## Proposed Rule Change by Philadelphia Stock Exchange

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

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<th>Initial</th>
<th>Amendment</th>
<th>Withdrawal</th>
<th>Section 19(b)(2)</th>
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<th>Rule</th>
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### Description

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

The Phlx proposes to modify its rule regarding orders with two-day delivery.

### 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**: John  
**Last Name**: Dayton  
**Title**: Director and Counsel  
**E-mail**: john.dayton@phlx.com  
**Telephone**: (215) 496-5162

### Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

[Signature]

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

**Date**: 03/16/2007  
**By**: John Dayton  
**Title**: Director and Counsel

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.

[Digital Signature]

John Dayton, john.dayton@phlx.com
### 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 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.

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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 to amend Phlx Rule 162(b)(2) and (3) regarding two-sided orders with a delivery of two days after the day of execution, which is a non-regular way settlement.

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

Underlining indicates additions; brackets indicate deletions

**Rule 162.**

**Orders Deemed Regular Way**

(a) No Change

(b) XLE Participants may mark a two-sided order not for regular way settlement with one of the following conditions:

(1) No Change

(2) Next Day. Next day means a transaction for delivery on the next business day following the day of execution. [Next day settlement may also include deliveries within the time specified in the order which time may include the second full business day following the day of execution.]

(3) Seller's Option. Seller's option means a transaction for delivery within the time specified in the order, which time shall not be less than two\([\text{four}]\) (2\([\text{4}]\)) full business days nor more than 60 days following the day of execution; except that the Exchange may provide otherwise in specific issues of stocks or classes of stocks. When securities have been sold "seller's option," delivery shall be due on the day of the expiration of the option (unless such day is other than a business day, when delivery shall be due on the succeeding business day), but may be

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made at the option of the seller on any business day prior thereto upon one day's written notice. Such notice must be given by the seller before 4:00 p.m. and may not be given until the third full business day following the day of execution.

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 John Dayton, Director and Counsel, at (215) 496-5162, or Edith Hallahan, Senior Vice President and Deputy General Counsel, at (215) 496-5179.

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

   a. **Purpose**

   The purpose of the proposed rule change is to modify the method of order marking for non-regular way two-sided orders on XLE to conform to the method used by the National Securities Clearing Corporation ("NSCC"). The NSCC treats equity transactions with a non-regular settlement condition of two days as a “Seller’s Option” instead of a “Next Day” transaction. Currently, Phlx treats equity transactions with a non-regular settlement condition of two days as a “Next Day” transaction.

   Effectively, this proposed rule change does not change the availability or the attributes of a two-day settlement transaction (i.e. settlement of the securities two days after the transactions), but simply changes the method of order marking on XLE. At this time, Phlx proposes to change its rules and its specification for XLE to conform them to this change.

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b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^4\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^5\) in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

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)**

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, it has become effective pursuant to Section 19(b)(3)(A) of the Act\(^6\) and Rule 19b-4(f)(6) thereunder.\(^7\)

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

The proposed rule change is based on the rules of the New York Stock Exchange.\(^8\)

9. Exhibits

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

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\(^8\) See NYSE Rule 64(a)(4).
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 162(b)(2) and (3) regarding two-sided orders with a delivery of two days after the day of execution, which is a non-regular way settlement.

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The amended Exchange Rule is set forth below.

Underlining indicates additions; brackets indicate deletions

**Rule 162.**

**Orders Deemed Regular Way**

(a) No Change

(b) XLE Participants may mark a two-sided order not for regular way settlement with one of the following conditions:

1. No Change

2. Next Day. Next day means a transaction for delivery on the next business day following the day of execution. [Next day settlement may also include deliveries within the time specified in the order which time may include the second full business day following the day of execution.]

3. Seller's Option. Seller's option means a transaction for delivery within the time specified in the order, which time shall not be less than two (2) full business days nor more than 60 days following the day of execution; except that the Exchange may provide otherwise in specific issues of stocks or classes of stocks. When securities have been sold "seller's option," delivery shall be due on the day of the expiration of the option (unless such day is other than a business day, when delivery shall be due on the succeeding business day), but may be made at the option of the seller on any business day prior thereto upon one day's written notice. Such notice must be given by the seller before 4:00 p.m. and may not be given until the third full business day following the day of execution.

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 modify the method of order marking for non-regular way two-sided orders on XLE to conform to the method used by the National Securities Clearing Corporation (“NSCC”). The NSCC treats equity transactions with a non-regular settlement condition of two days as a “Seller’s Option” instead of a “Next Day” transaction.\(^5\) Currently, Phlx treats equity transactions with a non-regular settlement condition of two days as a “Next Day” transaction.

Effectively, this proposed rule change does not change the availability or the attributes of a two-day settlement transaction (i.e. settlement of the securities two days after the transactions), but simply changes the method of order marking on XLE. At this time, Phlx proposes to change its rules and its specification for XLE to conform them to this change.

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 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.

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\(^7\) 15 U.S.C. 78f(b)(5).
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

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, it has become effective pursuant to Section 19(b)(3)(A) of the Act8 and Rule 19b-4(f)(6) thereunder.9

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

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• Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2007-22 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-2007-22. 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-2007-22 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.\\(^{10}\)

Nancy M. Morris
Secretary

\\(^{10}\) 17 CFR 200.30-3(a)(12).