Proposed Rule Change by Philadelphia Stock Exchange

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

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

Extension of Time Period for Commission Action

Date Expires

Description

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

Clarifying and expanding the Exchange’s training requirements pursuant to Rule 625, and EFPA and OFPA F-30, and updating Rule 970

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 officer.

Date: 05/25/2007

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.
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 amend Phlx Rule 625, Training, Equity Floor Procedure Advice ("EFPA") F-30, Training and Options Floor Procedure Advice ("OFPA") F-30, Options Trading Floor Training to clarify and expand the Exchange’s training requirements.

The Exchange also proposes to update the language in Exchange Rule 970, Floor Procedure Advices: Violations, Penalties and Procedures, to reflect that any authorized official of the Exchange may sign a citation for violating a floor procedure advice.

The proposed amendments to Rule 625 and Rule 970 and EFPA and OFPA F-30 are set forth below, with new text underlined and deleted text bracketed:

**Rules of the Board of Governors**

* * * * *

**Rule 625. Training**

All [new equity option and index option floor] members[, whether specialists, floor brokers or Registered Options Traders,] and [their respective personnel,] persons employed by or associated with such member or a member organization, and PAUs[,] shall successfully complete mandatory training, as required by the Exchange, [related to that person's function. All current members and their respective personnel shall be subject to continuing mandatory training requirements in order to instruct these individuals on] Training topics include, but are not limited to, training related to that person’s function at the Exchange, changes in existing automated systems or any new technology that is utilized by the Exchange, compliance with Exchange rules and federal securities laws, and issues related to conduct, health and safety on the trading floor. In addition, floor members shall complete mandatory training programs, on at least a semi-annual basis, that address compliance with the federal securities laws and the Exchange’s rules in place to prevent and deter unlawful trading by floor members.


[In addition, the Exchange may require from time to time that members and their respective personnel attend mandatory training sessions related to conduct, health and safety on the trading floor.]

* * * * *

Rule 970. Floor Procedure Advices: Violations, Penalties, and Procedures

(a) No change.

(b) In any action taken by the Exchange pursuant to this Rule, the person against whom a fine is imposed shall be served with a written statement, signed by an authorized official of the Exchange’s Market Surveillance Department on behalf of the Business Conduct Committee, setting forth (i) the Floor Procedure Advice(s) alleged to have been violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine becomes due and payable to the Exchange or when such determination must be contested, as provided in paragraph (d) hereunder, such date to be not less than seven business days after the date of service of the written statement.

(c) - (f) No change.

* * * * *

Equity Floor Procedure Advices and Order & Decorum Regulations

* * * * *

F-30 Training

All members and persons employed by or associated with such member or a member organization, and [new] PAUs shall successfully complete mandatory training, as required by the Exchange. [and shall be subject to continuing mandatory training requirements in order to instruct these individuals on] Training topics include, but are not limited to, training related to that person’s function at the Exchange, changes in existing automated systems or any new technology that is utilized by the Exchange, compliance with Exchange rules and federal securities laws, and issues related to conduct, health and safety on the trading floor. In addition, floor members shall complete mandatory training programs, on at least a semi-annual basis, that address compliance with the federal securities laws and the Exchange’s rules in place to prevent and deter unlawful trading by floor members.

Failure to attend the scheduled mandatory training described above may result in the issuance of a fine in accordance with the fine schedule below.
FINE SCHEDULE (Implemented on a three year running calendar basis)

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Options Floor Procedure Advices and Order & Decorum Regulations

* * * * *

F-30 Options Trading Floor Training

All [new equity option and index option floor] members[, whether specialists, floor brokers or Registered Options Traders,] and [their respective personnel,] persons employed by or associated with such member or a member organization shall successfully complete mandatory training, as required by the Exchange, [related to that employee's function on the trading floor. All current members and their respective personnel shall be subject to continuing mandatory training requirements in order to instruct these individuals on] Training topics include, but are not limited to, training related to that person’s function at the Exchange, changes in existing automated systems or any new technology that is utilized by the Exchange, compliance with Exchange rules and federal securities laws, and issues related to conduct, health and safety on the trading floor. In addition, floor members shall complete mandatory training programs, on at least a semi-annual basis, that address compliance with the federal securities laws and the Exchange’s rules in place to prevent and deter unlawful trading by floor members.

[In addition, the Exchange may require from time to time that equity option and index option floor members and their respective personnel attend mandatory training sessions related to conduct, health and safety on the trading floor.]

Failure to attend the scheduled mandatory training described above may result in the issuance of a fine in accordance with the fine schedule below.

FINE SCHEDULE (Implemented on a three-year running calendar basis)

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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 February 20, 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. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

Currently, Rule 625 and EFPA and OFPA F-30 set forth the provisions relating to mandatory training. The purpose of this proposal is to clarify and expand the existing language in Rule 625 and EFPA and OFPA F-30, which relates to the Exchange’s training program. The Exchange currently requires and conducts mandatory training sessions at various times throughout the year.\(^3\) The purpose of this proposal is to expand the category of individuals who are required to attend the mandatory training sessions and the training topics that will be covered. In addition, the purpose of this proposal is to specifically set forth the mandatory training requirements, which will take place on at least a semi-annual basis, for floor members.

\(^3\) Each time a member (including a floor member), person employed by or associated with such member or a member organization, or a PAU fails to attend a mandatory training session, that missed training session will be deemed an “occurrence” as set forth on the EFPA and OFPA F-30 fine schedules.
Mandatory training should provide a means for keeping members and persons employed by or associated with such member or a member organization, and Participant Authorized Users (“PAUs”), up-to-date with, among other things, current rules and regulations and trading-related Exchange systems.

The purpose of adding the words “and thereafter” to EFPA F-30 is to make the language consistent with the language in OFPA F-30.

The Exchange also proposes to update the language in Exchange Rule 970 to reflect that any authorized official of the Exchange may sign a citation for violating a floor procedure advice. The Exchange restructured its surveillance department and no longer has a department titled “Market Surveillance Department.” Therefore, deleting the reference to the “Market Surveillance Department” will not only update Rule 970 but will allow designated Exchange officials to issue citations for violating floor procedure advices, including EFPA and OFPA F-30, which should, in turn, promote efficiency in connection with the issuance of citations. Administration of the citation process will continue to be centralized so that citation issuance, payments and appeals are tracked and managed consistently.

b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act in particular, in that it is designed to prevent fraudulent and manipulative practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a

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free and open market and a national market system, and, in general to protect investors 
and the public interest. Expanding the Exchange’s current mandatory training program 
should provide a means for keeping members and persons employed by or associated 
with such member or a member organization, and PAUs, up-to-date with, among other 
things, current rules and regulations and trading-related Exchange systems. Additionally, 
updating the language in Exchange Rule 970 should promote efficiency in connection 
with the issuance of citations.

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)**

   Not applicable.

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*. 
Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Relating to Rules Pertaining to Training Requirements and Floor Procedure Advices

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 to amend Phlx Rule 625, Training, Equity Floor Procedure Advice (“EFPA”) F-30, Training and Options Floor Procedure Advice (“OFPA”) F-30, Options Trading Floor Training to clarify and expand the Exchange’s training requirements.


The Exchange also proposes to update the language in Exchange Rule 970, Floor Procedure Advices: Violations, Penalties and Procedures, to reflect that any authorized official of the Exchange may sign a citation for violating a floor procedure advice.

The proposed amendments to Rule 625 and Rule 970 and EFPA and OFPA F-30 are set forth below, with new text underlined and deleted text bracketed:

Rules of the Board of Governors

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Rule 625. Training

All [new equity option and index option floor] members[,] whether specialists, floor brokers or Registered Options Traders[,] and [their respective personnel,] persons employed by or associated with such member or a member organization, and PAUs[,] shall successfully complete mandatory training, as required by the Exchange, [related to that person's function. All current members and their respective personnel shall be subject to continuing mandatory training requirements in order to instruct these individuals on] Training topics include, but are not limited to, training related to that person’s function at the Exchange, changes in existing automated systems or any new technology that is utilized by the Exchange, compliance with Exchange rules and federal securities laws, and issues related to conduct, health and safety on the trading floor. In addition, floor members shall complete mandatory training programs, on at least a semi-annual basis, that address compliance with the federal securities laws and the Exchange’s rules in place to prevent and deter unlawful trading by floor members.

[In addition, the Exchange may require from time to time that members and their respective personnel attend mandatory training sessions related to conduct, health and safety on the trading floor.]

*     *     *     *    *

Rule 970. Floor Procedure Advices: Violations, Penalties, and Procedures

(a) No change.

(b) In any action taken by the Exchange pursuant to this Rule, the person against whom a fine is imposed shall be served with a written statement, signed by an authorized official of the Exchange['s Market Surveillance Department] on behalf of the Business Conduct Committee, setting forth (i) the Floor Procedure Advice(s) alleged to have been violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine
becomes due and payable to the Exchange or when such determination must be contested, as provided in paragraph (d) hereunder, such date to be not less than seven business days after the date of service of the written statement.

(c) - (f) No change.

*     *     *     *    *

Equity Floor Procedure Advices and Order & Decorum Regulations

*     *     *     *    *

F-30 Training

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Options Floor Procedure Advices and Order & Decorum Regulations

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F-30 Options Trading Floor Training

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2nd Occurrence $1,000.00
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4th Occurrence and Thereafter Sanction is discretionary with Business Conduct Committee


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, Rule 625 and EFPA and OFPA F-30 set forth the provisions relating to mandatory training. The purpose of this proposal is to clarify and expand the existing language in Rule 625 and EFPA and OFPA F-30, which relates to the Exchange’s training program. The Exchange currently requires and conducts mandatory training sessions at various times throughout the year. The purpose of this proposal is to expand the category of individuals who are required to attend the mandatory training sessions and the training topics that will be covered. In addition, the purpose of this proposal is to specifically set forth the mandatory training requirements, which will take place on at least a semi-annual basis, for floor members.

Mandatory training should provide a means for keeping members and persons employed by or associated with such member or a member organization, and Participant Authorized Users (“PAUs”), up-to-date with, among other things, current rules and regulations and trading-related Exchange systems.

The purpose of adding the words “and thereafter” to EFPA F-30 is to make the language consistent with the language in OFPA F-30.

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5 Each time a member (including a floor member), person employed by or associated with such member or a member organization, or a PAU fails to attend a mandatory training session, that missed training session will be deemed an “occurrence” as set forth on the EFPA and OFPA F-30 fine schedules.
The Exchange also proposes to update the language in Exchange Rule 970 to reflect that any authorized official of the Exchange may sign a citation for violating a floor procedure advice. The Exchange restructured its surveillance department and no longer has a department titled “Market Surveillance Department.” Therefore, deleting the reference to the “Market Surveillance Department” will not only update Rule 970 but will allow designated Exchange officials to issue citations for violating floor procedure advices, including EFPA and OFPA F-30, which should, in turn, promote efficiency in connection with the issuance of citations. Administration of the citation process will continue to be centralized so that citation issuance, payments and appeals are tracked and managed consistently.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^6\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^7\) in particular, in that it is designed to prevent fraudulent and manipulative practices, to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. Expanding the Exchange’s current mandatory training program should provide a means for keeping members and persons employed by or associated with such member or a member organization, and PAUs, up-to-date with, among other things, current rules and regulations and trading-related Exchange systems. Additionally,


\(^7\) 15 U.S.C. 78f(b)(5).
updating the language in Exchange Rule 970 should promote efficiency in connection with the issuance of citations.

B. Self-Regulatory Organization's Statement on Burden on Competition

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

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

No written comments were either solicited or received.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which Phlx consents, the Commission shall: (a) by order approve such proposed rule change, or (b) institute proceedings to determine whether the proposed rule change should be disapproved.

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-2007-16 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-2007-16. 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-2007-16 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. 8

Nancy M. Morris
Secretary

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