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

<table>
<thead>
<tr>
<th>Initial</th>
<th>Amendment</th>
<th>Withdrawal</th>
<th>Section 19(b)(2)</th>
<th>Section 19(b)(3)(A)</th>
<th>Section 19(b)(3)(B)</th>
<th>Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

Pilot Extension of Time Period for Commission Action
Date Expires

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

Eliminating the telephone system line extension charge.

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.

<table>
<thead>
<tr>
<th>First Name</th>
<th>Last Name</th>
<th>Title</th>
<th>E-mail</th>
<th>Telephone</th>
<th>Fax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cynthia</td>
<td>Hoekstra</td>
<td>Vice President</td>
<td><a href="mailto:cynthia.hoekstra@phlx.com">cynthia.hoekstra@phlx.com</a></td>
<td>(215) 496-5066</td>
<td>(215) 496-6729</td>
</tr>
</tbody>
</table>

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 01/11/2007
By Cynthia Hoekstra
Vice President

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")\(^1\) and Rule 19b-4 thereunder,\(^2\) proposes to eliminate from Appendix A of the Exchange’s fee schedule the telephone system line extension charge of $22.50 per month per extension. Any member, participant and member or participant organization may, however, keep their telephone system line extensions without being charged.

   This proposal is scheduled to become effective beginning January 2007.\(^3\)

   A notice of the proposed rule change for publication in the *Federal Register* is attached hereto as *Exhibit 1* and a copy of Appendix A of the Exchange’s fee schedule is attached hereto as *Exhibit 5*.

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.

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

---


\(^3\) The monthly telephone system line extension charge for the month of January is not scheduled to be billed until the beginning of February 2007. The Exchange generally issues its invoices at the beginning of the subsequent month, with such invoices covering billing for the preceding month. Therefore, the monthly telephone system line extension charge for the month of January will be deleted from the January 2007 invoice, which is currently scheduled to be issued at the beginning of February 2007.
3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

Currently, the Exchange assesses a fee of $22.50 per month per extension for telephone system line extensions on the options and foreign currency trading floors. The Exchange recently eliminated this fee for members and member organizations on the equity trading floor in connection with the implementation of the Exchange’s new equity system (“XLE”). The Exchange proposes at this time to also eliminate this fee for members, participants and member or participant organizations on the options and foreign currency trading floors. Any member, participant and member or participant organization may, however, keep their telephone system line extensions without being charged.

The purpose of this proposal is to simplify the Exchange’s fee schedule and billing process.

This proposal is scheduled to become effective beginning January 2007.

b. Statutory Basis

The Exchange believes that its proposal to amend Appendix A of its fee schedule by deleting the telephone system line extension charge for its members, participants and member or participant organizations is consistent with Section 6(b) of the Act in


5 See footnote no. 3.

general, and furthers the objectives of Section 6(b)(4) of the Act\(^7\) in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

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\(^8\) and Rule 19b-4(f)(2)\(^9\) 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.

---


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*.

   5. Appendix A of the Exchange’s fee schedule.
Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2007-03)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Eliminating the Telephone System Line Extension Charge.

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 ______________________ 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 to eliminate from Appendix A of the Exchange’s fee schedule the telephone system line extension charge of $22.50 per month per extension. Any member, participant and member or participant organization may, however, keep their telephone system line extensions without being charged.

This proposal is scheduled to become effective beginning January 2007.5


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

Currently, the Exchange assesses a fee of $22.50 per month per extension for telephone system line extensions on the options and foreign currency trading floors. The Exchange recently eliminated this fee for members and member organizations on the equity trading floor in connection with the implementation of the Exchange’s new equity system (“XLE”).6 The Exchange proposes at this time to also eliminate this fee for members, participants and member or participant organizations on the options and

5 The monthly telephone system line extension charge for the month of January is not scheduled to be billed until the beginning of February 2007. The Exchange generally issues its invoices at the beginning of the subsequent month, with such invoices covering billing for the preceding month. Therefore, the monthly telephone system line extension charge for the month of January will be deleted from the January 2007 invoice, which is currently scheduled to be issued at the beginning of February 2007.

foreign currency trading floors. Any member, participant and member or participant organization may, however, keep their telephone system line extensions without being charged.

The purpose of this proposal is to simplify the Exchange’s fee schedule and billing process.

This proposal is scheduled to become effective beginning January 2007.7

2. Statutory Basis

The Exchange believes that its proposal to amend Appendix A of its fee schedule by deleting the telephone system line extension charge for its members, participants and member or participant organizations is consistent with Section 6(b) of the Act8 in general, and furthers the objectives of Section 6(b)(4) of the Act9 in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

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.

---

7 See footnote no. 5.


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\(^\text{10}\) and paragraph (f)(2) of Rule 19b-4\(^\text{11}\) 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-comments@sec.gov. Please include File Number SR-Phlx-2007-03 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-2007-03. 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-2007-03 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.12

Nancy M. Morris
Secretary

APPENDIX A

Permit Fees

Order Flow Provider Permit Fee

a. Permits used only to submit orders to 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, ROT (including RSQTs and SQTs), Off-Floor Trader, Market Maker Authorized Traders, or XLE Sponsoring Member Organization

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 $ 200.00 per month

Foreign Currency User Fee $ 1,200.00 monthly

Application Fee $ 350.00

Initiation Fee $ 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

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

---

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 Sponsored Participant.

3 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.

4 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.