category I
SQT is Eligible to trade:\footnote{152}{A member organization will be assessed an SQT fee based on the aggregate amount of equity options and index options traded by the SQTs in that member organization}
- Up to 200 equity and index options issues
- Not eligible for a permit credit

Category II
SQT is Eligible to trade
- Up to 400 equity and index options issues
- Maximum permit credit is $2200.00 per month\footnote{168}{A member organization will be eligible to receive monthly credit against the SQT fee for the number of actual permits issued to the member organization that are utilized by an SQT.}

Category III
SQT is Eligible to trade:
- Up to 600 equity and index options issues
- Maximum permit credit is $3200.00 per month.

Category IV
SQT is Eligible to trade:
- Up to 800 equity and index options issues
- Maximum permit credit is $4200.00 per month.

Category V
SQT is Eligible to trade:
- Up to 1000 equity and index options issues
- Maximum permit credit is $5200.00 per month.

Category VI
SQT is Eligible to trade:
- Up to 1200 equity and index options issues
- Maximum permit credit is $6200.00 per month.

Category VII
SQT is Eligible to trade:
- All listed equity and index options
- Maximum permit credit is $7200.00 per month

\footnote{152}{A member organization will be assessed an SQT fee based on the aggregate amount of equity options and index options traded by the SQTs in that member organization}
\footnote{168}{A member organization will be eligible to receive monthly credit against the SQT fee for the number of actual permits issued to the member organization that are utilized by an SQT.}
SUMMARY OF EQUITY OPTION CHARGES (p. 5/6)

REMOTE STREAMINGQUOTE TRADER FEES

Category I: $1700.00 per calendar month
RSQT is Eligible to trade:
- 1 issue selected from the top 5 national volume leaders.
- 1 issue selected from the 6th to 10th national volume leaders.
- 3 issues selected from the 11th to 25th national volume leaders.
- 4 issues selected from the 26th to 50th national volume leaders.
- 1 index issue.
- 190 other issues.
Maximum credit is $1200 per calendar month

Category II: $3200.00 per calendar month
RSQT is Eligible to trade:
- 2 issues selected from the top 5 national volume leaders.
- 2 issues selected from the 6th to 10th national volume leaders.
- 6 issues selected from the 11th to 25th national volume leaders.
- 8 issues selected from the 26th to 50th national volume leaders.
- 2 index issues.
- 380 other issues.
Maximum credit is $2200.00 per calendar month

Category III: $4700.00 per calendar month
RSQT is Eligible to trade:
- 3 issues selected from the top 5 national volume leaders.
- 3 issues selected from the 6th to 10th national volume leaders.
- 9 issues selected from the 11th to 25th national volume leaders.
- 12 issues selected from the 26th to 50th national volume leaders.
- 3 index issues.
- 570 other issues.
Maximum credit is $3200.00 per calendar month

Category IV: $6200.00 per calendar month
RSQT is Eligible to trade:
- 4 issues selected from the top 5 national volume leaders.
- 4 issues selected from the 6th to 10th national volume leaders.
- 12 issues selected from the 11th to 25th national volume leaders.
- 16 issues selected from the 26th to 50th national volume leaders.
- 5 index issues.
- 759 other issues.
Maximum credit is $4200.00 per calendar month.

[17] RSQT member organizations’ fees are subject to credits based on the number of permits applicable to such member organization, subject to the maximum allowable permit credit applicable to each RSQT category. For a complete schedule of permit fees, see Appendix A.
SUMMARY OF EQUITY OPTION CHARGES (p. 6/6)

Category V: $7700.00 per calendar month
RSQT is Eligible to trade:
- 5 issues selected from the top 5 national volume leaders.
- 5 issues selected from the 6th to 10th national volume leaders.
- 15 issues selected from the 11th to 25th national volume leaders.
- 20 issues selected from the 26th to 50th national volume leaders.
- 7 index issues.
- 948 other issues.

Maximum credit is $5200.00 per calendar month.

Category VI: $9200.00 per calendar month
RSQT is Eligible to trade:
- 5 issues selected from the top 5 national volume leaders.
- 5 issues selected from the 6th to 10th national volume leaders.
- 15 issues selected from the 11th to 25th national volume leaders.
- 25 issues selected from the 26th to 50th national volume leaders.
- 9 index issues.
- 1141 other issues.

Maximum credit is $6200.00 per calendar month.

Category VII: $10,700.00 per calendar month
RSQT is eligible to trade all equity option and index option issues.
Maximum credit is $7200.00 per calendar month.
SUMMARY OF INDEX OPTION CHARGES (p. 1/1)

OPTION COMPARISON CHARGE (applicable to all trades – except specialist trades)

<table>
<thead>
<tr>
<th>Role</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Option Trader</td>
<td>$0.03 per contract</td>
</tr>
<tr>
<td>Firm (Proprietary and Customer Executions)</td>
<td>$0.04 per contract</td>
</tr>
</tbody>
</table>

OPTION TRANSACTION CHARGE

<table>
<thead>
<tr>
<th>Role</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Executions</td>
<td>$0.40 per contract</td>
</tr>
<tr>
<td>Firm/Proprietary</td>
<td>$0.20 per contract</td>
</tr>
<tr>
<td>Firm/Proprietary Facilitation</td>
<td>$0.20 per contract</td>
</tr>
<tr>
<td>Registered Option Trader</td>
<td>$0.21 per contract</td>
</tr>
<tr>
<td>Specialist</td>
<td>$0.24 per contract</td>
</tr>
</tbody>
</table>

OPTION FLOOR BROKERAGE ASSESSMENT

<table>
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<tr>
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</tr>
<tr>
<td>$500,001 and Over</td>
<td>7.5% (excess &gt; $500,000)</td>
</tr>
</tbody>
</table>

Monthly Cap: $100,000

CANCELLATION FEE

$1.10 per order for each cancelled AUTOM-delivered order in excess of the number of orders executed on the Exchange by a member organization in a given month. The cancellation fee is not assessed in a month in which fewer than 500 AUTOM-delivered orders are cancelled.

REAL-TIME RISK MANAGEMENT FEE

$0.0025 per contract for firms/members receiving information on a real-time basis

See Appendix A for additional fees.

+ Subject to a maximum fee of $60,000, except for certain license fees which are assessed per contract side – see $60,000 “Firm Related” Equity Option and Index Option Cap.

**Non-clearing firm members’ proprietary transactions are eligible for the “firm” rate based upon submission of a PHLX rebate request form with supportive documentation within thirty (30) days of invoice date.

[18][10] For the purpose of this Summary of Equity Option Charges, the Firm / Proprietary comparison or transaction charge applies to member organizations for orders for the proprietary account of any member or non-member broker-dealer that derives more than 35% of its annual, gross revenues from commissions and principal transactions with customers. Member organizations will be required to verify this amount to the Exchange by certifying that they have reached this threshold and by submitting a copy of their annual report, which was prepared in accordance with Generally Accepted Accounting Principles (“GAAP”). In the event that a firm has not been in business for one year, the most recent quarterly reports, prepared in accordance with GAAP, will be accepted.

$60,000 “FIRM RELATED” EQUITY OPTION AND INDEX OPTION CAP

“Firm related” transaction and comparison charges for equity and index options, in the aggregate, for one billing month will not exceed $60,000 per month, per member organization, except when a member organization who trades QQQQ, IWF, IWM, IWN, IWO, IWP, IWS, NYC, NY, SPY, SHY, IEF, TLT, AGG, TIP, KSX, KIX, BKX, OEF, IEV, IOO, IXC, IXG, IXX, IXP, ILF, IIH, IJJ, ITF, IVV, XLI, XLK, XLU, XLP, XLE, XLF, XLV, XLB, XLY, MDY, KRX MFX, DGT, TMW, DVY, IYY, IWM, IYC, IYF, IYH, IYJ, IYK, IYR, IYW, IYZ, IDU and FDM options exceeds the $60,000 cap, a license fee of $0.10 per contract side will be in addition, once the cap is reached. When calculating the $60,000 cap, all equity option and index option transaction and comparison charges for products without license fees are calculated first and then equity option and index option transaction and comparison charges for products with license fees that are assessed by the Exchange after the $60,000 cap is reached are calculated.

See Appendix A for additional fees.

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SUMMARY OF CURRENCY OPTION CHARGES
Dollar or Foreign Currency Based

OPTION COMPARISON CHARGE (applicable to all trades – except specialist trades)

Firm (Proprietary and Customer Executions) and Registered Option Trader $0.05 per contract

OPTION TRANSACTION CHARGE*

Customer Executions $0.28 per contract
Firm (Proprietary Executions) $0.23 per contract
Registered Option Trader and Specialist $0.14 per contract

OPTION FLOOR BROKERAGE ASSESSMENT

5% of net floor brokerage income.

FLOOR BROKERAGE TRANSACTION FEE

$0.05 per contract, for floor brokers executing transactions for their own member firm.

Volume Discount for Currency Options
Transaction Charge Activity

*Volume discounts will be available based upon total Customer Executions and Firm Proprietary activity per billing period. The discount will apply to the number of contracts executed within the specified ranged (i.e., member XYZ executed 340,000 contracts for his Customer and Firm in a billing period. All contracts will be billed at the normal rates, however, rebates of $0.10 will be given for 140,000 contracts.)

<table>
<thead>
<tr>
<th>Number of Contracts</th>
<th>Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>200,001 – 400,000</td>
<td>$0.10 per contract</td>
</tr>
<tr>
<td>400,001 or more</td>
<td>$0.20 per contract</td>
</tr>
</tbody>
</table>

See Appendix A for additional fees.
Appendix A

Permit Fees\(^{1}\)

Order Flow Provider Permit Fee

a. Permits used only to submit orders to [the equity,] *XLE*, foreign currency options trading floor, or options trading floor (one trading venue only) $ 200.00 per month

b. Permits used only to submit orders to more than one trading venue $ 300.00 per month

Floor Broker, Specialist, [or] ROT (including RSQTs and SQTs), [or] Off-Floor Trader, Market Maker Authorized Traders, or XLE Sponsoring Member Organization\(^{2}\) Permit Fee

a. First Permit $ 1,200.00 per month

b. Additional permits for members in the same organization $ 1,000.00 per month

Excess Permit Holders $ 200.00 per month

Other Permit Holders\(^{21}\) $ 200.00 per month

Foreign Currency User Fee $ 1,200.00 monthly

Application Fee $ 350.00

Initiation Fee\(^{22}\) $ 1,500.00

Sponsoring Member Organization Application Fee for Each Sponsored Participant $ 1,850.00

Account Fee $ 50.00 monthly for each account beyond the number of permits billed to that member organization

Transfer Fee for FCO Participant $ 500.00

Trading Post/Booth $ 250.00 monthly

Trading Post with Kiosk $ 375.00 monthly

Kiosk Construction Fee (when requested by specialist) Pass-through cost

Controller Space $ 250.00 monthly

Floor Facility Fees $ 125.00 monthly

\(^1\) The Exchange has established the date of notification of termination of a permit as the date that permit fee billing will cease. Additionally, a permit holder will be billed only one monthly permit fee if the holder transfers from one member organization to another previously unrelated member organization as a result of a merger, partial sale or other business combination during a monthly permit fee period in order to avoid double billing in the month the merger or business combination occurred. These policies will be effective as of February 2, 2004.

\(^2\) The XLE Sponsoring Member Organization permit fee applies to a Sponsoring Member Organization whose only function is to sponsor a Sponsoring Participant.

\(^{21}\) A permit holder or the member organization they solely qualify must apply for “other” status in writing to the Membership Services Department. This status requires that a permit holder or the member organization have no transaction activity for the applicable monthly billing period. Should a permit holder actively transact business during a particular month, the highest applicable monthly permit fee will apply to such permit holder and member organization for that monthly period. The “other” status only applies to permit holders who solely qualify their member organization. These policies will be effective as of February 2, 2004.

\(^{22}\) This fee is imposed on a member upon election, on a non-member FCO participant upon the purchase of an FCO participation, and on persons or entities registering as approved lessors.
Shelf Space on Equity Option Trading Floor $ 125.00 monthly
Direct Wire to the Floor $ 20.00 monthly
Telephone System Line Extensions $ 22.50 monthly/per extension
Wireless Telephone System $ 100.00 monthly
Tether Initial Connectivity Fee $ 1,100.00 per initial connection
Tether Monthly Service Fee $ 150.00 monthly
Execution Services/Communication Charge $ 200.00 monthly

[Stock Execution Machine Registration Fee (Equity Floor)] [$ 300.00]
[Equity, Option, or FCO Transmission Charge] [$ 750.00 monthly]
[FCO Pricing Tape] [$ 600.00 monthly]

PHLX CCH Guide²³€ $ 200.00 annually

Option Report Service
(New York) $ 600.00 monthly
(Chicago) $ 800.00 monthly

Instinet, Reuters Equipment cost passed through
Hyperfeed Fee 100% of cost passed through

Review/Process Subordinated Loans $ 25.00

Examinations Fee²⁴€ [$2,000.00 monthly or pass-through of another SRO's fees]

Number of Off-Floor Traders in the Same Member Organization

<table>
<thead>
<tr>
<th>Number of Off-Floor Traders</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10</td>
<td>$2,100 per month</td>
</tr>
<tr>
<td>11-50</td>
<td>$2,600 per month</td>
</tr>
<tr>
<td>51-200</td>
<td>$5,000 per month</td>
</tr>
<tr>
<td>Over 200</td>
<td>$12,500 per month</td>
</tr>
</tbody>
</table>

[Off-Floor Examinations Fee] [$ 30.00 monthly per Off-Floor Trader]

²³€ PHLX Guides will be provided to new members/member organizations without charge but there will be a $200/year charge for renewals. Alternatively, members/member organizations can get access to the PHLX Guide at no cost through the internet.
²⁴€ This fee is applicable to member/participant organizations for which the PHLX is the DEA. The following organizations are exempt: 1) inactive organizations; and 2) organizations operating [from] through [the] one or more PHLX trading floor markets [as remote specialists which have] that demonstrated that [at least] 25% or more of [their income] its revenue as reflected on the most recently submitted FOCUS Report or transactions as reflected on its purchase and sales blotter [was] are derived from [floor activities or remote specialist activities] securities transactions on the Phlx [: 3] organizations for any month where they incur transaction or clearing fees charged directly by the Exchange or by its registered clearing subsidiary, provided that the fees exceed the examinations fee for that month; and 4) organizations affiliated with an organization exempt from this fee due to the second or third category. Affiliation includes an organization that is a wholly owned subsidiary of or controlled by or under the common control with an exempt member or participant organization. An inactive organization is one which had no securities transaction revenue, as determined by [semi-annual] FOCUS reports or other financial filings, as long as the organization continues to have no such revenue each month.
Registered Representative /Member Exchange/Off-Floor Trader Registration:  

<table>
<thead>
<tr>
<th>Service</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>$55.00</td>
</tr>
<tr>
<td>Renewal</td>
<td>$55.00 annually</td>
</tr>
<tr>
<td>Transfer</td>
<td>$55.00</td>
</tr>
<tr>
<td>Termination</td>
<td>$30.00</td>
</tr>
</tbody>
</table>

\(\times\) The NASD, on behalf of the Exchange, will bill and collect these fees.

- NASD CRD Processing Fee: $85.00
- NASD Disclosure Processing Fee: $95.00
- NASD Annual System Processing Fee: $30.00
- NASD Fingerprint Card Processing Fee – 1st Submission: $35.00
- NASD Fingerprint Card Processing Fee – 2nd submission: $13.00
- NASD Fingerprint Card Processing Fee – 3rd submission: $35.00
- NASD Processing Fee for Fingerprint Results: $13.00

Trading Floor Personnel Registration Fee: $25.00 monthly

Continuing Education Fee: $75.00

Computer Equipment Services, Repairs or Replacements: $100.00 per service call and $75.00 per hour (Two hour minimum)

Computer Relocation Requests: $100.00 per service call and $75.00 per person, per hour (Two hour minimum)

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[25] For the purposes of these fees, the registered representative categories include registered options principals, general securities representatives, general securities sales supervisors and United Kingdom limited general securities registered representatives. See Phlx Rule 604(e). The member Exchange category refers to Exchange permit holders.

[26] The NASD CRD Processing Fee is paid directly to the NASD for all initial, transfer, relicense and dual registration Form U4 filings.

[27] The NASD Disclosure Processing Fee, applicable to Form U4, Form U5 and amendments thereto, will be paid directly to the NASD for all registration, transfer or termination filings with new or amended disclosure information or that require certification, as well as any amendment to disclosure information. This fee applies to any filing containing a disclosure that was not previously disclosed on Web CRD.

[28] The NASD Annual System Processing Fee is assessed only during renewals and is paid directly to the NASD.

[29] This NASD Fingerprint Card Processing Fee is for first card submissions and is paid directly to the NASD.

[30] This NASD Fingerprint Card Processing Fee is for second card submissions and is paid directly to the NASD.

[31] This NASD Fingerprint Card Processing Fee is for third card submissions and is paid directly to the NASD.

[32] The NASD Processing Fee for Fingerprint Results applies to results submitted by other self-regulatory organizations; this fee is paid directly to the NASD.

[33] This fee is imposed on member/participant organizations for individuals who are employed by such member/participant organizations and who work on the Exchange’s trading floor, such as clerks, interns, stock execution clerks and other associated persons, but who are not registered as members or participants.

[34] This fee will be assessed to each individual who is required to complete the Regulatory Element of the Continuing Education Requirements pursuant to Exchange Rule 640. This fee is paid directly to the NASD.
<table>
<thead>
<tr>
<th>No. of Workstations*</th>
<th>Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>[2]</td>
<td>$2,800.00</td>
</tr>
<tr>
<td>[3]</td>
<td>$3,600.00</td>
</tr>
<tr>
<td>[4]</td>
<td>$4,000.00</td>
</tr>
<tr>
<td>[5]</td>
<td>$4,700.00</td>
</tr>
<tr>
<td>[6]</td>
<td>$5,100.00</td>
</tr>
<tr>
<td>[7]</td>
<td>$5,875.00</td>
</tr>
<tr>
<td>[8]</td>
<td>$6,275.00</td>
</tr>
<tr>
<td>[9]</td>
<td>$7,535.00</td>
</tr>
<tr>
<td>[10]</td>
<td>$7,935.00</td>
</tr>
<tr>
<td>[11]</td>
<td>$8,335.00</td>
</tr>
<tr>
<td>[12]</td>
<td>$8,735.00</td>
</tr>
</tbody>
</table>

[Remote Specialist Equipment Installation Fee] [$500.00 per remote facility]

[Remote Specialist Equipment Rental Fee *] [$355.00 per month for the first two workstations at a single site;]

[$144.00 per month for each workstation in excess of two at such site]

[* Payment for a minimum of two remote workstations will be required for each remote location.]