

MEMORANDUM

TO: Members and Member Organizations

FROM: John Dayton

DATE: September 18, 2007

RE: Approval of Restricted Trading Sessions on XLE

---

The Exchange has received approval from the Securities and Exchange Commission for a proposed rule change, SR-Phlx-2007-57, which provides transparency with respect to the trading hours eligibility of certain securities that will not trade during the entire XLE trading day. Phlx Rule 101 currently provides, in part, that XLE shall have three trading session each day: a Pre Market Session (8:00 A.M. until 9:30 A.M.), a Core Session (9:30 A.M. until 4:00 P.M., except for certain exchange traded funds (“ETFs”), which shall take place until 4:15 P.M.) and a Post Market Session (conclusion of Core Session until 6:00 P.M.) At this time, Rule 101 will include a list of those securities which are eligible to trade in one or more, but not all three of these trading sessions, and will maintain on its internet web site ([www.phlx.com](http://www.phlx.com)) a list that identifies all securities traded on XLE that do not trade for the duration of each of the three sessions specified in Rule 101. For example, certain ETFs that are based on indexes composed of commodities, or securities not registered in the United States may not be eligible to trade during the entire XLE trading day because the instruments underlying the indexes underlying the ETF are not active during certain times and therefore last sale or other data used to determine the index value is not available. The rule text is attached.

Questions regarding the proposed rule change may be directed to John Dayton at (435) 783-6415. Questions regarding International ETFs may be directed to Lori Mann at (215) 496-5472. Questions regarding XLE functionality may be directed to the XLE Help Desk at (215) 496-5311 or 1-877-678-PHLX.

Underlining indicates additions; brackets indicate deletions

**Rule 101.**

**Hours of Business**

\* \* \* \* \*

*Supplementary Material: ...*

**.01** No Change

**.02 XLE Trading Hours.** XLE shall have three trading sessions each day the Exchange is open for business unless otherwise determined by the Exchange:

(1)-(3) No Change

(4) Securities qualified for trading will be eligible to trade during all three trading sessions identified in paragraphs (1)-(3) above, except for securities of the following issuers, which are eligible to trade in the Core Session and in the below designated trading session, but not all three trading sessions:

<u>iShares® MSCI Australia Index Fund</u>	<u>Core, Post Market</u>
<u>iShares® MSCI Brazil Index Fund</u>	<u>Core, Post Market</u>
<u>iShares® MSCI Germany Index Fund</u>	<u>Core, Post Market</u>
<u>iShares® MSCI Mexico Index Fund</u>	<u>Core, Post Market</u>
<u>iShares® MSCI United Kingdom Index Fund</u>	<u>Core, Post Market</u>
<u>iShares® S&amp;P Latin America 40 Index Fund</u>	<u>Core, Post Market</u>

(5) The Exchange shall maintain on its Internet Web site a list that identifies all securities traded on XLE that do not trade for the duration of each of the three sessions specified in paragraphs (1)-(3) above. This list will also identify the trading sessions during which such securities do trade, as well as those securities for which the Core Session extends to 4:15:00 P.M. pursuant to paragraph (2) above. The Exchange shall update that Web site promptly upon any change to the list and indicate on the Web site a "current as of" date.

Although a security may be authorized to trade outside the Core Session, the Exchange may in its discretion determine not to permit the trading of such security in a session for which it has been authorized, or to restore such security to a trading session for which it previously had been authorized and for which such authorization is still valid. Promptly after exercising such discretion, the Exchange shall update the list of securities and their trading sessions on its Web site.