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>
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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).

Eliminate calculation methodology from generic listing standards.

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>
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</thead>
<tbody>
<tr>
<td>Jurij</td>
<td>Trypupenko</td>
<td>Director and Counsel</td>
<td><a href="mailto:jurij.trypupenko@phlx.com">jurij.trypupenko@phlx.com</a></td>
<td>(215) 496-5019</td>
<td></td>
</tr>
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</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 officer.

Date 06/15/2007
By Jurij Trypupenko
(Name)
Director and Counsel

 Jurij Trypupenko,
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 its existing Rule 803 (Criteria for Listing – Tier I) to eliminate the requirement that indexes underlying certain Trust Shares and Index Fund Shares (the “Eligible Indexes”)\(^3\) are calculated following a specific methodology.

The text of the proposed rule change is set forth below. A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

* * * * *

**Rule 803.**

Criteria for Listing – Tier I

Issuers should consider whether to list their securities under the Tier I or Tier II listing standards. While all listed issues will be traded pursuant to the identical Exchange auction rules, issues listed pursuant to the Tier I and Tier II standards may be distinguished with respect to blue sky exemptions, transactions reporting symbols, listing fees and maintenance standards. The Exchange will identify and distinguish at all times

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\(^3\) A Trust Share generally is a security that: is based on a unit investment trust ("Trust") that holds the securities that comprise an index or portfolio underlying a series of Trust Shares known as a "Portfolio Deposit"; and pays holders a periodic cash payment corresponding to regular cash dividends or distributions. Phlx Rule 803(i).

An Index Fund Share generally is a security that: is issued by an open-end management investment company based on a portfolio of stocks; is issued by the management investment company in a specified aggregate minimum number in return for a deposit of specified numbers of shares of stock and/or a cash amount; and may be redeemed at a holder's request by the investment company. Phlx Rule 803(i).
which securities are listed pursuant to the Exchange's Tier I and Tier II standards. An issuer seeking to list its securities pursuant to the Tier I standards must satisfy one of the two alternative Tier I quantitative criteria and an issuer seeking to list its securities pursuant to the Tier II standards must satisfy the Tier II quantitative criteria. Issuers listing under either criteria must adhere to the policies and procedures and the corporate governance criteria provided in Rules 812 through 853.

The Exchange also places great emphasis upon the level of public interest in the securities of an issuer. Causes for concern may include a low trading volume on another Exchange, lack of dealer interest in the over-the-counter market, unusual geographical concentration of shareholders or a low rate of transfers. Under such circumstances the Exchange may implement a higher distribution standard provided it perceives a relatively low level of investor interest.

The listing criteria for Tier I Issues are as follows:

(a) - (h) – No Change.

(i) Trust Shares

(1) - (10) – No Change.

(11) The Exchange may approve a series of Trust Shares for trading, whether by listing or pursuant to unlisted trading privileges, pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided each of the following criteria is satisfied:

(a) – No Change.

(b) Index Methodology and Calculation.

(i) [The index underlying a series of Trust Shares will be calculated based upon either the market capitalization, modified market capitalization, price, equal-dollar or modified equal-dollar weighting methodology;]

(ii) [If the index is maintained by a broker-dealer, the broker-dealer shall erect a “fire wall” around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not broker-dealer; and]

(iii) [The current index value will be widely disseminated by one or more major market data vendors at least every 15]
seconds during the time when the Trust Shares trade on the Exchange.

(c) – (h) – No Change.

(j) - (k) – No Change.

(l) Index Fund Shares.

(1) - (5) – No Change.

(6) Listing Pursuant to SEC Rule 19b-4(e). The Exchange may approve a series of Index Fund Shares for listing pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided each of the following criteria is satisfied:

(A) – No Change.

(B) Index Methodology and Calculation. (I) [The index underlying a series of Index Fund Shares will be calculated based on either the market capitalization, modified market capitalization, price, equal-dollar or modified equal-dollar weighting methodology; (II)] If the index is maintained by a broker-dealer, the broker-dealer shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not a broker-dealer; and (II[I]) The current index value will be widely disseminated by one or more major market data vendors at least every 15 seconds during the time when the Index Fund Shares trade on the Exchange.

(C) - (H) – No Change.

(7) – (8) – No Change.

(m) - (n) – No Change.

* * * * *
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 June 8, 2007.

Questions and comments on the proposed rule change may be directed to Jurij Trypupenko, Director and Counsel, at 215-496-5019, or Edith H. 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 amend Phlx Rule 803 (Criteria for Listing – Tier I) regarding Phlx’s current generic listing standards pursuant to Rule 19b-4(e) under the Act for Trust Shares and Index Fund Shares to eliminate the requirement that an Eligible Index be calculated following one of five specified methodologies.

   The Exchange currently has generic listing standards (within the meaning of Rule 19b-4(e) under the Act), which permit the listing and trading of various Eligible Indexes subject to the procedures contained in Rule 19b-4(e). The existence of generic listing standards allows Eligible Indexes to list or trade without the need to file a rule change for

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4 17 CFR 240.19b-4(e).

5 Eligible Indexes may sometimes be generically referred to as exchange traded funds (“ETFs”).

each security under Rule 19b-4 under the Act.\(^7\) By amending its generic listing standards pursuant to Rule 19b-4(e), the Exchange intends to reduce the time frame for listing Eligible Indexes that utilize methodologies not currently identified in the generic listing standards and thereby reduce the burdens on issuers and other market participants.

The generic listing standards for Eligible Indexes presently provide that they be calculated based on the market capitalization, modified market capitalization, price, equal-dollar, or modified equal-dollar weighting methodology.\(^8\) The proposed rule change will eliminate this standard and, as a result, the Exchange will no longer consider index methodology in its review of an ETF's eligibility for listing and trading pursuant to Rule 19b-4(e) under the Act.\(^9\)

The Exchange notes that as the market for Eligible Indexes in particular and ETFs in general has grown, and the relevant product lines have matured, there has been an increase in the number of methodologies used to calculate the underlying indexes. In order for an index that employs a novel methodology to satisfy the current generic listing standards, either a traditional methodology (that is, one that is already noted in the rule) must be substituted for the new methodology, or the Exchange must submit a proposed rule change to the Commission that either amends the generic listing standards to add the new methodology or in the alternative eliminates the use of any calculation methodology.

\(^7\) Id.

\(^8\) See Phlx Rule 803 (i) and (l) regarding Trust Shares and Index Fund Shares, respectively.

The Exchange has chosen the latter approach eliminating any methodology, as has been
done by other options exchanges such as the American Stock Exchange LLC
(“AMEX”).

The Exchange believes that the proposed elimination of any index methodology
from its generic listing standards for Eligible Indexes would potentially reduce the time
frame for bringing products based on indexes with nontraditional weighting techniques to
the market, thereby reducing the burdens on issuers and other market participants and
promoting competition. The Exchange notes that these Eligible Indexes would continue
to be subject to the other requirements of the generic listing standards pursuant to Rule
19b-4(e) under the Act. For example, the generic listing standards for Trust Shares
will continue to require, without limitation, that the most heavily weighted component
stock of an index not exceed 30% of the weight of the index, that the five most heavily
weighted component stocks of an index not exceed 65% of the weight of the index, and
that an index include a minimum of 13 component stocks. Similarly, the generic listing
standards for Index Fund Shares require, without limitation, that the most heavily

methodology from generic listing standards). The NASDAQ Stock Market LLC and
NYSE Arca, Inc., on the other hand, have chosen the expansion of the list of acceptable
calculation methodologies. See, for example Securities Exchange Act Release Nos.
54459 (September 15, 2006), 71 FR 55533 (September 22, 2006)(SR-NASDAQ-2006-
035) and 54490 (September 22, 2006), 71 FR 58034 (October 2, 2006)(SR-NYSEArca-
2006-61)( orders approving additional methodologies based on particular financial
attributes).


12 Phlx Rule 803 (i)(11)(a).
weighted component stock of an index not exceed 25% of the weight of the index, that
the five most heavily weighted component stocks of an index not exceed 65% of the
weight of the index, and that an index include a minimum of 13 component stocks.\textsuperscript{13} The Exchange believes that such requirements will ensure that underlying indexes are
sufficiently diversified, and that their components are sufficiently liquid to serve as the
basis for Eligible Indexes.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the
Act,\textsuperscript{14} in general, and furthers the objectives of Section 6(b)(5), specifically,\textsuperscript{15} in that it is
designed to perfect the mechanism of a free and open market and the national market
system, protect investors and the public interest and promotes just and equitable principles
of trade. The proposal would achieve this by eliminating the need to use calculation
methodologies for Eligible Indexes while retaining requirements calculated to ensure
sufficient diversification and liquidity, thereby facilitating listing and trading such products
for the benefit of investors while reducing the burdens on issuers and other market
participants.

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

The Phlx does not believe that the proposed rule change will impose any

\textsuperscript{13} Phlx Rule 803 (l)(6)(A).

\textsuperscript{14} 15 U.S.C. 78f(b).

\textsuperscript{15} 15 U.S.C. 78f(b)(5).
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 requests accelerated effectiveness pursuant to Section 19(b)(2) of the Act\(^\text{16}\) so that, for competitive purposes, it has generic listing standards that are similar to those in use by other options exchanges.

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

   The proposed rule change is based on AMEX Rules 1000 and 1000A.\(^\text{17}\)

9. **Exhibits**

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


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 its existing Rule 803 (Criteria for Listing – Tier I) to eliminate the requirement that indexes underlying certain Trust Shares and Index Fund Shares (the “Eligible Indexes”\(^5\)) are calculated following a specific methodology.

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\(^5\) A Trust Share generally is a security that is based on a unit investment trust ("Trust") that holds the securities that comprise an index or portfolio underlying a series of Trust
The text of the proposed rule change is set forth below.

*New language is underlined. Deleted language is bracketed.*

* * * * *

**Rule 803.**

**Criteria for Listing – Tier I**

Issuers should consider whether to list their securities under the Tier I or Tier II listing standards. While all listed issues will be traded pursuant to the identical Exchange auction rules, issues listed pursuant to the Tier I and Tier II standards may be distinguished with respect to blue sky exemptions, transactions reporting symbols, listing fees and maintenance standards. The Exchange will identify and distinguish at all times which securities are listed pursuant to the Exchange's Tier I and Tier II standards. An issuer seeking to list its securities pursuant to the Tier I standards must satisfy one of the two alternative Tier I quantitative criteria and an issuer seeking to list its securities pursuant to the Tier II standards must satisfy the Tier II quantitative criteria. Issuers listing under either criteria must adhere to the policies and procedures and the corporate governance criteria provided in Rules 812 through 853.

The Exchange also places great emphasis upon the level of public interest in the securities of an issuer. Causes for concern may include a low trading volume on another Exchange, lack of dealer interest in the over-the-counter market, unusual geographical concentration of shareholders or a low rate of transfers. Under such circumstances the Exchange may implement a higher distribution standard provided it perceives a relatively low level of investor interest.

The listing criteria for Tier I Issues are as follows:

(a) - (h) – No Change.

(i) Trust Shares

(1) - (10) – No Change.

Shares known as a "Portfolio Deposit"; and pays holders a periodic cash payment corresponding to regular cash dividends or distributions. Phlx Rule 803(i).

An Index Fund Share generally is a security that: is issued by an open-end management investment company based on a portfolio of stocks; is issued by the management investment company in a specified aggregate minimum number in return for a deposit of specified numbers of shares of stock and/or a cash amount; and may be redeemed at a holder's request by the investment company. Phlx Rule 803(l).
(11) The Exchange may approve a series of Trust Shares for trading, whether by listing or pursuant to unlisted trading privileges, pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided each of the following criteria is satisfied:

(a) – No Change.

(b) Index Methodology and Calculation.

(i) [The index underlying a series of Trust Shares will be calculated based upon either the market capitalization, modified market capitalization, price, equal-dollar or modified equal-dollar weighting methodology;]

(ii) If the index is maintained by a broker-dealer, the broker-dealer shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the index and the index shall be calculated by a third party who is not broker-dealer; and

(ii[i]) The current index value will be widely disseminated by one or more major market data vendors at least every 15 seconds during the time when the Trust Shares trade on the Exchange.

(c) – (h) – No Change.

(j) - (k) – No Change.

(l) Index Fund Shares.

(1) - (5) – No Change.

(6) Listing Pursuant to SEC Rule 19b-4(e). The Exchange may approve a series of Index Fund Shares for listing pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided each of the following criteria is satisfied:

(A) – No Change.

(B) Index Methodology and Calculation. (I) [The index underlying a series of Index Fund Shares will be calculated based on either the market capitalization, modified market capitalization, price, equal-dollar or modified equal-dollar weighting methodology; (II)] If the

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 amend Phlx Rule 803 (Criteria for Listing – Tier I) regarding Phlx’s current generic listing standards pursuant to Rule 19b-
4(e) under the Act\textsuperscript{6} for Trust Shares and Index Fund Shares to eliminate the requirement that an Eligible Index be calculated following one of five specified methodologies.

The Exchange currently has generic listing standards (within the meaning of Rule 19b-4(e) under the Act), which permit the listing and trading of various Eligible Indexes\textsuperscript{7} subject to the procedures contained in Rule 19b-4(e)\textsuperscript{8}. The existence of generic listing standards allows Eligible Indexes to list or trade without the need to file a rule change for each security under Rule 19b-4 under the Act.\textsuperscript{9} By amending its generic listing standards pursuant to Rule 19b-4(e), the Exchange intends to reduce the time frame for listing Eligible Indexes that utilize methodologies not currently identified in the generic listing standards and thereby reduce the burdens on issuers and other market participants.

The generic listing standards for Eligible Indexes presently provide that they be calculated based on the market capitalization, modified market capitalization, price, equal-dollar, or modified equal-dollar weighting methodology.\textsuperscript{10} The proposed rule change will eliminate this standard and, as a result, the Exchange will no longer consider

\textsuperscript{6} 17 CFR 240.19b-4(e).

\textsuperscript{7} Eligible Indexes may sometimes be generically referred to as exchange traded funds ("ETFs").

\textsuperscript{8} 17 CFR 240.19b-4(e).

\textsuperscript{9} Id.

\textsuperscript{10} See Phlx Rule 803 (i) and (l) regarding Trust Shares and Index Fund Shares, respectively.
index methodology in its review of an ETF's eligibility for listing and trading pursuant to Rule 19b-4(e) under the Act.\[^{11}\]

The Exchange notes that as the market for Eligible Indexes in particular and ETFs in general has grown, and the relevant product lines have matured, there has been an increase in the number of methodologies used to calculate the underlying indexes. In order for an index that employs a novel methodology to satisfy the current generic listing standards, either a traditional methodology (that is, one that is already noted in the rule) must be substituted for the new methodology, or the Exchange must submit a proposed rule change to the Commission that either amends the generic listing standards to add the new methodology or in the alternative eliminates the use of any calculation methodology. The Exchange has chosen the latter approach eliminating any methodology, as has been done by other options exchanges such as the American Stock Exchange LLC (“AMEX”).\[^{12}\]

The Exchange believes that the proposed elimination of any index methodology from its generic listing standards for Eligible Indexes would potentially reduce the time frame for bringing products based on indexes with nontraditional weighting techniques to the market, thereby reducing the burdens on issuers and other market participants and

\[^{11}\] 17 CFR 240.19b-4(e).

promoting competition. The Exchange notes that these Eligible Indexes would continue to be subject to the other requirements of the generic listing standards pursuant to Rule 19b-4(e) under the Act.\textsuperscript{13} For example, the generic listing standards for Trust Shares will continue to require, without limitation, that the most heavily weighted component stock of an index not exceed 30% of the weight of the index, that the five most heavily weighted component stocks of an index not exceed 65% of the weight of the index, and that an index include a minimum of 13 component stocks.\textsuperscript{14} Similarly, the generic listing standards for Index Fund Shares require, without limitation, that the most heavily weighted component stock of an index not exceed 25% of the weight of the index, that the five most heavily weighted component stocks of an index not exceed 65% of the weight of the index, and that an index include a minimum of 13 component stocks.\textsuperscript{15} The Exchange believes that such requirements will ensure that underlying indexes are sufficiently diversified, and that their components are sufficiently liquid to serve as the basis for Eligible Indexes.

2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,\textsuperscript{16} in general, and furthers the objectives of Section 6(b)(5), specifically,\textsuperscript{17} in that it is designed to perfect the mechanism of a free and open market and the national market

\textsuperscript{13} 17 CFR 240.19b-4(e).

\textsuperscript{14} Phlx Rule 803 (i)(11)(a).

\textsuperscript{15} Phlx Rule 803 (l)(6)(A).


\textsuperscript{17} 15 U.S.C. 78f(b)(5).
system, protect investors and the public interest and promotes just and equitable principles of trade. The proposal would achieve this by eliminating the need to use calculation methodologies for Eligible Indexes while retaining requirements calculated to ensure sufficient diversification and liquidity, thereby facilitating listing and trading such products for the benefit of investors while reducing the burdens on issuers and other market participants.

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

The Exchange requests accelerated effectiveness pursuant to Section 19(b)(2) of the Act\(^{18}\) so that, for competitive purposes, it has generic listing standards that are similar to those in use by other options exchanges.

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-2007-43 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-2007-43. 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-2007-43 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. ¹⁹

Nancy M. Morris
Secretary