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) ☐

Rule

Pilot ☐

Extension of Time Period for Commission Action ☐

Date Expires

☑ 19b-4(f)(1) ☐

☑ 19b-4(f)(2) ☐

☑ 19b-4(f)(3) ☐

☑ 19b-4(f)(4) ☐

☑ 19b-4(f)(5) ☐

☑ 19b-4(f)(6) ☐

Description

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

List and trade options already listed on at least one other securities exchange.

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 Trypunkenko

Title Director and Counsel

E-mail jurij.trypunkenko@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 09/21/2007

By Jurij Trypunkenko Director and Counsel

(Name) (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Jurij Trypunkenko,
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.

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 Phlx Rule 1009 to enable it to list and trade individual equity options that are otherwise ineligible for listing and trading if such options are listed and traded on another national securities exchange and the security or securities underlying such options meet continued listing requirements.

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.

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**Rule 1009.**

**Criteria for Underlying Securities**

(a) Underlying securities in respect of which put or call option contracts are approved for listing and trading on the Exchange must meet the following criteria:

(1) The security must be duly registered and be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934;

(2) the security shall be characterized by a substantial number of outstanding shares which are widely held and actively traded.

(b) - (c) No Change.

**Commentary: ...**

.01 The Board of Governors has established guidelines to be considered by the Exchange in evaluating potential underlying securities for Exchange option

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transactions. Absent exceptional circumstances with respect to items 1, 2, 3, or 4 listed below, at the time the Exchange selects an underlying security for Exchange options transactions, the following guidelines with respect to the issuer shall be met:

(1) - (3) No Change.

(4) (i) If the underlying security is a "covered security" as defined in Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least $3.00 for the previous five (5) consecutive business days preceding the date on which the Exchange submits a certificate to the Options Clearing Corporation for listing and trading. For purposes of this rule, the market price of such underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.

(ii) If the underlying security is not a "covered security," the market price per share of the underlying security has been at least $7.50 for the majority of business days during the three calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days[or (a) the underlying security meets the guidelines for continued listing in Rule 1010; (b) options on such underlying security are traded on at least one other registered national securities exchange; and (c) the average daily trading volume for such options over the last three (3) calendar months proceeding the date of selection has been at least 5,000 contracts].

(5) The issuer is in compliance with any applicable requirements of the Securities Exchange Act of 1934.

(6) Notwithstanding the requirements set forth in Paragraphs 1 through 5 above, the Exchange may list and trade an options contract if:

   (i) the underlying security meets the guidelines for continued listing in Rule1010; and

   (ii) options on such underlying security are traded on at least one other national securities exchange.

.02. – 08 – No Change.

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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 revise the options listing standards in Phlx Rule 1009 so that as long as the options maintenance listing standards set forth in Phlx Rule 1010 are met and the option is listed and traded on another national securities exchange, Phlx would be able to list and trade the option.

Phlx Rule 1009 sets forth the requirements that an underlying equity security must meet before the Exchange may initially list options on that security. Phlx notes that these requirements are uniform among the options exchanges.

Commentary .01(4) to Phlx Rule 1009 relates to the minimum market price that an underlying security must trade at for an option to be listed on it and applies to the listing of individual equity options on both “covered” and “uncovered” underlying securities. In the case of an underlying security that is a “covered security” as defined
under section 18 (b) (1) (A) of the Securities Act of 1933 ("1933 Act"), the closing market price of the underlying security must be at least $3 per share for five (5) previous consecutive business days prior to the date on which the Phlx submits an option class certification to The Options Clearing Corporation ("OCC"). In connection with underlying securities deemed to be “uncovered,” Exchange rules require that such underlying security be at least $7.50 for the majority of business days during the three (3) calendar months preceding the date of selection for such listing. In addition, an alternative listing procedure for “uncovered” securities also permits the listing of such options so long as: (1) the underlying security meets the guidelines for continued approval contained in Phlx Rule 1010; (2) options on such underlying security are traded on at least one other registered national securities exchange; and (3) the average daily trading volume ("ADTV") for such options over the last three calendar months preceding the date of selection has been at least 5,000 contracts. Subparagraphs (1) through (5) of Commentary .01 to Phlx Rule 1009 further sets forth minimum requirements for an underlying security such as shares outstanding, number of holders and trading volume.

When PHLX first commenced operations, if an option failed to meet the Exchange’s original listing requirements, Phlx could not list that option, even if the option met the continued listing requirements of one or more other exchanges and traded on those exchanges. In order to somewhat remedy this situation, in 2002, the Exchange proposed, and the Commission approved, amendments to its original listing criteria that

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3 Section 18(b)(1)(A) of the 1933 Act provides that “[a] security is a covered security if such security is…listed, or authorized for listing, on the New York Stock Exchange or the American Stock Exchange, or listed or authorized for listing on the National Market System of the Nasdaq Stock Market (or any successor to such entities).…” See 15 U.S.C. 77r(b)(1)(A).
permitted Phlx to list options that (i) met our continued listing criteria, (ii) were traded on at least one other exchange, and (iii) had ADTV across all exchanges of at least 5,000 contracts.\(^4\)

The Exchange notes that the 2002 Filing, while permitting the Phlx to list some of the more actively-traded options, does not permit the listing of non-active options that are currently trading at other options exchanges. The options exchange (or exchanges) that may be fortunate enough to list an option that at first met the original listing criteria but subsequently fails to do so is provided a trading monopoly inconsistent with the multiple trading of options, fostering competition and the maintenance of a national market system. Under this proposed rule change, an option may be multiply-listed and traded as long as one other options exchange is trading the particular option and such underlying security of the option meets the Exchange’s continued listing requirements.

Phlx notes that the requirements for listing additional series of an existing listed option (i.e. continued listing guidelines) are less stringent, largely because, in total, the Exchange’s guidelines assure that options will be listed and traded on securities of companies that are financially sound and subject to adequate minimum standards.

Phlx believes that although the continued listing requirements are uniform among the other options exchanges, the application of both the original and continued listing standard in the current market environment have had an anti-competitive effect. Specifically, the Exchange notes that on several occasions it has been unable to list and

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trade options classes that trade elsewhere because the underlying security of such option did not at that time meet original listing standards. However, the other options exchange(s) may continue to trade such options (and list additional series) based on the lower maintenance listing standards, while Phlx may not list any options on such underlying security. The Exchange believes this clearly is anti-competitive and inconsistent with the aims and goals of a national market system in options.

To address this situation, the Exchange proposes to add new Commentary .01(6) to Phlx Rule 1009 and amend the current listing requirement adopted by the 2002 Filing. Specifically, proposed Commentary .01(6) provides that notwithstanding that a particular underlying security may not meet the requirements set forth in Paragraphs (1) through (5) of Commentary .01, the Exchange nonetheless could list and trade an option on such underlying security if (i) the underlying security meets continued listing requirements under Phlx Rule 1010; and (ii) options on such underlying security are listed and traded on at least one other registered national securities exchange. The second half of Commentary .01(4)(ii) to Phlx Rule 1009, which references an alternative original listing requirement for “uncovered securities,” would be deleted. In connection with the proposed changes, the Exchange represents that the procedures currently employed to determine whether a particular underlying security meets the initial listing criteria will similarly be applied to the continued listing criteria.

Phlx believes that this proposal is narrowly tailored to address the circumstances where an options class is currently ineligible for listing on the Exchange while at the same time, such option is trading on another options exchange(s). The Exchange submits
that the adoption of the proposal is essential for competitive purposes and to promote a free and open market for the benefit of investors.

b. **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), specifically, 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 enabling Phlx to list an option that is listed and traded on another national securities exchange and the underlying security meets Phlx continued listing standards.

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. **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\(^7\) 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.\(^8\)

9. **Exhibits**

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

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\(^8\) Phlx notes that the International Securities Exchange LLC (“ISE”) has filed a similar proposal at SR-ISE-2007-80 (unpublished as of the date of this filing) that proposes to amend ISE Rule 502(b) to permit ISE to list and trade equity options where, similarly to Phlx’s proposal herein, the underlying security meets ISE’s continued listing requirements and options on the underlying security are listed and traded on at least one other registered national securities exchange.
Self-Regulatory Organizations; Notice of Filing and Accelerated Effectiveness of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Listing and Trading Options Already Listed on Another National Securities Exchange

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 Phlx Rule 1009 to enable it to list and trade individual equity options that are otherwise ineligible for listing and trading if such options are listed and traded on another national securities exchange and the security or securities underlying such options meet continued listing requirements.

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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 revise the options listing standards in Phlx Rule 1009 so that as long as the options maintenance listing standards set forth in Phlx Rule 1010 are met and the option is listed and traded on another national securities exchange, Phlx would be able to list and trade the option.

Phlx Rule 1009 sets forth the requirements that an underlying equity security must meet before the Exchange may initially list options on that security. Phlx notes that these requirements are uniform among the options exchanges.

Commentary .01(4) to Phlx Rule 1009 relates to the minimum market price that an underlying security must trade at for an option to be listed on it and applies to the listing of individual equity options on both “covered” and “uncovered” underlying securities. In the case of an underlying security that is a “covered security” as defined
under section 18 (b) (1) (A) of the Securities Act of 1933 (“1933 Act”), the closing market price of the underlying security must be at least $3 per share for five (5) previous consecutive business days prior to the date on which the Phlx submits an option class certification to The Options Clearing Corporation (“OCC”). In connection with underlying securities deemed to be “uncovered,” Exchange rules require that such underlying security be at least $7.50 for the majority of business days during the three (3) calendar months preceding the date of selection for such listing. In addition, an alternative listing procedure for “uncovered” securities also permits the listing of such options so long as: (1) the underlying security meets the guidelines for continued approval contained in Phlx Rule 1010; (2) options on such underlying security are traded on at least one other registered national securities exchange; and (3) the average daily trading volume (“ADTV”) for such options over the last three calendar months preceding the date of selection has been at least 5,000 contracts. Subparagraphs (1) through (5) of Commentary .01 to Phlx Rule 1009 further sets forth minimum requirements for an underlying security such as shares outstanding, number of holders and trading volume.

When PHLX first commenced operations, if an option failed to meet the Exchange’s original listing requirements, Phlx could not list that option, even if the option met the continued listing requirements of one or more other exchanges and traded on those exchanges. In order to somewhat remedy this situation, in 2002, the Exchange proposed, and the Commission approved, amendments to its original listing criteria that

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5 Section 18(b)(1)(A) of the 1933 Act provides that “[a] security is a covered security if such security is…listed, or authorized for listing, on the New York Stock Exchange or the American Stock Exchange, or listed or authorized for listing on the National Market System of the Nasdaq Stock Market (or any successor to such entities)…” See 15 U.S.C. 77r(b)(1)(A).
permitted Phlx to list options that (i) met our continued listing criteria, (ii) were traded on at least one other exchange, and (iii) had ADTV across all exchanges of at least 5,000 contracts.6

The Exchange notes that the 2002 Filing, while permitting the Phlx to list some of the more actively-traded options, does not permit the listing of non-active options that are currently trading at other options exchanges. The options exchange (or exchanges) that may be fortunate enough to list an option that at first met the original listing criteria but subsequently fails to do so is provided a trading monopoly inconsistent with the multiple trading of options, fostering competition and the maintenance of a national market system. Under this proposed rule change, an option may be multiply-listed and traded as long as one other options exchange is trading the particular option and such underlying security of the option meets the Exchange’s continued listing requirements.

Phlx notes that the requirements for listing additional series of an existing listed option (i.e. continued listing guidelines) are less stringent, largely because, in total, the Exchange’s guidelines assure that options will be listed and traded on securities of companies that are financially sound and subject to adequate minimum standards.

Phlx believes that although the continued listing requirements are uniform among the other options exchanges, the application of both the original and continued listing standard in the current market environment have had an anti-competitive effect. Specifically, the Exchange notes that on several occasions it has been unable to list and trade options classes that trade elsewhere because the underlying security of such option

did not at that time meet original listing standards. However, the other options exchange(s) may continue to trade such options (and list additional series) based on the lower maintenance listing standards, while Phlx may not list any options on such underlying security. The Exchange believes this clearly is anti-competitive and inconsistent with the aims and goals of a national market system in options.

To address this situation, the Exchange proposes to add new Commentary .01(6) to Phlx Rule 1009 and amend the current listing requirement adopted by the 2002 Filing. Specifically, proposed Commentary .01(6) provides that notwithstanding that a particular underlying security may not meet the requirements set forth in Paragraphs (1) through (5) of Commentary .01, the Exchange nonetheless could list and trade an option on such underlying security if (i) the underlying security meets continued listing requirements under Phlx Rule 1010; and (ii) options on such underlying security are listed and traded on at least one other registered national securities exchange. The second half of Commentary .01(4)(ii) to Phlx Rule 1009, which references an alternative original listing requirement for “uncovered securities,” would be deleted. In connection with the proposed changes, the Exchange represents that the procedures currently employed to determine whether a particular underlying security meets the initial listing criteria will similarly be applied to the continued listing criteria.

Phlx believes that this proposal is narrowly tailored to address the circumstances where an options class is currently ineligible for listing on the Exchange while at the same time, such option is trading on another options exchange(s). The Exchange submits that the adoption of the proposal is essential for competitive purposes and to promote a free and open market for the benefit of investors.
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), specifically, 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 enabling Phlx to list an option that is listed and traded on another national securities exchange and the underlying security meets Phlx continued listing standards.

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 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-2007-73 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-2007-73. 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-2007-73 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