

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56881; File No. SR-Phlx-2007-72)

December 3, 2007

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 3 and 4 Thereto, Relating to Delisting Securities Underlying Low ADV Options

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 September 21, 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 and II below, which Items have been substantially prepared by the Phlx. On October 26, 2007, the Exchange filed Amendment No. 1 to the proposed rule change. The Exchange withdrew Amendment No. 1 on October 31, 2007. The Exchange filed Amendment No. 2 to the proposed rule change on October 31, 2007.³ On November 29, 2007, the Exchange filed Amendment No. 3 to the proposed rule change.⁴ On November 30, 2007, the Exchange filed Amendment No. 4 to the proposed rule change.⁵ The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment Nos. 3 and 4, from interested persons and to approve the proposal, as amended, on an accelerated basis.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 2 superseded and replaced the original filing in its entirety.

⁴ Amendment No. 3 superseded and replaced Amendment No. 2 in its entirety.

⁵ Partial Amendment No. 4 made a technical change to the title of Phlx Rule 1010.

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

The Phlx proposes to amend Phlx Rule 1010 (“Withdrawal of Approval of Underlying Securities”) to enable the Exchange to cease listing additional series of equity options and to delist the class of equity options where the option has been trading on the Exchange not less than six (6) months and the Exchange average daily volume (“ADV”) of the entire class of options was less than twenty (20) contracts over the last six (6) month period.

The text of the proposed rule change is available at Phlx, 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, 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 III 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 amend Phlx Rule 1010 to enable the Exchange to cease listing additional series of options and to delist the class of options where the option has been listed on the Exchange not less than six (6) months and the ADV of the entire class of options overlying the security over the last six (6) month period was less than twenty (20) contracts.

The Exchange's current Rule 1010 indicates that, allowing for exceptional circumstances, where requirements for continued listing (also known as maintenance criteria) for listed options are not met, additional series of options will not be opened and the options contracts may be delisted. The continued listing criteria in Phlx Rule 1010 is specific to the type of underlying security (e.g., equity securities, Exchange Traded Fund Shares, Trade Issued Receipts, American Depository Receipts, Holding Company Depository Receipts) and may include the number of outstanding shares of the underlying security, the number of security holders, trading volume, and price.

The Exchange proposes to enhance Phlx Rule 1010 by providing that the Exchange will not open for trading any additional series of equity option contracts of the class overlying a security and may delist the class of options if:

- The option has been listed on the Exchange not less than six (6) months; and
- the Exchange average daily volume of the entire class of options over the last six (6) month period was less than twenty (20) contracts.

The proposal also would provide that if an option is singly listed only on the Exchange, the Exchange will cease to add new series and may delist the option when there is no remaining open interest in the product.

The proposal further indicates that if the Exchange determines to delist an option it will notify the affected specialist (the specialist allocated trading in the option in question) not less than ten (10) days before the scheduled delisting date. Within two (2) days after receiving the notification, the specialist has the opportunity to respond in writing with a justification for and/or explanation of the low ADV in the relevant option and why he or she believes that the Exchange should continue to list the option. While the specialist's justification will not be dispositive to

the Exchange's decision to delist, the Exchange may take the justification into consideration. The Exchange will indicate its delisting decision in writing to the specialist that submitted the justification letter.

The Exchange believes that its low ADV delisting proposal is consistent with the Phlx maintenance and delisting criteria in Phlx Rule 1010 and should reduce or eliminate the quotation traffic attendant to low volume options listings that may nevertheless experience significant quoting activity. The Exchange believes that this should in turn diminish the total number of strikes that need to be maintained by the Exchange and potentially may thereby reduce technology costs for the Exchange and its member organizations and free up Exchange capacity. The Phlx further believes that expanding the Exchange's ability to manage its quotation traffic should benefit not only the Exchange and its members, but also public and professional traders and ultimately the industry. Moreover, the proposal complements and extends the Exchange's efforts with respect to quote mitigation.⁶

The Exchange notes that the proposal to stop adding series of equity options and to delist low ADV options is similar to low volume options delisting procedures in use by other options exchanges.⁷

⁶ See, e.g., Securities Exchange Act Release Nos. 55080 (January 10, 2007), 72 FR 2324 (January 18, 2007) (SR-Phlx-2006-51) (establishing performance evaluations for streaming quote traders ("SQTs") and remote SQTs ("RSQTs") to measure efficient quoting); 55027 (December 29, 2006), 72 FR 1358 (January 11, 2007) (SR-Phlx-2006-53) (permitting options allocations to SQTs and RSQTs by root symbol to promote quoting efficiency); 55114 (January 17, 2007), 72 FR 3185 (January 24, 2007) (SR-Phlx-2006-81) (establishing maximum number of quoters ("MNQ") in equity options to manage quote traffic and bandwidth capacity); and 56261 (August 15, 2007), 72 FR 47112 (August 22, 2007) (SR-Phlx-2007-51) (increasing the MNQ levels to include additional participants).

⁷ See, e.g., Securities Exchange Act Release Nos. 55154 (January 23, 2007), 72 FR 4743 (February 1, 2007) (SR-CBOE-2006-92) (delisting equity options classes where ADV is less than 20 contracts); 56154 (July 27, 2007), 72 FR 43303 (August 3, 2007) (SR-

2. Statutory Basis

The Exchange believes that its proposal 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 it is designed to perfect the mechanism of a free and open market and the national market system, protect investors and the public interest, and promote just and equitable principles of trade. The proposal would achieve this by enhancing Phlx Rule 1010 regarding maintenance listings to allow for delisting historically low volume options, thereby reducing or eliminating attendant quote traffic.

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

The Exchange believes that the proposed rule change will not 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.

III. 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:

CBOE-2007-85) (providing exceptions to delisting policy under certain circumstances); 55161 (January 24, 2007), 72 FR 4754 (February 1, 2007) (SR-ISE-2006-62) (delisting equity options classes where ADV is less than 20 contracts); and 55162 (January 24, 2007), 72 FR 4738 (February 1, 2007) (SR-Amex-2006-106) (delisting equity options classes where equity options ADV is less than 25 contracts).

⁸ 15 U.S.C. 78f(b).

⁹ 15 U.S.C. 78f(b)(5).

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-2007-72 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-2007-72. 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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. 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-2007-72 and should be submitted on or before [insert date 21 days after publication in the Federal Register].

IV. Commission's Findings and Order Granting Accelerated Approval of Proposed Rule Change.

After careful consideration, the Commission finds that the Exchange's proposal to modify its rule regarding maintenance listings to allow for delisting of historically low volume options and to cease listing additional series of options is consistent with the requirements of the Section 6(b) of the Act¹⁰ and the rules and regulations thereunder applicable to a national securities exchange.¹¹ In particular, the Commission believes that the proposed rule change is consistent with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.¹² The Commission proposal should help to mitigate quote traffic of the Exchange and manage capacity concerns by providing the Exchange with the ability to cease listing new series in, and possibly delist, options classes with low trading volume, thus reducing or eliminating quotations in such classes that may experience significant quoting activity, but very little trading activity.

The Phlx has requested that the Commission find good cause for approving the proposed rule change prior to the thirtieth day after publication of the notice thereof in the Federal Register. The Commission believes that granting accelerated approval of the proposal will allow the Phlx to immediately implement its delisting policy, which should help to reduce options quote traffic on the Exchange. The Commission notes that Phlx's proposal is similar to delisting strategies adopted by other exchanges, which also were adopted to mitigate options quote

¹⁰ 15 U.S.C. 78f(b).

¹¹ In approving this proposed rule change, the Commission has considered its impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

¹² 15 U.S.C. 78f(b)(5).

traffic.¹³ Accordingly, the Commission finds good cause, pursuant to Section 19(b)(2) of the Act,¹⁴ for approving the proposed rule change prior to the thirtieth day after publication of the notice thereof in the Federal Register.

V. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁵ that the proposed rule change, as amended (SR-Phlx-2007-72), is hereby approved on an accelerated basis.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁶

Florence E. Harmon
Deputy Secretary

¹³ See supra, note 6.

¹⁴ 15 U.S.C. 78s(b)(2).

¹⁵ 15 U.S.C. 78s(b)(2).

¹⁶ 17 CFR 200.30-3(a)(12).