Proposed Rule Change by Philadelphia Stock Exchange

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

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Description

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

Transfer calculation and dissemination of PHLX/KBW Bank Index values to Dow Jones

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: Jurij
Last Name: Trypupenko
Title: Director and Counsel
E-mail: jurij.trypupenko@phlx.com
Telephone: (215) 496-5019
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: 01/18/2007
By: Jurij Trypupenko

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.

Jurij Trypupenko,
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

| Form 19b-4 Information | The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act. |
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| Exhibit 1 - Notice of Proposed Rule Change | The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3) |
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| Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications | Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G. |
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| Exhibit 3 - Form, Report, or Questionnaire | Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. |
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| Exhibit 4 - Marked Copies | The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working. |
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| Exhibit 5 - Proposed Rule Text | The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item 1 and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change. |
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| Partial Amendment | If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e., partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions. |
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1. **Text of the Proposed Rule Change**

The Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\) and Rule 19b-4 thereunder,\(^2\) proposes that Dow Jones & Company, Inc. ("Dow Jones") will replace the Exchange as the party solely responsible for the calculation and dissemination of the current index values\(^3\) of the PHLX/KBW Bank Index ("Bank Index" or "Index").\(^4\)

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

2. **Procedures of the Self-Regulatory Organization**

The Executive Committee, pursuant to delegated authority, approved the proposal for filing with the Securities and Exchange Commission ("SEC" or "Commission") on January 10, 2007.


\(^3\) Bridge Data, which merged into Reuters, at various times has calculated and disseminated relevant index values on behalf of the Exchange.

\(^4\) KBW is a registered broker-dealer that, among other things, specializes in U.S. bank stocks and is recognized as the "financial services industry authority." The Bank Index (BKX), also known as the KBW Bank Index and as a sector index, is a European-style modified-capitalization-weighted index composed of 24 geographically dispersed companies representing national money center banks and leading regional institutions. KBW has informed the Exchange that an independent third party, Dow Jones, on behalf of KBW will calculate and disseminate the current values of the Bank Index and will follow necessary procedures such as reporting the current underlying index values at least once every 15 seconds during the periods that options on the Bank Index are traded.
Questions and comments on the proposed rule change may be directed to Jurij Trypupenko, Director and Counsel, at 215-496-5019, or Robert Paul, Executive Vice President and General Counsel, at (215) 496-5406.

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

   a. **Purpose**

   The purpose of the proposed rule change is to provide that Dow Jones, rather than the Exchange, will calculate and disseminate the current index values of the Bank Index. No other changes are proposed in respect of the Index.

   Options on the Bank Index, a narrow-based (industry) index, were originally listed in 1992. The Commission’s Approval Order regarding the Bank Index and options on it contains the following language about the calculation of the underlying current index value:

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   Even though the Index will be maintained by KBW, the Phlx represents that the Exchange will be solely responsible for the calculation of the Index and that the Index value will be calculated and disseminated in such a way that neither KBW nor any other party will be in receipt of the Index value prior to the public dissemination of the value. In this connection, the Phlx has made arrangements for the Index to be calculated by an independent third party, Bridge Data, a vendor of financial information.
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   In June 2006, the Exchange filed a proposal that it would calculate and disseminate the Bank Index values in the event that Bridge Data was temporarily unable to calculate and disseminate the

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6 Id.
disseminate the values due to technical difficulties. The Exchange is proposing in this filing that it (and any third party on the Exchange’s behalf) will cease calculating and disseminating the Bank Index values and, in its place, Dow Jones will be solely responsible for such calculation and dissemination.

The Exchange notes that the listing of options on the Bank Index preceded the adoption of the Exchange’s generic index option listing standards in Phlx Rule 1009A. This rule permits the Exchange to list qualifying index options pursuant to a form filing per Rule 19b-4(e) under the Exchange Act (instead of a rule filing as with the Bank Index), and does not require a filing regarding the identity of the entity calculating or disseminating the current index values, so long as such values are reported at least once every 15 seconds during the periods that the index options are traded on the Exchange.

b. **Statutory Basis**

The Exchange believes that its proposed rule change to make Dow Jones responsible for calculating and disseminating the Bank Index values is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) of the

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8 The Exchange understands that Dow Jones is an independent third party vis a vis KBW and that Dow Jones will report the underlying values of the Bank Index at least once every 15 seconds during the times that options on the Bank Index are traded on the Exchange.

9 Although Dow Jones will take over from Phlx the responsibility to calculate and disseminate current index values of 4 additional KBW indexes, this is not part of the proposed filing because such indexes were listed pursuant to Rule 19b-4(e).

Act\textsuperscript{11} in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

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 Exchange believes that the foregoing proposed rule change may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)\textsuperscript{12} of the Act and Rule 19b-4(f)(6)(iii) thereunder\textsuperscript{13} because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate.

\textsuperscript{11} 15 U.S.C. 78 f(b)(5).


\textsuperscript{13} 17 CFR 240.19b-4(f)(6)(iii).
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.

A proposed rule change filed under Rule 19b-4(f)(6) normally may not become operative prior to 30 days after the date of the filing. However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Phlx has provided the Commission with written notice of its intent to file this proposed rule change at least five business days prior to the date of filing of the proposed rule change. In addition, the Phlx is requesting that the Commission waive the 30-day operative delay.

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Exhibits

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

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14 Id.

15 Id.
SECURITIES AND EXCHANGE COMMISSION  
(Release No. ___; File No. SR-Phlx-2007-01)

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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\), and Rule 19b-4\(^2\) thereunder, notice is hereby given that on ______________________ 2007, 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 that Dow Jones & Company, Inc. ("Dow Jones") will replace the Exchange as the party solely responsible for the calculation and dissemination of the current index values\(^5\) of the PHLX/KBW Bank Index ("Bank Index" or "Index").\(^6\)

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\(^5\) Bridge Data, which merged into Reuters, at various times has calculated and disseminated relevant index index values on behalf of the Exchange.
II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Phlx included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Phlx has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to provide that Dow Jones, rather than the Exchange, will calculate and disseminate the current index values of the Bank Index. No other changes are proposed in respect of the Index.

Options on the Bank Index, a narrow-based (industry) index, were originally listed in 1992. The Commission’s Approval Order regarding the Bank Index and options on it contains the following language about the calculation of the underlying current index value:

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6 KBW is a registered broker-dealer that, among other things, specializes in U.S. bank stocks and is recognized as the "financial services industry authority." The Bank Index (BKX), also known as the KBW Bank Index and as a sector index, is a European-style modified-capitalization-weighted index composed of 24 geographically dispersed companies representing national money center banks and leading regional institutions. KBW has informed the Exchange that an independent third party, Dow Jones, on behalf of KBW will calculate and disseminate the current values of the Bank Index and will follow necessary procedures such as reporting the current underlying index values at least once every 15 seconds during the periods that options on the Bank Index are traded.

Even though the Index will be maintained by KBW, the Phlx represents that the Exchange will be solely responsible for the calculation of the Index and that the Index value will be calculated and disseminated in such a way that neither KBW nor any other party will be in receipt of the Index value prior to the public dissemination of the value. In this connection, the Phlx has made arrangements for the Index to be calculated by an independent third party, Bridge Data, a vendor of financial information.\(^8\)

In June 2006, the Exchange filed a proposal that it would calculate and disseminate the Bank Index values in the event that Bridge Data was temporarily unable to calculate and disseminate the values due to technical difficulties.\(^9\) The Exchange is proposing in this filing that it (and any third party on the Exchange’s behalf) will cease calculating and disseminating the Bank Index values and, in its place, Dow Jones will be solely responsible for such calculation and dissemination.\(^10\)

The Exchange notes that the listing of options on the Bank Index preceded the adoption of the Exchange’s generic index option listing standards in Phlx Rule 1009A. This rule permits the Exchange to list qualifying index options pursuant to a form filing per Rule 19b-4(e) under the Exchange Act (instead of a rule filing as with the Bank Index), and does not require a filing regarding the identity of the entity calculating or

\(^8\) Id.


\(^10\) The Exchange understands that Dow Jones is an independent third party vis a vis KBW and that Dow Jones will report the underlying values of the Bank Index at least once every 15 seconds during the times that options on the Bank Index are traded on the Exchange.
disseminating the current index values, so long as such values are reported at least once every 15 seconds during the periods that the index options are traded on the Exchange.\textsuperscript{11}

2. Statutory Basis

The Exchange believes that its proposed rule change to make Dow Jones responsible for calculating and disseminating the Bank Index values is consistent with Section 6(b) of the Act\textsuperscript{12} in general, and furthers the objectives of Section 6(b)(5) of the Act\textsuperscript{13} in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and to protect investors and the public interest.

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{11} Although Dow Jones will take over from Phlx the responsibility to calculate and disseminate current index values of 4 additional KBW indexes, this is not part of the proposed filing because such indexes were listed pursuant to Rule 19b-4(e).

\textsuperscript{12} 15 U.S.C. 78f(b).

\textsuperscript{13} 15 U.S.C. 78 f(b)(5).
III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange believes that the foregoing proposed rule change may take effect upon filing with the Commission pursuant to Section 19(b)(3)(A)\textsuperscript{14} of the Act and Rule 19b-4(f)(6)(iii) thereunder\textsuperscript{15} because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate.

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.

A proposed rule change filed under Rule 19b-4(f)(6)\textsuperscript{16} normally may not become operative prior to 30 days after the date of the filing. However, Rule 19b-4(f)(6)(iii)\textsuperscript{17} permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Phlx has provided the Commission with written notice of its intent to file this proposed rule change at least five business


\textsuperscript{16} Id.

\textsuperscript{17} Id.
days prior to the date of filing of the proposed rule change. In addition, the Phlx is requesting that the Commission waive the 30-day operative delay.

IV. Solicitation of Comments

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

Electronic comments:

- Use the Commission’s Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2007-01 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-2007-01. 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-2007-01 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.\textsuperscript{18}

\begin{flushright}
Nancy M. Morris  
Secretary
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\textsuperscript{18} 17 CFR 200.30-3(a)(12).