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>
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Pilot Extension of Time Period for Commission Action Date Expires

<table>
<thead>
<tr>
<th>Rule</th>
<th>19b-4(f)(1)</th>
<th>19b-4(f)(4)</th>
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<tr>
<td></td>
<td>19b-4(f)(2)</td>
<td>19b-4(f)(5)</td>
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<tr>
<td></td>
<td>19b-4(f)(3)</td>
<td>19b-4(f)(6)</td>
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Description

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

Proposed rule change relating to trading halts.

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>Richard</th>
<th>Last Name</th>
<th>Rudolph</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>Vice President and Counsel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-mail</td>
<td><a href="mailto:richard.rudolph@phlx.com">richard.rudolph@phlx.com</a></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>(215) 496-5074</td>
<td>Fax</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 officer.

Date 06/14/2007

By Richard S. Rudolph

Vice President and Counsel

(Name) (Title)

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

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

<table>
<thead>
<tr>
<th>Form 19b-4 Information</th>
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<tbody>
<tr>
<td>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.</td>
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<tr>
<th>Exhibit 1 - Notice of Proposed Rule Change</th>
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<tr>
<td>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)</td>
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<tr>
<th>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</th>
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<tbody>
<tr>
<td>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.</td>
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</table>

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<tr>
<th>Exhibit 3 - Form, Report, or Questionnaire</th>
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<tbody>
<tr>
<td>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.</td>
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<tr>
<th>Exhibit 4 - Marked Copies</th>
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<tr>
<td>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.</td>
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<tr>
<th>Exhibit 5 - Proposed Rule Text</th>
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<tr>
<td>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.</td>
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<tr>
<th>Partial Amendment</th>
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<tr>
<td>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.</td>
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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") and Rule 19b-4 thereunder, proposes to amend Exchange Rules 1047, Trading Rotations, Halts and Suspensions concerning equity options, 1047A, Trading Rotations, Halts or Reopenings concerning index options, and OFPA G-2, Trading Rotations, Halts or Reopenings, to establish new procedures to be followed when trading halts on the primary market for the underlying security.

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

Brackets indicate deletions; bold underlining indicated new text.

**Trading Rotations, Halts and Suspensions**

**Rule 1047.** (a) – (c) No change.

(d) In the event that trading is halted in the underlying security on the primary market for such security, the specialist may halt trading in the option overlying such security, subject to the approval of an Options Exchange Official within five minutes of the halt in trading in the option.

Commentary: No change.

* * * * *

**Trading Rotations, Halts or Reopenings**

**Rule 1047A.** (a) – (b) No change.

(c) *****

(i)-(iii) No Change

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(iv) In the event that trading is halted on the primary market in underlying securities representing more than 10% of the current index value, the specialist may halt trading in the option overlying such index, subject to the approval of an Options Exchange Official within five minutes of the halt in trading in the option.

(d) – (f) No change.

* * * * *

G-2 Trading Rotations, Halts or Reopenings

(a) – (b) No Change.

(c) *****

(i)-(iii) No Change.

(iv) In the event that trading is halted on the primary market in underlying securities representing more than 10% of the current index value, the specialist may halt trading in the option overlying such index, subject to the approval of an Options Exchange Official within five minutes of the halt in trading in the option.

(d) – (f) No change.

* * * * *

2. Procedures of the Self-Regulatory Organization

The Exchange’s Executive Committee, pursuant to delegated authority, approved the proposal for filing with the Securities and Exchange Commission (“SEC” or “Commission”) on May 16, 2007.

Questions and comments on the proposed rule change may be directed to Richard S. Rudolph, Vice President and Counsel, at (215) 496-5074, 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 help Exchange options specialists and Registered Options Traders better manage risk following a trading halt on the primary market in the underlying security by permitting specialists to halt trading in the overlying option prior to receiving approval from an Options Exchange Official.

Under current Exchange rules, in order to halt trading in an option, the specialist in the option must seek out and obtain prior approval from an Options Exchange Official to do so. Typically, when trading in the underlying security halts on the primary market, a period of time passes before the specialist (a) learns of the halt on the primary market in the underlying security; and (b) is able to obtain the necessary approval to halt trading in the overlying option. During this time period, the specialist and ROTs continue to disseminate quotations in the option and are at significant market risk due to uncertainty in the pricing of the option.

The proposal would change the procedure for halting trading in equity options in the overlying option when trading is halted on the primary market in the underlying security, and in index options when trading on the primary market in underlying securities representing more than 10% of the current index value is halted. Specifically, the proposal would permit the specialist to halt trading in the option in these circumstances prior to receiving approval from an Options Exchange Official, provided that such approval is granted within five minutes following the halt of trading in the option.
The Exchange believes that this should reduce the time period following a trading halt on the primary market in the underlying security before trading the overlying option is halted, thus enabling specialists to halt trading in the overlying option more expeditiously.

b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^3\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^4\) 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, by enabling Exchange options specialists and ROTs to better manage their market risk.

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.

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\(^3\) 15 U.S.C. 78f(b).

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.
Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2007-45)

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Trading Halts

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4² 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 Act³ and Rule 19b-4 thereunder,⁴ proposes to amend Exchange Rules 1047, Trading Rotations, Halts and Suspensions concerning equity options, 1047A, Trading Rotations, Halts or Reopenings concerning index options, and OFPA G-2, Trading Rotations, Halts or Reopenings, to establish new procedures to be followed when trading halts on the primary market for the underlying security.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is set forth below. Brackets indicate deletions; bold underlining indicated new text.

Trading Rotations, Halts and Suspensions

Rule 1047. (a) – (c) No change.

(d) In the event that trading is halted in the underlying security on the primary market for such security, the specialist may halt trading in the option overlying such security, subject to the approval of an Options Exchange Official within five minutes of the halt in trading in the option.

Commentary: No change.

* * * * *

Trading Rotations, Halts or Reopenings

Rule 1047A. (a) – (b) No change.

(c) *****

(i)-(iii) No Change

(iv) In the event that trading is halted on the primary market in underlying securities representing more than 10% of the current index value, the specialist may halt trading in the option overlying such index, subject to the approval of an Options Exchange Official within five minutes of the halt in trading in the option.

(d) – (f) No change.

* * * * *

G-2 Trading Rotations, Halts or Reopenings

(a) – (b) No Change.

(c) *****

(i)-(iii) No Change.

(iv) In the event that trading is halted on the primary market in underlying securities representing more than 10% of the current index value, the specialist may halt
trading in the option overlying such index, subject to the approval of an Options Exchange Official within five minutes of the halt in trading in the option.

(d) – (f) No change.

* * * * *

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 help Exchange options specialists and Registered Options Traders better manage risk following a trading halt on the primary market in the underlying security by permitting specialists to halt trading in the overlying option prior to receiving approval from an Options Exchange Official.

Under current Exchange rules, in order to halt trading in an option, the specialist in the option must seek out and obtain prior approval from an Options Exchange Official to do so. Typically, when trading in the underlying security halts on the primary market, a period of time passes before the specialist (a) learns of the halt on the primary market in the underlying security; and (b) is able to obtain the necessary approval to halt trading in the overlying option. During this time period, the specialist and ROTs continue to
disseminate quotations in the option and are at significant market risk due to uncertainty in the pricing of the option.

The proposal would change the procedure for halting trading in equity options in the overlying option when trading is halted on the primary market in the underlying security, and in index options when trading on the primary market in underlying securities representing more than 10% of the current index value is halted. Specifically, the proposal would permit the specialist to halt trading in the option in these circumstances prior to receiving approval from an Options Exchange Official, provided that such approval is granted within five minutes following the halt of trading in the option.

The Exchange believes that this should reduce the time period following a trading halt on the primary market in the underlying security before trading the overlying option is halted, thus enabling specialists to halt trading in the overlying option more expeditiously.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^5\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^6\) 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, by enabling Exchange options specialists and ROTs to better manage their market risk.


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](http://www.sec.gov/rules/sro.shtml)); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2007-45 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-2007-45. 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-2007-45 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.7

Nancy M. Morris
Secretary