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

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<th>Description</th>
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<td>Provide a brief description of the proposed rule change (limit 250 characters).</td>
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Proposed rule change relating to a system change to Phlx XL

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<tr>
<th>Contact Information</th>
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<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

First Name Richard
Last Name Rudolph
Title Vice President and Counsel
E-mail Richard.Rudolph@phlx.com
Telephone (215) 496-5074 Fax (215) 496-6729

<table>
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<tr>
<th>Signature</th>
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<tr>
<td>Pursuant to the requirements of the Securities Exchange Act of 1934,</td>
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has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 08/10/2007
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.

Richard Rudolph,
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 a system change to the Exchange’s electronic options trading platform for options, Phlx XL,\(^3\) that will automatically purge quotations submitted by specialists, Streaming Quote Traders ("SQTs")\(^4\) and Remote Streaming Quote Traders ("RSQTs")\(^5\) with a bid price of $0.00 and an offering price of $99,999.00.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1.

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

The Executive Committee, pursuant to delegated authority, approved the proposal for filing with the Securities and Exchange Commission ("SEC" or "Commission") on August 10, 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.

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\(^4\) An SQT is an Exchange Registered Options Trader ("ROT") who has received permission from the Exchange to generate and submit option quotations electronically through an electronic interface with AUTOM via an Exchange approved proprietary electronic quoting device in eligible options to which such SQT is assigned. See Exchange Rule 1014(b)(ii)(A).

\(^5\) An RSQT is a participant in the Exchange’s electronic trading system, “Phlx XL” who has received permission from the Exchange to trade in options for his own account, and to generate and submit option quotations electronically from off the floor of the Exchange through AUTOM in eligible options to which such RSQT has been assigned.
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 members manage risk by adding a new mechanism in the Phlx XL system to purge certain electronic quotations.

   Members quoting and trading on Phlx XL currently have the ability to purge electronic quotations in specific options series under certain circumstances by sending the appropriate electronic message to Phlx XL.

   Recently, however, it has come to the attention of the Exchange that certain members do not have the ability to send a formatted “purge” message. Instead, such members wishing to remove their electronic quotations in a series submit an artificially wide quotation of $0.00 bid, $99,999.00 offer with the expectation that the Exchange will purge their quotation for the series. Currently, the Exchange does not purge such a quotation. This could result in trading errors of great magnitude, necessitating nullification of such trades based on the Exchange’s Obvious Error rule.\(^6\) Member organizations can be inconvenienced during the time period needed to investigate and correct the error, and may miss trading opportunities while their accounts are corrected.

   In order to address this issue, the Exchange has built a feature of the Phlx XL system that will purge any electronic quotation received with a bid price of $0.00 and an offering price of $99,999.00. The Exchange believes that this will eliminate the substantial risk borne by the Exchange and its members in handling such a quotation.

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\(^6\) See Exchange Rule 1092.
b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^7\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^8\) 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 members to better manage risk through the automated quote purge feature.

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**

Not applicable.

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 effects a change in an existing order-entry or trading system of a self-regulatory organization that: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not have the effect of limiting the access to or availability of

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

the system. Therefore, it has become effective pursuant to Section 19(b)(3)(A)\textsuperscript{9} of the Act and Rule 19b-4(f)(5)\textsuperscript{10} thereunder.

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

9. **Exhibits**

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


\textsuperscript{10} 17 CFR 240.19b-4(f)(5).
Exhibit 1

SECURITIES AND EXCHANGE COMMISSION

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of
Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to a System
Change to the Exchange’s Electronic Options Trading Platform for Options, Phlx XL

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 a system change to the Exchange’s electronic options trading platform for
options, Phlx XL,\(^5\) that will automatically purge quotations submitted by specialists,

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Streaming Quote Traders (‘‘SQTs’’)

with a bid price of $0.00 and an offering price of $99,999.00.

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 members manage risk by adding a new mechanism in the Phlx XL system to purge certain electronic quotations.

Members quoting and trading on Phlx XL currently have the ability to purge electronic quotations in specific options series under certain circumstances by sending the appropriate electronic message to Phlx XL.

Recently, however, it has come to the attention of the Exchange that certain members do not have the ability to send a formatted “purge” message. Instead, such

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members wishing to remove their electronic quotations in a series submit an artificially wide quotation of $0.00 bid, $99,999.00 offer with the expectation that the Exchange will purge their quotation for the series. Currently, the Exchange does not purge such a quotation. This could result in trading errors of great magnitude, necessitating nullification of such trades based on the Exchange’s Obvious Error rule. Member organizations can be inconvenienced during the time period needed to investigate and correct the error, and may miss trading opportunities while their accounts are corrected.

In order to address this issue, the Exchange has built a feature of the Phlx XL system that will purge any electronic quotation received with a bid price of $0.00 and an offering price of $99,999.00. The Exchange believes that this will eliminate the substantial risk borne by the Exchange and its members in handling such a quotation.

2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and furthers the objectives of Section 6(b)(5) of the Act in particular, in that it is designed to 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 members to better manage risk through the automated quote purge feature.

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8 See Exchange Rule 1092.


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 foregoing proposed rule change effects a change in an existing order-entry or trading system of a self-regulatory organization that: (1) does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; and (3) does not have the effect of limiting the access to or availability of the system. Therefore, it has become effective pursuant to Section 19(b)(3)(A)11 of the Act and Rule 19b-4(f)(5)12 thereunder.

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-2007-59 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-2007-59. 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-2007-59 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.\textsuperscript{13}

Nancy M. Morris
Secretary

\textsuperscript{13} 17 CFR 200.30-3(a)(12).