

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-55812; File No. SR-Phlx-2006-61)

May 24, 2007

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Approving Proposed Rule Change and Amendments No. 2 and No. 4 Thereto Relating to Order and Decorum Regulations.

I. Introduction

On September 26, 2006, the Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to amend the Exchange’s Option Order and Decorum Regulations. On November 14, 2006, the Exchange filed Amendment No. 1 to the proposed rule change, which was subsequently withdrawn.<sup>3</sup> On January 19, 2007, the Exchange filed Amendment No. 2 to the proposed rule change.<sup>4</sup> The proposed rule change, as amended, was published for comment in the Federal Register on March 27, 2007.<sup>5</sup> The Commission received no comments regarding the proposal. On May 4, 2007, the Exchange filed Amendment No. 3 to the proposed rule change, which was

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> On January 12, 2007, Phlx withdrew Amendment No. 1.

<sup>4</sup> Amendment No. 2 replaced the original proposed rule change in its entirety.

<sup>5</sup> See Securities Exchange Act Release No. 55492 (March 20, 2007), 72 FR 14321 (“Notice”).

subsequently withdrawn.<sup>6</sup> On May 14, 2007, the Exchange filed Amendment No. 4 to the proposed rule change.<sup>7</sup> This order approves the proposed rule change, as amended.

## II. Description of Proposal

The Exchange proposes to amend the Exchange's Option Order and Decorum Regulation 2 (Food, Liquids and Beverages); Regulation 4 (Order); Regulation 5 (Visitors and Applicants); and Regulation 6 (Dress), pursuant to Exchange Rule 60. The Exchange's amendments to these Exchange regulations include the following:

- (i) An amendment to Exchange Regulation 2 that (1) allows Exchange members and associated persons to consume foods, liquids and beverages on the Exchange's trading floor, provided that such consumption does not unreasonably interfere with business on the trading floor, (2) adds language concerning vandalism, (3) increases the fines associated with violations of Exchange Regulation 2, (4) adds additional fines for violating trash, litter and vandalism regulations, and (5) changes the title of the Exchange Regulation 2 from "Food, Liquids and Beverages" to "Food, Liquids and Beverages, Trash, Litter and Vandalism;"
- (ii) An amendment to Exchange Regulation 4 that adds language clarifying that the use of profanity is a violation of this Regulation;
- (iii) An amendment to Exchange Regulation 5 that authorizes an Exchange official or Options Exchange Official to permit visitors on the trading floor;

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<sup>6</sup> On May 14, 2007, Phlx withdrew Amendment No. 3.

<sup>7</sup> In Amendment No. 4, the Exchange deleted proposed rule text from Exchange Regulation 2 regarding the registration of equipment on the Exchange floor. This deletion conformed the proposed rule text with changes the Exchange made to the proposal in Amendment No. 2. This is a technical amendment and is not subject to notice and comment.

(iv) An Amendment to Exchange Regulation 6 that (1) clarifies what business attire is deemed acceptable on the trading floor, and (2) increases the amount of fines associated with violations of Exchange Regulation 6; and

(v) Amendments to Exchange Regulations 2, 4, 5 and 6 that add language indicating that Exchange Staff may impose fines for breaches of order, decorum, health, safety and welfare on the members, member organizations, participants, participant organizations and their associated persons.

### III. Discussion and Commission Findings

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.<sup>8</sup> Specifically, the Commission finds that the proposal is consistent with Section 6(b) of the Act<sup>9</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>10</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to 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. Specifically, the Commission finds that proposed amendments to the Exchange's order and decorum regulations would assist the Exchange in maintaining an orderly operating environment, which is consistent with the protection of investors and the public interest.

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<sup>8</sup> In approving this proposed rule change the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>9</sup> 15 U.S.C. 78f(b).

<sup>10</sup> 15 U.S.C. 78f(b)(5).

In addition, the Commission finds that the proposal is consistent with Section 6(b)(6) of the Act<sup>11</sup> which requires the rules of an exchange provide that its members be appropriately disciplined for violations of the Act as well as the rules and regulations thereunder. Specifically, the Commission finds that the Exchange's proposed disciplinary sanctions and fines for violations of its order and decorum regulations are consistent with normal regulatory safeguards that an exchange should provide under the Act to ensure the order and operation of its trading floor. In particular, these proposed fines appear to provide an appropriate sanction for violations of the Exchange's order and decorum rules and should help to deter violations. This proposed rule change also makes clear that fines can be imposed against the Exchange's members, member organizations, participants, participant organizations and their associated persons for violations of the Exchange's rules.

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<sup>11</sup> 15 U.S.C. 78f(b)(6).

VI. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the proposed rule change, as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>12</sup> 15 U.S.C. 78s(b)(2).

<sup>13</sup> 17 CFR 200.30-3(a)(12).