Proposed Rule Change by Philadelphia Stock Exchange

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial Amendment Withdrawal Section 19(b)(2) Section 19(b)(3)(A) Section 19(b)(3)(B)
✓ □ □ □ □ □

Pilot Extension of Time Period for Commission Action Date Expires
□ □ □ □ □ □

Description

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

Amends Rule 1034, Minimum Increments, with respect to U.S. dollar-settled foreign currency options.

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 Carla Last Name Behnfeldt
Title Director
E-mail carla.behnfeldt@phlx.com
Telephone (215) 496-5208 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 09/05/2007
By Carla Behnfeldt (Name)
Director (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.
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Form 19b-4 Information</strong></td>
<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>
</tr>
<tr>
<td><strong>Exhibit 1 - Notice of Proposed Rule Change</strong></td>
<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>
</tr>
<tr>
<td><strong>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</strong></td>
<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>
</tr>
<tr>
<td><strong>Exhibit 3 - Form, Report, or Questionnaire</strong></td>
<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>
</tr>
<tr>
<td><strong>Exhibit 4 - Marked Copies</strong></td>
<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>
</tr>
<tr>
<td><strong>Exhibit 5 - Proposed Rule Text</strong></td>
<td>The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item 1 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>
</tr>
<tr>
<td><strong>Partial Amendment</strong></td>
<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>
</tr>
</tbody>
</table>
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 Rule 1034, Minimum Increments, to decrease the size of the minimum quoting and trading increments applicable to the Exchange’s U.S. dollar-settled foreign currency options ("FCO").

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 Exchange Rule is set forth below. New language is underlined; deletions are bracketed.

**Rule 1034. Minimum Increments**

(a) Except as provided in sub-paragraph (i)(B) below, all options on stocks, index options, and Exchange Traded Options quoting in decimals at $3.00 or higher shall have a minimum increment of $.10, and all options on stocks and index options quoting in decimals under $3.00 shall have a minimum increment of $.05. [All U.S. dollar-settled FCO (other than options on the Japanese yen) quoting at $.0300 (expressed as 3.00) or higher shall have a minimum trading increment of $.0010 per unit of the foreign currency, expressed as .10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 10,000 Euros, British pounds, Australian dollars, Canadian dollars or Swiss francs. The minimum increment for U.S. dollar-settled FCO (other than options on the Japanese yen) quoting under $.0300 (expressed as 3.00) shall be $.0005 per unit of the foreign currency, expressed as .05 per unit of the foreign currency, which equals a $5.00 minimum increment per contract consisting of 10,000 Euros, British pounds, Australian dollars, Canadian dollars or Swiss francs. All U.S. dollar-settled FCO on the Japanese yen quoting at $.000300 (expressed as 3.00) or higher shall have a minimum trading increment of $.000010 per unit of the foreign currency, expressed as .10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 1,000,000

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Japanese yen. The minimum increment for U.S. dollar-settled FCO on the
Japanese yen quoting under $.000300 (expressed as 3.00) shall be $.000005 per
unit of the foreign currency, expressed as .05 per unit of the foreign currency,
which equals a $5.00 minimum increment per contract consisting of 1,000,000
Japanese yen.]

(i) No Change.

(ii) (A) --In the case of [physical delivery] options on foreign currencies
where the underlying foreign currency is not the U.S. dollar, $.0001
(expressed as .01) for option contracts on the British pound, $.0001 (expressed
as .01) for option contracts on the Swiss franc, $.0001 (expressed as .01) for
option contracts on the Canadian dollar, .0001 (expressed as .01) for option
contracts on the Australian dollar, $.0001 (expressed as .01) for option
contracts on the Euro, $.000001 (expressed as .01) for option contracts on the
Japanese yen and .02 Japanese yen for British pound/Japanese yen options.

(B) - (D) No Change.

(iii) 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

Questions and comments on the proposed rule change may be directed to Carla
Behnfeldt, Director and Counsel, at (215) 496-5208 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 provide additional trading
   opportunities by reducing the minimum increments applicable to the Exchange’s U.S.
dollar-settled FCO.\(^3\) Quoting and trading in smaller increments should enable investors
to trade U.S. dollar-settled currency options with greater precision as to price. The
changes would permit the trading of U.S. dollar-settled FCO in the same minimum
increments that have long been applicable (with one unrelated exception - the physical
delivery British pound/Japanese yen option) to the Exchange’s physical delivery FCO
contracts.

Currently, all U.S. dollar-settled FCO other than the Japanese yen have minimum
increments of $.0010 (expressed as .10) or $.0005 (expressed as .05). Minimum
increments for the Japanese yen are $.000010 (also expressed as .10) $.000005
(expressed as .05). In each case the applicable minimum increment is determined by the
price at which the option is quoting. For example, all U.S. dollar-settled FCO contracts
(other than options on the Japanese yen) quoting at $.0300 (expressed as 3.00) or higher
have a minimum trading increment of $.0010 (expressed as .10) while the minimum
increment for these U.S. dollar-settled FCOs quoting under $.0300 (expressed as 3.00) is
$.0005 (expressed as .05). These minimum increments were originally established in
order to accommodate trading of U.S. dollar-settled FCOs on the Phlx XL platform,
which did not have penny trading capability when the rules for the U.S. dollar-settled
FCOs were first drafted and filed with the Commission.

\(^3\) On January 8, 2007, the Exchange began trading U.S. dollar-settled options on the
British pound and the Euro on the Exchange's electronic trading platform for options,
dollar-settled FCOs on the Australian dollar, the Canadian dollar, the Swiss franc and the
The proposed amendments to Rule 1034 would set the minimum increment for U.S. dollar-settled FCOs on currencies other than the Japanese yen at $.0001 and the minimum increment for U.S. dollar-settled FCO contracts on the Japanese yen at $.000001 (in both cases expressed as .01), regardless of the price at which the option is quoting. This change would conform the minimum increments for U.S. dollar-settled FCOs to those applicable currently to the Exchange’s physical delivery FCOs. Although U.S. dollar-settled FCOs would be trading in these narrower minimum increments, they would not actually be trading in pennies (the trading increment would actually be much smaller although it would be expressed as .01) and would not be considered part of the Exchange’s pilot program currently applicable to certain equity options.4

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act5 in general, and furthers the objectives of Section 6(b)(5) of the Act6 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,

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4 The pilot, which permits certain options series to be quoted and traded in increments of $ 0.01, began on January 26, 2007. See Securities Exchange Act Release No. 55153 (January 23, 2007), 72 FR 4553 (January 31, 2007) (SR-Phlx-2006-74). The pilot was extended through September 27, 2007. See Securities Exchange Act Release No. 56141 (July 24, 2007), 72 FR 42216 (August 1, 2007) (SR-Phlx-2007-53). The Exchange has filed a proposed rule change to extend and expand the pilot program through March 27, 2009. See Securities Exchange Act Release No. 56284 (August 17, 2007), 72 FR 48722 (August 24, 2007 (SR-Phlx-2007-62). With one exception all series in options included in the pilot trading at a price of less than $ 3.00 are currently quoted and traded in minimum increments of $ 0.01, and those with a price of $ 3.00 or higher are currently quoted and traded in minimum increments of $ 0.05. A list of all series of options in the pilot was communicated to membership via Exchange circular.


in general to protect investors and the public interest, by permitting trading in finer
increments.

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)**

The Exchange is requesting accelerated approval of this proposed rule change
given that the amendments simply conform the minimum increments for U.S. dollar-
settled FCO to those that have been applicable for years to the Exchange’s physical
delivery FCO.

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*. 
SECURITIES AND EXCHANGE COMMISSION
(Release No.                  ; File No. SR-Phlx-2007-70)


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 Rule 1034, Minimum Increments, to decrease the size of the minimum quoting and trading increments applicable to the Exchange’s U.S. dollar-settled foreign currency options ("FCO").

The text of the amended Exchange Rule is set forth below. New language is underlined; deletions are bracketed.

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Rule 1034. Minimum Increments

(a) Except as provided in sub-paragraph (i)(B) below, all options on stocks, index options, and Exchange Traded Options quoting in decimals at $3.00 or higher shall have a minimum increment of $0.10, and all options on stocks and index options quoting in decimals under $3.00 shall have a minimum increment of $0.05. [All U.S. dollar-settled FCO (other than options on the Japanese yen) quoting at $0.0300 (expressed as 3.00) or higher shall have a minimum trading increment of $0.0010 per unit of the foreign currency, expressed as $0.10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 10,000 Euros, British pounds, Australian dollars, Canadian dollars or Swiss francs. The minimum increment for U.S. dollar-settled FCO (other than options on the Japanese yen) quoting under $0.0300 (expressed as 3.00) shall be $0.0005 per unit of the foreign currency, expressed as $0.05 per unit of the foreign currency, which equals a $5.00 minimum increment per contract consisting of 10,000 Euros, British pounds, Australian dollars, Canadian dollars or Swiss francs. All U.S. dollar-settled FCO on the Japanese yen quoting at $0.000300 (expressed as 3.00) or higher shall have a minimum trading increment of $0.000010 per unit of the foreign currency, expressed as $0.10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 1,000,000 Japanese yen. The minimum increment for U.S. dollar-settled FCO on the Japanese yen quoting under $0.000300 (expressed as 3.00) shall be $0.000005 per unit of the foreign currency, expressed as $0.05 per unit of the foreign currency, which equals a $5.00 minimum increment per contract consisting of 1,000,000 Japanese yen.]

(i) No Change.

(ii) (A) --In the case of [physical delivery] options on foreign currencies where the underlying foreign currency is not the U.S. dollar, $0.0001 (expressed as .01) for option contracts on the British pound, $0.0001 (expressed as .01) for option contracts on the Swiss franc, $0.0001 (expressed as .01) for option contracts on the Canadian dollar, .0001 (expressed as .01) for option contracts on the Australian dollar, $.0001 (expressed as .01) for option contracts on the Euro, $.000001 (expressed as .01) for option contracts on the Japanese yen and .02 Japanese yen for British pound/Japanese yen options.

(B) - (D) No Change.

(iii) 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 provide additional trading opportunities by reducing the minimum increments applicable to the Exchange’s U.S. dollar-settled FCO. Quoting and trading in smaller increments should enable investors to trade U.S. dollar-settled currency options with greater precision as to price. The changes would permit the trading of U.S. dollar-settled FCO in the same minimum increments that have long been applicable (with one unrelated exception - the physical delivery British pound/Japanese yen option) to the Exchange’s physical delivery FCO contracts.

Currently, all U.S. dollar-settled FCO other than the Japanese yen have minimum increments of $.0010 (expressed as .10) or $.0005 (expressed as .05). Minimum

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increments for the Japanese yen are $.000010 (also expressed as .10) $.000005 (expressed as .05). In each case the applicable minimum increment is determined by the price at which the option is quoting. For example, all U.S. dollar-settled FCO contracts (other than options on the Japanese yen) quoting at $.0300 (expressed as 3.00) or higher have a minimum trading increment of $.0010 (expressed as .10) while the minimum increment for these U.S. dollar-settled FCOs quoting under $.0300 (expressed as 3.00) is $.0005 (expressed as .05). These minimum increments were originally established in order to accommodate trading of U.S. dollar-settled FCOs on the Phlx XL platform, which did not have penny trading capability when the rules for the U.S. dollar-settled FCOs were first drafted and filed with the Commission.

The proposed amendments to Rule 1034 would set the minimum increment for U.S. dollar-settled FCOs on currencies other than the Japanese yen at $.0001 and the minimum increment for U.S. dollar-settled FCO contracts on the Japanese yen at $.000001 (in both cases expressed as .01), regardless of the price at which the option is quoting. This change would conform the minimum increments for U.S. dollar-settled FCOs to those applicable currently to the Exchange’s physical delivery FCOs. Although U.S. dollar-settled FCOs would be trading in these narrower minimum increments, they would not actually be trading in pennies (the trading increment would actually be much smaller although it would be expressed as .01) and would not be considered part of the Exchange’s pilot program currently applicable to certain equity options.6

2. **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 permitting trading in finer increments.

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**

filed a proposed rule change to extend and expand the pilot program through March 27, 2009. See Securities Exchange Act Release No. 56284 (August 17, 2007), 72 FR 48722 (August 24, 2007 (SR-Phlx-2007-62). With one exception all series in options included in the pilot trading at a price of less than $ 3.00 are currently quoted and traded in minimum increments of $ 0.01, and those with a price of $ 3.00 or higher are currently quoted and traded in minimum increments of $ 0.05. A list of all series of options in the pilot was communicated to membership via Exchange circular.

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

The Exchange requests that the Commission finds good cause, consistent with Section 19(b)(2) of the Act\(^9\), for approving this proposed rule change before the thirtieth day after the publication of notice thereof in the Federal Register. The Exchange is requesting accelerated approval of this proposed rule change given that the amendments simply conform the minimum increments for U.S. dollar-settled FCO to those that have been applicable for years to the Exchange’s physical delivery FCO.

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-2007-70 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-2007-70. 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

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-2007-70 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.  

Nancy M. Morris  
Secretary