

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53979; File No. SR-Phlx-2006-30)

June 14, 2006

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change Relating to Reducing Staffing Requirements for Options Specialist Units

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 May 4, 2006, 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 prepared by the Phlx. On June 6, 2006, the Phlx filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Phlx proposes to amend Phlx Rule 501(d) to reduce the mandatory staffing requirement to be approved as an options or foreign currency options specialist unit and to retain such status, while continuing to enable the Exchange’s Options Allocation, Evaluation and Securities Committee (“Options Allocation Committee”)⁴ to require a unit to obtain additional staffing.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange clarified the rationale for reducing staffing for foreign currency options and made non-substantive changes to the proposed rule change.

⁴ See Phlx By-Law Article X, Section 10-7. The Options Allocations Committee has jurisdiction over, among other things: the appointment of specialists on the options and foreign currency options trading floors; allocation, retention and transfer of privileges to deal in options on the trading floors; and administration of the 500 series of Phlx rules.

The text of the proposed rule change is set forth below. Proposed new language is underlined; proposed deletions are in [brackets]:

Rule 501. Specialist Appointment

(a)-(c) - No Change.

(d) To be approved as a specialist unit and to retain the privilege of such status, an options or foreign currency options specialist unit must maintain the approved clearing arrangements and capital structure stated on their application as described in (b)(2) and (b)(3) above. Changes regarding the requirements in (b)(4) must be submitted and approved by the Committee. In addition, each unit must consist of at least the following staff for each [quarter turret (or equivalent portion of a) trading floor specialist post[]]: (1) one head specialist; and (2)[two] one assistant specialist[s with respect to options specialist units (of which at least one] that must be associated with the specialist unit[]]; and (3) one specialist clerk]. The Committee, in its discretion, may require a unit to obtain additional staff depending upon the number of assigned options classes and associated order flow.

(e)-(f) - No Change.

Commentary - No Change.

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, as amended, 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, as amended, is to provide flexibility in options and foreign currency options specialist unit staffing by reducing the mandatory staffing requirement, in light of increased automation respecting options trading.

Currently, Phlx Rule 501(d) requires that in order to be approved as an options or foreign currency options specialist unit and retain such status, the specialist unit shall have at each quarter turret or trading post one head specialist, two assistant specialists (at least one of whom must be associated with the specialist unit), and one specialist clerk.⁵ However, as the Exchange and member organizations continue to enhance options trading technology and options orders are now automatically executed on the Exchange over 90% of the time, the need to maintain the present required staffing levels for every specialist unit (three specialists and a clerk) is significantly reduced.⁶ The Exchange believes that, in light of such technological advances, and in conjunction with requests from specialist units for greater staffing flexibility, requiring only one assistant specialist and eliminating the requirement for a specialist clerk is warranted.⁷

⁵ The Exchange is also proposing to make non-substantive changes to Phlx Rule 501(d) such as deletion of obsolete references to quarter turrets, which are no longer used on the floor.

⁶ Furthermore, the Phlx believes that the number of foreign currency option orders executed on the Exchange does not warrant high staffing levels. In 2005, as an example, the number of foreign currency option orders executed on the Exchange was less than 1% of the overall number of option orders executed on the Exchange. Telephone conversation between Jurij Trypupenko, Director, Phlx and David Michehl, Special Counsel, Division of Market Regulation, Commission on June 13, 2006.

⁷ The changes proposed in Phlx Rule 501(d) herein are not intended to alter other specialist unit obligations established by Phlx rules.

2. Statutory Basis

The Exchange believes that the proposal, as amended, is consistent with Section 6(b) of the Act,⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁹ in particular, in that the proposal is designed to promote just and equitable principles of trade, and to protect investors and the public interest, by adding flexibility to specialist staffing requirements while retaining the ability of the Options Allocations Committee to require additional staffing where appropriate, which should enhance operational efficiencies.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change, as amended, 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 either solicited or received.

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

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- A. by order approve such proposed rule change, as amended; or
- B. institute proceedings to determine whether the proposed rule change, as amended, should be disapproved.

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, 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-2006-30 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2006-30. 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 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 Number SR-Phlx-2006-30 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

¹⁰ 17 CFR 200.30-3(a)(12).