Proposed Rule Change by Philadelphia Stock Exchange

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

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Pilot: Extension of Time Period for Commission Action

Date Expires

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Description

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

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 | Jurij |
| Last Name  | Trypupenko |
| Title      | Director and Counsel |
| E-mail     | jurij.trypupenko@phlx.com |
| Telephone  | (215) 496-5019 |
| Fax        | (215) 496-6729 |

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 10/26/2007

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.

Jurij Trypupenko,
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.\(^3\)

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.*

* * * * *

**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


\(^3\) This Amendment No. 1 supercedes the original filing and replaces it in its entirety.
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; and
(b) The Exchange average daily volume (“ADV”) of the entire class of options overlying the security over the last six (6) month period was less than twenty (20) contracts;

If the option is singly listed only on the Exchange, the Exchange will 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 ten (10) days prior to the scheduled delisting date (the “options delisting letter”).

(a) Within two (2) 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.\(^4\) The continued listing criteria in Rule 1010 is specific to the type of underlying security (e.g., equity securities, Exchange Traded Fund Shares, Trade Issued

\(^4\) 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.
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 will 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 will 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 ten (10) days before the scheduled delisting date. Within two (2) 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 potentially may thereby reduce technology costs for the Exchange and its member organizations and free up Exchange capacity. 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.5

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.6


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), specifically,\(^8\) 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.

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

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\(^9\) so that, for competitive purposes, it has listing standards that are similar to approved standards that are being used by other options exchanges. Moreover, the Exchange believes that accelerated approval should enable it to more efficiently delist securities and thereby positively impact Exchange capacity.

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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Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2007-72)

Self-Regulatory Organizations; Notice of Filing and Accelerated Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Delisting Securities Underlying Low ADV Options

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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entire class of options overlying the security was less than twenty (20) contracts over the last six (6) month period.\(^5\)


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

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\(^5\) This Amendment No. 1 supercedes the original filing and replaces it in its entirety.
and may be delisted.\(^6\) The continued listing criteria in Rule 1010 is specific to the type of 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 will 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 will 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 ten (10) days before the scheduled delisting date. Within two (2) 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

\(^6\) 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.
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 potentially may thereby reduce technology costs for the Exchange and its member organizations and free up Exchange capacity. 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.7

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.8

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2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,\(^9\) in general, and furthers the objectives of Section 6(b)(5), specifically,\(^{10}\) 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.

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\(^{10}\) 15 U.S.C. 78f(b)(5).
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\textsuperscript{11} so that, for competitive purposes, it has listing standards that are similar to approved standards that are being used by other options exchanges. Moreover, the Exchange believes that accelerated approval should enable it to more efficiently delist securities and thereby positively impact Exchange capacity.

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.\textsuperscript{12}

\textbf{Nancy M. Morris}  
\textbf{Secretary}

\textsuperscript{12} 17 CFR 200.30-3(a)(12).
Exhibit 4

Deletions are [bracketed]; Additions are underlined. Additions to or deletions from the previously submitted filing are bolded.

* * * * *

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; and
(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;
If the option is singly listed only on the Exchange, the Exchange [may] will 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]ten (20) days prior to the scheduled delisting date (the “options delisting letter”).

(a) Within [five] two (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.

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