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>
</tr>
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</tbody>
</table>

Pilot Extension of Time Period for Commission Action
Date Expires

Rule

19b-4(f)(1) ✔  19b-4(f)(4)
19b-4(f)(2) ✔  19b-4(f)(5)
19b-4(f)(3)  19b-4(f)(6)

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

Fee for Stock Execution Clerks that handle stand-alone equity orders

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,

Cynthia Hoekstra, Vice President
(Date)

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.

**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).

**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.

**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.

**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.

**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.

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 adopt a monthly fee of $500.00 for stock execution clerks that handle stand-alone equity orders, such as to hedge traders’ options positions.

   This proposal is scheduled to become effective on July 1, 2007.\(^3\)

   A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, a copy of a written comment received in connection with this proposal is attached hereto as Exhibit 2, and a copy of the applicable section of Appendix A of the Exchange’s fee schedule is attached hereto as Exhibit 5.

2. **Procedures of the Self-Regulatory Organization**

   The Executive Committee, pursuant to delegated authority, approved the proposal for filing with the Securities and Exchange Commission ("SEC" or "Commission") on June 8, 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.

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\(^3\) Those stock execution clerks who are assessed the $500.00 monthly fee will no longer pay the $25.00 Trading Floor Personnel Registration Fee. See Appendix A of the Exchange’s fee schedule.
3. **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

a. **Purpose**

A stock execution clerk is currently defined in Exchange Rule 1090 as any clerk other than a specialist clerk on the Exchange trading floor who functions as an intermediary in a transaction (A) consummated on the Exchange; (B) entered verbally for execution other than on the Exchange; or (C) entered into a third party system designed to execute transactions other than on the Exchange. All stock execution clerks must register as such with the Exchange.

Generally, “stock execution” refers to the service used by options traders to hedge their options trades with the underlying stock. Although stock execution today is often done electronically, stock execution clerks provide a service to Exchange members on the options floor by accepting orders for the purchase and sale of securities underlying options transactions. Once such orders are accepted, the stock execution clerk forwards such orders to the appropriate marketplace for execution. The transactions executed are typically hedging transactions in underlying stocks for Exchange specialists and Registered Options Traders. The transaction may be contingent on an options transaction or may stand independently (“stand-alone equity orders”).

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4. See Exchange Rule 1090, Commentary .01(a).

5. See Exchange Rule 620(b).

6. A contingency order is a limit or market order to buy or sell that is contingent upon a condition being satisfied while the order is at the post. For certain options contingency orders, the contingency involves buying or selling the underlying security (generally called “stock” in this memorandum). See Exchange Rule 1066(c).
The purpose of this proposal is to assess fees commensurate with the activities of stock execution clerks that handle stand-alone equity orders (i.e. orders that are not contingent on an options transaction). For those stock execution clerks that handle orders that are contingent on an options transaction, i.e. orders that are packaged with an options trade, the Exchange currently assesses charges associated with those contingency orders, such as options floor brokerage assessment and option transaction charges. The Exchange, however, does not assess fees in connection with stand-alone equity orders, which may be handled by a variety of intermediaries and which may be executed on different equity markets. The Exchange believes it is appropriate to charge a fee for stock execution clerks performing this function on the options floor because such clerks and such businesses generally are not subject to fees for doing business from the Exchange’s options floor.

b. **Statutory Basis**

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act\(^7\) in general, and furthers the objectives of Section 6(b)(4) of the Act\(^8\) in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

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

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

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

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

A written comment was received by the Exchange.⁹

6. **Extension of Time Period for Commission Action**

The Exchange does not consent to an extension of the time period for Commission action.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The foregoing proposed rule change establishes or changes a due, fee, or other charge applicable only to a member pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁰ and Rule 19b-4(f)(2)¹¹ thereunder. Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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⁹ A written comment in the form of an email message from Larry Johnson at Wedbush Morgan Securities was sent to Kevin Kennedy (an Exchange employee) on May 29, 2007. In the email message, Mr. Johnson stated, in part, that the $500 fee was “in no way an impediment for us.”


9. **Exhibits**

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

   2. Written comment.

   5. Applicable section of Appendix A of the Exchange’s schedule of fees.
SECURITIES AND EXCHANGE COMMISSION  
(Release No.                  ; File No. SR-Phlx-2007-48)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of  
Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Stock  
Execution Clerks

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\), and  
Rule 19b-4 thereunder,\(^2\) notice is hereby given that on ________________ 2007,  
the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities  
and Exchange Commission ("SEC" or "Commission") the proposed rule change as  
described in Items I, II, and III, below, which Items have been prepared by the Phlx. The  
Commission is publishing this notice to solicit comments on the proposed rule change  
from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the  
Proposed Rule Change

The Phlx, pursuant to Section 19(b)(1) of the Act\(^3\) and Rule 19b-4 thereunder,\(^4\)  
proposes to adopt a monthly fee of $500.00 for stock execution clerks that handle stand- 
alone equity orders, such as to hedge traders’ options positions.

This proposal is scheduled to become effective on July 1, 2007.\(^5\)

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\(^5\) Those stock execution clerks who are assessed the $500.00 monthly fee will no longer  
pay the $25.00 Trading Floor Personnel Registration Fee. See Appendix A of the  
Exchange’s fee schedule.

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

A stock execution clerk is currently defined in Exchange Rule 1090 as any clerk other than a specialist clerk on the Exchange trading floor who functions as an intermediary in a transaction (A) consummated on the Exchange; (B) entered verbally for execution other than on the Exchange; or (C) entered into a third party system designed to execute transactions other than on the Exchange.\(^6\) All stock execution clerks must register as such with the Exchange.\(^7\)

Generally, “stock execution” refers to the service used by options traders to hedge their options trades with the underlying stock. Although stock execution today is often done electronically, stock execution clerks provide a service to Exchange members on the options floor by accepting orders for the purchase and sale of securities underlying

\(^6\) See Exchange Rule 1090, Commentary .01(a).

\(^7\) See Exchange Rule 620(b).
options transactions. Once such orders are accepted, the stock execution clerk forwards such orders to the appropriate marketplace for execution. The transactions executed are typically hedging transactions in underlying stocks for Exchange specialists and Registered Options Traders. The transaction may be contingent on an options transaction or may stand independently (“stand-alone equity orders”).

The purpose of this proposal is to assess fees commensurate with the activities of stock execution clerks that handle stand-alone equity orders (i.e. orders that are not contingent on an options transaction). For those stock execution clerks that handle orders that are contingent on an options transaction, i.e. orders that are packaged with an options trade, the Exchange currently assesses charges associated with those contingency orders, such as options floor brokerage assessment and option transaction charges. The Exchange, however, does not assess fees in connection with stand-alone equity orders, which may be handled by a variety of intermediaries and which may be executed on different equity markets. The Exchange believes it is appropriate to charge a fee for stock execution clerks performing this function on the options floor because such clerks and such businesses generally are not subject to fees for doing business from the Exchange’s options floor.

2. **Statutory Basis**

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section

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8 A contingency order is a limit or market order to buy or sell that is contingent upon a condition being satisfied while the order is at the post. For certain options contingency orders, the contingency involves buying or selling the underlying security (generally called “stock” in this memorandum). See Exchange Rule 1066(c).

6(b)(4) of the Act\(^\text{10}\) in particular, in that it is an equitable allocation of reasonable fees
and other charges among Exchange members.

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

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

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

A written comment was received by the Exchange.\(^\text{11}\)

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

The foregoing rule change has become effective pursuant to Section
19(b)(3)(A)(ii) of the Act\(^\text{12}\) and paragraph (f)(2) of Rule 19b-4\(^\text{13}\) thereunder. At any time
within 60 days of the filing of the proposed rule change, the Commission may summarily
abrogate such rule change if it appears to the Commission that such action is necessary or
appropriate in the public interest, for the protection of investors, or otherwise in
furtherance of the purposes of the Act.


\(^{11}\) A written comment in the form of an email message from Larry Johnson at Wedbush
Morgan Securities was sent to Kevin Kennedy (an Exchange employee) on May 29,
2007. In the email message, Mr. Johnson stated, in part, that the $500 fee was “in no way
an impediment for us.”


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-2007-48 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-2007-48. 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-2007-48 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.¹⁴

Nancy M. Morris
Secretary

Kevin;

Good morning, until I see the complete filing it is difficult to give an intelligent comment.

However, based upon your update I am baffled as to why the Exchange would preclude us from doing business for the past 6 mos., a $500.00 fee and 2 Memberships is in no way an impediment for us.

If indeed this is the extent of the filing that effects us, it is a very sad commentary.

That being said, I would expect the Executive Committee to meet early this week send the filing to the Commission (with a copy to Harvey and myself).

Thank you,

Larry

-----Original Message-----
From: Kennedy, Kevin [mailto:Kevin.Kennedy@phlx.com]
Sent: Friday, May 25, 2007 12:56 PM
To: Larry Johnson
Subject: Update

Larry,

As of yesterday, the changes as we represented them to you and Harvey have been approved by all of the people on the PHLX regulatory and business side. We now need an Executive committee meeting in order to send the 2 filings to the Commission.
I am hopeful for meeting next week.

Once sent to the Commission, it is anticipated that the $500 fee will be approved within a month and the 2 membership requirement would take a bit longer.

Kevin
--sent from my Blackberry
The NASD, on behalf of the Exchange, will bill and collect these fees.

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<tr>
<th>Fee Description</th>
<th>Fee</th>
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<tr>
<td>NASD CRD Processing Fee</td>
<td>$ 85.00</td>
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<tr>
<td>NASD Disclosure Processing Fee</td>
<td>$ 95.00</td>
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<tr>
<td>NASD Annual System Processing Fee</td>
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<td>NASD Fingerprint Card Processing Fee – 1st Submission</td>
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<tr>
<td>NASD Fingerprint Card Processing Fee – 2nd submission</td>
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<tr>
<td>NASD Fingerprint Card Processing Fee – 3rd submission</td>
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<tr>
<td>NASD Processing Fee for Fingerprint Results</td>
<td>$ 13.00</td>
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<tr>
<td>Trading Floor Personnel Registration Fee</td>
<td>$ 25.00 monthly</td>
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<tr>
<td>Fee for Certain Stock Execution Clerks</td>
<td>$ 500.00 monthly</td>
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<tr>
<td>Continuing Education Fee</td>
<td>$ 75.00</td>
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<tr>
<td>Computer Equipment Services, Repairs or Replacements</td>
<td>$ 100.00 per service call and $ 75.00 per hour (Two hour min)</td>
</tr>
<tr>
<td>Computer Relocation Requests</td>
<td>$ 100.00 per service call and $ 75.00 per person, per hour (Two hour minimum)</td>
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8 The NASD CRD Processing Fee is paid directly to the NASD for all initial, transfer, relicense and dual registration Form U4 filings.

9 The NASD Disclosure Processing Fee, applicable to Form U4, Form U5 and amendments thereto, will be paid directly to the NASD for all registration, transfer or termination filings with new or amended disclosure information or that require certification, as well as any amendment to disclosure information. This fee applies to any filing containing a disclosure that was not previously disclosed on Web CRD.

10 The NASD Annual System Processing Fee is assessed only during renewals and is paid directly to the NASD.

11 This NASD Fingerprint Card Processing Fee is for first card submissions and is paid directly to the NASD.

12 This NASD Fingerprint Card Processing Fee is for second card submissions and is paid directly to the NASD.

13 This NASD Fingerprint Card Processing Fee is for third card submissions and is paid directly to the NASD.

14 The NASD Processing Fee for Fingerprint Results applies to results submitted by other self-regulatory organizations; this fee is paid directly to the NASD.

15 This fee is imposed on member/participant organizations for individuals who are employed by such member/participant organizations and who work on the Exchange’s trading floor, such as clerks, interns, stock execution clerks that handle equity orders that are part of an options contingency order and other associated persons, but who are not registered as members or participants.

16 This fee is imposed on member organizations for individuals who are employed by such member organization, who are not registered as members, and who work on the Exchange’s options trading floor handling stand-alone stock execution orders, such as to hedge traders’ options positions.

17 This fee will be assessed as to each individual who is required to complete the Regulatory Element of the Continuing Education Requirements pursuant to Exchange Rule 640. This fee is paid directly to the NASD.
Appendix A

SQF Port Fee and Corresponding Credit (up to the amount of the SQF port fee)

- $250.00 per port per month for the first 5 active SQF ports.\(^\text{[17]}\)
- $1,000.00 per port per month for each additional active SQF port (over the first 5 active SQF ports).

Credit of $0.02 per side for every option contract executed on the Phlx in that same month from the same member organization (excluding executions resulting from dividend, merger and short stock interest strategies) when the member organization or one of its employees is designated as a specialist, an SQT or RSQT and the transaction is billed according to the specialist or ROT transaction and/or comparison rates.\(^\text{[18]}\)

Appeal Fee for Appeals to the Board of Governors\(^\text{[19]}\) $250.00

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\(^{18}\) Active ports refer to ports that receive inbound quotes at any time within that month.

\(^{19}\) SQTs and RSQTs are assessed fees pursuant to the ROT rates as SQTs and RSQTs are ROTs. See Exchange Rule 1014(b)(ii)(A) and (B).

\(^{20}\) This fee will apply to an appeal from a decision of a Standing Committee with the exception of appeals from a decision of the Business Conduct Committee, the Hearing Officer, Hearing Panels or Nominating Elections and Governance Committee. This fee will be refunded to appellant in the event the Board of Governors overturns the decision of the Standing Committee.