

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56836; File No. SR-Phlx-2007-55)

November 21, 2007

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Elimination of the Short Sale Price Test

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 July 31, 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 and II below, which Items have been substantially prepared by the Phlx. Phlx has designated the proposed rule change as constituting a "non-controversial" rule change under paragraph (f)(6) of Rule 19b-4 under the Act.³ 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 Act⁴ and Rule 19b-4 thereunder,⁵ proposes to amend Phlx Rules 185, 455, 785 and 1072 to reflect the elimination of the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

⁴ 15 U.S.C. 78s(b)(1).

⁵ 17 CFR 240.19b-4.

short sale price test, including any tick or bid test of any self-regulatory organization (“Price Test”) and the elimination of the “short exempt” marking requirement.⁶

The text of the proposed rule change is available at the Exchange, on the Exchange’s web site at <http://www.Phlx.com>, and at the Commission’s Public Reference Room.

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 conform Phlx Rules to Rules 200(g) and 201(b) of Regulation SHO.⁷ On June 28, 2007, the SEC approved final rules deleting the price test of Rule 10a-1⁸ and amending Regulation SHO to prohibit any SRO from having a price test in place. In addition, Rule 200(g) of Regulation SHO was modified to remove the requirement upon broker-dealers to mark sell orders as “short exempt.”

⁶ See Securities Exchange Act Release No. 55970 (June 28, 2007).

⁷ 17 CFR 242.200(g) and 17 CFR 242.201(b).

⁸ 17 CFR 240.10a-1.

Phlx Rules 185, 455, 785 and 1072 contain language regarding the Price Test and the “short exempt” marking requirement. Phlx Rule 185 contains language regarding the entry, display and execution of sell short orders on XLE, Phlx’s electronic equity trading system, that are subject to the Price Test. With the elimination of the Price Test, sell short orders will not be handled any differently by XLE and the amendments to this rule will so reflect. Phlx Rule 455 stated that XLE will not execute a sell order unless effected in compliance with Rule 10a-1. Rule 10a-1 contained the Price Test and is being eliminated. The amendments to Phlx Rule 455 will reflect this.

Phlx Rule 785 requires member organizations to make an automated submission of trading data, including marking orders as short exempt, where appropriate. Phlx Rule 785 will be amended to reflect the elimination of the “short exempt” marking requirement. Phlx Rule 1072 outlines the requirements on options specialists and Registered Options Traders (“ROTs”) regarding their use of an exception to the NASD (n/k/a Financial Industry Regulatory Authority, Inc.) bid test (which was a type of Price Test) available to hedging options transactions. The elimination of the Price Test extended to the NASD bid test and therefore options specialist and ROTs will not need the exemption outlined in Phlx Rule 1072. Phlx Rule 1072 will be deleted.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act¹⁰ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to

⁹ 15 U.S.C. 78f(b).

¹⁰ 15 U.S.C. 78f(b)(5).

and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not:

(i) Significantly affect the protection of investors or the public interest;

(ii) Impose any significant burden on competition; and

(iii) Become operative within 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective upon filing pursuant to Section 19(b)(3)(A) of the Act¹¹ and Rule 19b-4(f)(6) thereunder.¹² Phlx has requested that the Commission waive the 5-day pre-filing notice requirement and the 30-day operative delay of the proposal. The Commission believes that such waivers are consistent with the protection of investors and the public interest because the proposed rule change conforms Phlx's rules to currently effective Commission Rules and should

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

eliminate potential confusion relating to orders on XLE.¹³ For this reason, the Commission designates the proposal to be operative upon filing with the Commission.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-2007-55 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-2007-55. 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

¹³ For purposes only of waiving the 30 day pre-operative period, the Commission has considered the impact of the proposed rule change on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

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, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00am and 3:00pm. 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-2007-55 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁴

Florence E. Harmon
Deputy Secretary

¹⁴ 17 CFR 200.30-3(a)(12).