

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55494; File No. SR-Phlx-2007-19)

March 20, 2007

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change as Modified by Amendment No. 1 Thereto Relating to Odd Lot Fees for XLE Transactions

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on March 8, 2007, the Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the Exchange. On March 16, 2007, the Exchange submitted Amendment No. 1 to the proposed rule change.³ The Phlx has designated this amended proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A),⁴ and Rule 19b-4(f)(2) thereunder,⁵ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Partial Amendment No. 1, the Exchange made several clarifying and technical changes to the original filing. In addition, the Exchange included a revised Exhibit 5 in Partial Amendment No. 1 to reflect technical and clarifying changes made therein, which, for clarity and ease of reference, replaces in its entirety the Exhibit 5 contained in the original filing. The Exchange did not propose any new fees in Partial Amendment No. 1.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(f)(2).

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Phlx proposes to amend the fees applicable to certain odd lot transactions⁶ over XLE,⁷ the Exchange's equity trading system, as follows: to (1) decrease the execution fee for odd-lot Immediate-or-Cancel ("IOC") Cross and Mid-Point Cross orders; and (2) increase the fee for single-sided odd lot orders routed to and executed at an away market, as set forth in detail below. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and www.phlx.com.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, Phlx included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposal. The text of these statements may be examined at the places specified in Item IV below. 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 continue to encourage executions of odd lot IOC Cross and Mid-Point Cross orders on XLE. The Exchange believes that lowering the

⁶ An odd lot order means an order for less than a round lot, which is defined for purposes of XLE as a unit of trading that is 100 shares. See Exchange Rules 1(w) and 1(gg). The execution fee for odd lot orders applies to orders initially entered as odd lot orders.

⁷ XLE provides the opportunity for entirely automated executions to occur within a central matching system accessible by Exchange members and member organizations and their Sponsored Participants. See Securities Exchange Act Release Nos. 54538 (September 28, 2006), 71 FR 59184 (October 6, 2006) (SR-Phlx-2006-43) and 54941 (December 14, 2006), 71 FR 77079 (December 22, 2006) (SR-Phlx-2006-70) (establishing fees for the trading of equity securities on XLE).

fees for these types of transactions should, in turn, encourage additional odd lot IOC Cross and Mid-Point Cross transactions, thereby allowing the Exchange to remain competitive. In addition, the Exchange believes that increasing the odd lot fee for away market executions should help it recover its costs associated with away market executions.

Currently, all odd lot executions (IOC Cross and Mid-Point Cross orders and single-sided orders) are charged the execution fee for odd lot orders, which is \$0.003 per share for all tiers.⁸ Pursuant to this proposal: (1) the execution fee for odd lot IOC Cross and Mid-Point Cross orders entered over technology provided by Phlx will be reduced to \$0.0023 per share per side for all tiers.⁹ This is the same amount as round lot IOC Cross and Mid-Point Cross orders today, such that odd lot and round lot IOC Cross and Mid-Point Cross orders will be charged the same amount when entered over technology provided by Phlx; (2) odd lot IOC Cross and Mid-Point Cross orders that are not entered over technology provided by Phlx will no longer be assessed any fee, such that odd lot and round lot IOC Cross and Mid-Point Cross orders not entered over technology provided by Phlx will not be charged execution fees.

In addition, the Exchange proposes to increase the fee for single-sided odd lot orders that are routed to and executed at an away market from \$0.003 to \$0.03 per share for all tiers. The execution fee for single-sided odd lot orders executed on XLE against another XLE Participant will remain at the current rate of \$0.003 per share for all tiers.

⁸ The execution fees for odd lot transactions are set forth in the Miscellaneous Transaction Fee section of the XLE fee schedule. The Exchange has adopted volume tiers in connection with the assessment of transaction fees, which are based on the monthly shares executed per XLE Participant Organization.

⁹ IOC Cross and Mid-Point Cross orders entered over technology provided by Phlx are subject to a maximum charge of \$50.00 per trade side.

The fee changes set forth in this proposal are scheduled to become effective for transactions settling on or after March 9, 2007.

2. Statutory Basis

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act,¹⁰ in general, and furthers the objectives of Section 6(b)(4) of the Act,¹¹ in particular, in that it is designed to provide for the equitable allocation of reasonable fees and other charges among Phlx members and other persons using its facilities.

B. 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 that is 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 solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act¹² and subparagraph (f)(2) of Rule 19b-4 thereunder,¹³ since it establishes or changes a due, fee or other charge imposed by the Exchange. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to

¹⁰ 15 U.S.C. 78f(b).

¹¹ 15 U.S.C. 78f(b)(4).

¹² 15 U.S.C. 78s(b)(3)(A)(ii).

¹³ 17 CFR 240.19b-4(f)(2).

the Commission that such action is necessary of appropriate in the public interest, for the protection of investors, or otherwise in the furtherance of the purposes of the Act.¹⁴

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-2007-19 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-2007-19. 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

¹⁴ For purposes of calculating the 60-day period within which the Commission may summarily abrogate the proposed rule change under Section 19(b)(3)(C) of the Act, the Commission considers the period to commence on March 16, 2007, the date on which Phlx filed Amendment No. 1. See 15 U.S.C. 78s(b)(3)(C).

available for inspection and copying in the Commission's Public Reference Room. Copies of such 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 No. SR-Phlx-2007-19 and should be submitted on or before [insert date 21 days from date of publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Florence E. Harmon
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).