Proposed Rule Change by Philadelphia Stock Exchange

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

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

Delist securities underlying low ADV 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.

<table>
<thead>
<tr>
<th>First Name</th>
<th>Last Name</th>
<th>Title</th>
<th>E-mail</th>
<th>Telephone</th>
<th>Fax</th>
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</thead>
<tbody>
<tr>
<td>Jurij</td>
<td>Trypupenko</td>
<td>Director and Counsel</td>
<td><a href="mailto:jurij.trypupenko@phlx.com">jurij.trypupenko@phlx.com</a></td>
<td>(215) 496-5019</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: 09/21/2007

By: Jurij Trypupenko

Director 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.)
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.

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).

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.

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.

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.

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.

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 amend its Rule 1010 (Withdrawal Of Approval Of Underlying Securities) to enable the Exchange to cease listing additional series of options and to delist an underlying security where such security has been listed on the Exchange not less than six (6) months and the Exchange average daily volume ("ADV") of a series of options or the entire class of options overlying the security was less than twenty (20) contracts over the last six (6) month period.

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

*New language is underlined. Deleted language is bracketed.*

* * * * *

*Additions are underlined.*

**Rule 1010. Withdrawal Of Approval Of Underlying Securities**

Whenever the Exchange determines that an underlying security previously approved for Exchange option transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, the Exchange shall not open for trading any additional series of options of the class covering that underlying security and may therefore prohibit any opening purchase transactions in series of options of that class previously opened, to the extent it shall deem such action necessary or appropriate; provided, however, that where exceptional circumstances have caused an underlying security not to comply with the Exchange's current approval maintenance requirements, regarding number of publicly held shares of publicly held principal amount, number of shareholders, trading volume or market price the Exchange


may, in the interest of maintaining a fair and orderly market or for the protection of investors, determine to continue to open additional series of option contracts of the class covering that underlying security. When all option contracts in respect of any underlying security that is no longer approved have expired, the Exchange may make application to the Securities and Exchange Commission to strike from trading and listing all such option contracts.

*Commentary: ...*

.01 - .10 – No Change.

.11 Inadequate volume delisting.

(1) Absent exceptional circumstances, a security initially approved for options trading may be deemed by the Exchange not to meet the requirements for continued approval, in which case the Exchange will not open for trading any additional series of equity option contracts of the class overlying such security and may determine to delist such security if it meets the following criteria:

(a) The security underlying the option has been listed on the Exchange not less than six (6) months;
(b) The Exchange average daily volume ("ADV") of a series of options or the entire class of options overlying the security over the last six (6) month period was less than twenty (20) contracts;
(c) If the option is singly listed only on the Exchange, the Exchange may cease to add new series and may delist the option when there is no remaining open interest;

(2) Should the Exchange determine to delist an equity option pursuant to this Commentary .11, it will notify the specialist to whom the affected option is allocated of the determination to delist such option not less than twenty (20) days prior to the scheduled delisting date (the “options delisting letter”).

(a) Within five (5) days of receiving an options delisting letter the affected specialist may in writing submit to the person designated by the Exchange in the options delisting letter the specialist’s justification for and/or explanation of the low ADV in such option and reasons why the Exchange should continue to list the option (the “justification letter”);

(b) The Exchange may, but is not required to, take into account the information provided in the justification letter in its determination to delist the option, and will indicate its determination to delist in writing to the affected specialist that provided the justification letter to the Exchange. The Exchange’s decision to delist the option is exclusively its own and is not appealable.
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 September 21, 2007.

Questions and comments on the proposed rule change may be directed to Jurij Trypupenko, Director and Counsel, at 215-496-5019, or Edith H. 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 amend Phlx Rule 1010 to enable the Exchange to cease listing additional series of options and to delist an underlying security where such security has been listed on the Exchange not less than six (6) months and the ADV of a series of options or the entire class of options overlying the security over the last six (6) month period was less than twenty (20) contracts.

The Exchange’s current Rule 1010 indicates that, allowing for exceptional circumstances, where requirements for continued listing (also known as maintenance criteria) for listed options are not met, additional series of options should not be opened and may be delisted. The continued listing criteria in Rule 1010 is specific to the type of

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3 The criteria for, among other things, securities that underlie options on equity securities, on Exchange Traded Fund Shares, on Trade Issued Receipts, and on American Depository Receipts may include the number of shares outstanding, the number of security holders, trading volume, and trading price. See Phlx Rule 1010.
underlying security (e.g., equity securities, Exchange Traded Fund Shares, Trade Issued Receipts, American Depository Receipts, Holding Company Depository Receipts) and may include the number of outstanding shares of the underlying security, the number of security holders, trading volume, and price.

The Exchange proposes to significantly enhance Rule 1010 by providing that the Exchange may not open for trading any additional series of equity option contracts of the class overlying a security and may delist such security if:

-- the security underlying the option has been listed on the Exchange not less than six (6) months, and

-- the Exchange average daily volume of a series of options or the entire class of options overlying the security over the last six (6) month period was less than twenty (20) contracts. The proposal would also provide that if an option is singly listed only on the Exchange, the Exchange may cease to add new series and may delist the option when there is no remaining open interest in the product.

The proposal further indicates that if the Exchange determines to delist an option it should notify the affected specialist (the specialist allocated trading in the option in question) not less than twenty (20) days before the scheduled delisting date. Within five (5) days after receiving the notification, the specialist has the opportunity to respond in writing with a justification for and/or explanation of the low ADV in the relevant option and why s/he believes that the Exchange should continue to list the option. While the specialist’s justification is not dispositive to the Exchange’s decision to delist, the Exchange may take the justification into consideration.
The Exchange believes that its low ADV delisting proposal is consistent with the Phlx maintenance and delisting criteria in Phlx Rule 1010 and should reduce or eliminate the quotation traffic attendant to low volume options listings that may nevertheless experience significant quoting activity. This should in turn diminish the total number of strikes that need to be maintained by the Exchange and reduce technology costs for the Exchange and its member organizations. Expanding the Exchange’s ability to manage its quotation traffic should benefit not only the Exchange and its members but also public and professional traders and ultimately the industry. Moreover, the proposal complements and extends the Exchange’s efforts in respect of quote mitigation.4

The Exchange notes that the proposal to stop adding series of equity options and delist low ADV options is similar to low volume options delisting procedures in use by other options exchanges.5


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), specifically,\(^7\) in that it is designed to perfect the mechanism of a free and open market and the national market system, protect investors and the public interest and promotes just and equitable principles of trade. The proposal would achieve this by enhancing Rule 1010 regarding maintenance listings to allow for delisting historically low volume options, thereby reducing or eliminating attendant quotation traffic.

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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\(^7\) 15 U.S.C. 78f(b)(5).
7. **Basis for Summary Effectiveness pursuant to Section 19(b)(3) or for Accelerated Effectiveness pursuant to Section 19(b)(2)**

The Exchange requests accelerated effectiveness pursuant to Section 19(b)(2) of the Act\(^8\) so that, for competitive purposes, it has listing standards that are similar to those used by other options exchanges.

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

   Not applicable.

9. **Exhibits**

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

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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 its Rule 1010 (Withdrawl Of Approval Of Underlying Securities) to enable the Exchange to cease listing additional series of options and to delist an underlying security where such security has been listed on the Exchange not less than six (6) months and the Exchange average daily volume ("ADV") of a series of options or the

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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 amend Phlx Rule 1010 to enable the Exchange to cease listing additional series of options and to delist an underlying security where such security has been listed on the Exchange not less than six (6) months and the ADV of a series of options or the entire class of options overlying the security over the last six (6) month period was less than twenty (20) contracts.

The Exchange’s current Rule 1010 indicates that, allowing for exceptional circumstances, where requirements for continued listing (also known as maintenance criteria) for listed options are not met, additional series of options should not be opened and may be delisted. The continued listing criteria in Rule 1010 is specific to the type of

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5 The criteria for, among other things, securities that underlie options on equity securities, on Exchange Traded Fund Shares, on Trade Issued Receipts, and on American Depository Receipts may include the number of shares outstanding, the number of security holders, trading volume, and trading price. See Phlx Rule 1010.
underlying security (e.g., equity securities, Exchange Traded Fund Shares, Trade Issued Receipts, American Depository Receipts, Holding Company Depository Receipts) and may include the number of outstanding shares of the underlying security, the number of security holders, trading volume, and price.

The Exchange proposes to significantly enhance Rule 1010 by providing that the Exchange may not open for trading any additional series of equity option contracts of the class overlying a security and may delist such security if:

-- the security underlying the option has been listed on the Exchange not less than six (6) months, and

-- the Exchange average daily volume of a series of options or the entire class of options overlying the security over the last six (6) month period was less than twenty (20) contracts. The proposal would also provide that if an option is singly listed only on the Exchange, the Exchange may cease to add new series and may delist the option when there is no remaining open interest in the product.

The proposal further indicates that if the Exchange determines to delist an option it should notify the affected specialist (the specialist allocated trading in the option in question) not less than twenty (20) days before the scheduled delisting date. Within five (5) days after receiving the notification, the specialist has the opportunity to respond in writing with a justification for and/or explanation of the low ADV in the relevant option and why s/he believes that the Exchange should continue to list the option. While the specialist’s justification is not dispositive to the Exchange’s decision to delist, the Exchange may take the justification into consideration.
The Exchange believes that its low ADV delisting proposal is consistent with the Phlx maintenance and delisting criteria in Phlx Rule 1010 and should reduce or eliminate the quotation traffic attendant to low volume options listings that may nevertheless experience significant quoting activity. This should in turn diminish the total number of strikes that need to be maintained by the Exchange and reduce technology costs for the Exchange and its member organizations. Expanding the Exchange’s ability to manage its quotation traffic should benefit not only the Exchange and its members but also public and professional traders and ultimately the industry. Moreover, the proposal complements and extends the Exchange’s efforts in respect of quote mitigation. 6

The Exchange notes that the proposal to stop adding series of equity options and delist low ADV options is similar to low volume options delisting procedures in use by other options exchanges. 7

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2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,\(^8\) in general, and furthers the objectives of Section 6(b)(5), specifically,\(^9\) in that it is designed to perfect the mechanism of a free and open market and the national market system, protect investors and the public interest and promotes just and equitable principles of trade. The proposal would achieve this by enhancing Rule 1010 regarding maintenance listings to allow for delisting historically low volume options, thereby reducing or eliminating attendant quotation traffic.

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 Exchange requests accelerated effectiveness pursuant to Section 19(b)(2) of the Act\(^{10}\) so that, for competitive purposes, it has listing standards that are similar to those used by other options exchanges.

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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-2007-72 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-2007-72. 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-2007-72 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. 11

Nancy M. Morris
Secretary