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>
</thead>
<tbody>
<tr>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</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).

Proposed rule change relating to short interest reporting.

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: (435) 783-6415
Fax: 

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: 08/16/2007
By: Richard S. Rudolph
Vice President 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.
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") and Rule 19b-4 thereunder, proposes to increase the short interest reporting requirement, contained in Phlx Rule 786, on member organizations from once per month to twice per month beginning in the month of September 2007. In addition, Phlx proposes to amend the exceptions to the short interest reporting requirement for certain transactions.

A notice of the proposed rule change for publication in the **Federal Register** is attached hereto as **Exhibit 1** and the text of the amended Phlx Rule is set forth below:

Underlining indicates additions; brackets indicate deletions

**Rule 786.**

**Periodic Reports**

Member organizations shall submit, as required by the Exchange, periodic reports with respect to short positions in securities.

**Supplementary Material:** ...

.01 **Short Positions** --Member organizations for which the Exchange is the designated examining authority ("DEA") are required to report short positions, including odd-lots, in each stock or warrant traded on the Exchange, and in each other stock or warrant not traded on the Exchange for which short positions are not otherwise reported to another United States securities exchange or association, using such automated format and methods as prescribed by the Exchange. Such reports must include customer and proprietary positions and must be made at such times and covering such time period as may be designated by the Exchange. Member organizations whose short positions have properly been reported to, and are carried by, a non-member clearing organization will be in compliance with this rule if adequate arrangements have been made providing for the clearing organization to properly report such positions to the Exchange or to another United States securities exchange or association.

---


"Short" positions to be reported are those resulting from "short" sales as defined in Securities and Exchange Commission Rule 200(a) of Regulation SHO, but excluding sales that meet an exception in .02 below[marked "sell short exempt" pursuant to Rule 200(g) of Regulation SHO]. Also, to be excluded are "short" positions carried for other members and member organizations reporting for themselves.

Only one report should be made for each stock or warrant which there is a short position, if more than one "account" has a short position in the same stock or warrant, the combined aggregate should be reported.

Member organizations for which the Exchange is not the DEA must report short positions to its DEA if such DEA has a requirement for such reports. If the DEA does not have such a reporting requirement, then such member organization must comply with the provisions of this rule.

.02 Exceptions

(a) Any sale by any person, for an account in which he has an interest, if such person owns the security sold and intends to deliver such security as soon as is possible without undue inconvenience or expense.

(b) Any sale of a security covered by a short sale rule on a national securities exchange (except a sale to a stabilizing bid complying with Rule 104 of Regulation M) effected with the approval of such exchange which is necessary to equalize the price of such security thereon with the current price of such security on another national securities exchange which is the principal exchange market for such security.

(c) Any sale of a security for a special arbitrage account by a person who then owns another security by virtue of which he is, or presently will be, entitled to acquire an equivalent number of securities of the same class as the securities sold; provided such sale, or the purchase with such sale offsets, is effected for the bona fide purpose of profiting from a current difference between the price of security sold and the security owned and that such right of acquisition was originally attached to or represented by another security or was issued to all the holders of any such of securities of the issuer.

(d) Any sale of a security registered on, or admitted to unlisted trading privileges on, a national securities exchange effected for a special international arbitrage account for the bona fide purpose of profiting from a current difference between the price of such security on a securities market not within or subject to the jurisdiction of the United States and on a securities market subject to the jurisdiction of the United States; provided the seller at the time of such sale knows or, by virtue of information currently received, has reasonable grounds to believe that an offer enabling him to cover such sale is then available to him such foreign securities market and intends to accept such offer immediately.
(e) Any sale by an underwriter, or any member of a syndicate or group participating in the distribution of a security, in connection with an over-allotment of securities, or any lay-off sale by such a person in connection with a distribution of securities through rights or a standby underwriting commitment.

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 July 10, 2007.

Questions and comments on the proposed rule change may be directed to John Dayton, Director and Counsel, at (435) 783-6415 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 conform Phlx Rule 786 to other proposed rule changes that other self-regulatory organizations ("SROs") have filed and, the Exchange believes, will soon file that will implement uniform changes to the short interest reporting requirements across SROs. First, the Exchange proposes to increase the frequency of periodic reports that member organizations must submit to the Exchange concerning short positions in securities, as prescribed by Phlx Rule 786, from monthly to twice per month beginning in September 2007. This increase in the frequency of such reports is consistent with similar changes recently approved by the SEC for the National Association of Securities Dealers, Inc. ("NASD"), the New York Stock Exchange, L.L.C.
Second, Phlx also proposes to make a technical change to the text of Phlx Rule 786, Supplementary Material .01. Phlx Rule 786, Supplementary Material .01 provides that, subject to certain limited exceptions, short positions required to be reported under the rule are those resulting from short sales as the term is defined in Rule 200 of Regulation SHO. The term “short sale” is actually defined in Rule 200(a) of Regulation SHO. Therefore, Phlx is proposing to amend the text of Phlx Rule 786, Supplementary Material .01 to reference Rule 200(a) of Regulation, not Rule 200 of Regulation SHO to eliminate any confusion.

Finally, Phlx is adding Supplementary Material .02 and conforming language in Supplementary Material .01, which adopts exceptions to the short interest reporting requirement. Currently, any transaction that is marked “sell short exempt” is exempt from the reporting requirement. Beginning on July 6, 2007, the “short exempt” marking requirement was eliminated by the Commission. Therefore, beginning on July 6, 2007, all transactions marked short will be covered by Phlx’s reporting requirement. However, Phlx believes that other self-regulatory organizations are modifying their short interest reporting rules to exclude five specific transactions, which were previously contained in the now eliminated Rule 10a-1 under the Act. This change should conform Phlx’s report requirement to those of other SROs and increase uniformity for broker-dealers as they

---


4 17 CFR 242.200(a).

comply with various rules across SROs, which should reduce costs and increase
efficiency for those broker-dealers.

b. 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.

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)

Not applicable.


\(^7\) 15 U.S.C. 78f(b)(5).
8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

The proposed rule change is based, in part, on the rules of other self-regulatory organizations.\(^8\)

9. **Exhibits**

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

---

\(^8\) See text at footnote 3.
Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No.                  ; File No. SR-Phlx-2007-63)

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

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 increase the short interest reporting requirement, contained in Phlx Rule 786, on member organizations from once per month to twice per month beginning in the month of September 2007. In addition, Phlx proposes to amend the exceptions to the short interest reporting requirement for certain transactions.

The amended Phlx Rule is set forth below:

Underlining indicates additions; brackets indicates deletions

Rule 786.

Periodic Reports

Member organizations shall submit, as required by the Exchange, periodic reports with respect to short positions in securities.

Supplementary Material: ...

.01 Short Positions --Member organizations for which the Exchange is the designated examining authority ("DEA") are required to report short positions, including odd-lots, in each stock or warrant traded on the Exchange, and in each other stock or warrant not traded on the Exchange for which short positions are not otherwise reported to another United States securities exchange or association, using such automated format and methods as prescribed by the Exchange. Such reports must include customer and proprietary positions and must be made at such times and covering such time period as may be designated by the Exchange. Member organizations whose short positions have properly been reported to, and are carried by, a non-member clearing organization will be in compliance with this rule if adequate arrangements have been made providing for the clearing organization to properly report such positions to the Exchange or to another United States securities exchange or association.

"Short" positions to be reported are those resulting from "short" sales as defined in Securities and Exchange Commission Rule 200(a) of Regulation SHO, but excluding sales that meet an exception in .02 below [marked "sell short exempt" pursuant to Rule 200(g) of Regulation SHO]. Also, to be excluded are "short" positions carried for other members and member organizations reporting for themselves.

Only one report should be made for each stock or warrant which there is a short position, if more than one "account" has a short position in the same stock or warrant, the combined aggregate should be reported.

Member organizations for which the Exchange is not the DEA must report short positions to its DEA if such DEA has a requirement for such reports. If the DEA does not have such a reporting requirement, then such member organization must comply with the provisions of this rule.

.02 Exceptions

(a) Any sale by any person, for an account in which he has an interest, if such person owns the security sold and intends to deliver such security as soon as is possible without undue inconvenience or expense.

(b) Any sale of a security covered by a short sale rule on a national securities exchange (except a sale to a stabilizing bid complying with Rule 104 of Regulation M) effected with the approval of such exchange which is necessary to equalize the price of such
security thereon with the current price of such security on another national securities exchange which is the principal exchange market for such security.

(c) Any sale of a security for a special arbitrage account by a person who then owns another security by virtue of which he is, or presently will be, entitled to acquire an equivalent number of securities of the same class as the securities sold; provided such sale, or the purchase with such sale offsets, is effected for the bona fide purpose of profiting from a current difference between the price of security sold and the security owned and that such right of acquisition was originally attached to or represented by another security or was issued to all the holders of any such of securities of the issuer.

(d) Any sale of a security registered on, or admitted to unlisted trading privileges on, a national securities exchange effected for a special international arbitrage account for the bona fide purpose of profiting from a current difference between the price of such security on a securities market not within or subject to the jurisdiction of the United States and on a securities market subject to the jurisdiction of the United States; provided the seller at the time of such sale knows or, by virtue of information currently received, has reasonable grounds to believe that an offer enabling him to cover such sale is then available to him on such foreign securities market and intends to accept such offer immediately.

(e) Any sale by an underwriter, or any member of a syndicate or group participating in the distribution of a security, in connection with an over-allotment of securities, or any lay-off sale by such a person in connection with a distribution of securities through rights or a standby underwriting commitment.

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 conform Phlx Rule 786 to other proposed rule changes that other self-regulatory organizations (“SROs”) have filed and, the Exchange believes, will soon file that will implement uniform changes to the short interest reporting requirements across SROs. First, the Exchange proposes to increase the frequency of periodic reports that member organizations must submit to the Exchange concerning short positions in securities, as prescribed by Phlx Rule 786, from monthly to twice per month beginning in September 2007. This increase in the frequency of such reports is consistent with similar changes recently approved by the SEC for the National Association of Securities Dealers, Inc. (“NASD”), the New York Stock Exchange, L.L.C. (“NYSE”), the American Stock Exchange, Inc. (“Amex”) and NYSEArca, Inc. (“NYSEArca”).

Second, Phlx also proposes to make a technical change to the text of Phlx Rule 786, Supplementary Material .01. Phlx Rule 786, Supplementary Material .01 provides that, subject to certain limited exceptions, short positions required to be reported under the rule are those resulting from short sales as the term is defined in Rule 200 of Regulation SHO. The term “short sale” is actually defined in Rule 200(a) of Regulation SHO. Therefore, Phlx is proposing to amend the text of Phlx Rule 786, Supplementary

---


6 17 CFR 242.200(a).
Material .01 to reference Rule 200(a) of Regulation, not Rule 200 of Regulation SHO to eliminate any confusion

Finally, Phlx is adding Supplementary Material .02 and conforming language in Supplementary Material .01, which adopts exceptions to the short interest reporting requirement. Currently, any transaction that is marked “sell short exempt” is exempt from the reporting requirement. Beginning on July 6, 2007, the “short exempt” marking requirement was eliminated by the Commission. Therefore, beginning on July 6, 2007, all transactions marked short will be covered by Phlx’s reporting requirement. However, Phlx believes that other self-regulatory organizations are modifying their short interest reporting rules to exclude five specific transactions, which were previously contained in the now eliminated Rule 10a-1 under the Act. This change should conform Phlx’s report requirement to those of other SROs and increase uniformity for broker-dealers as they comply with various rules across SROs, which should reduce costs and increase efficiency for those broker-dealers.

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.

---

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]; or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2007-63 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-2007-63. 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-2007-63 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