

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-54874; File No. SR-Phlx-2006-78)

December 5, 2006

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Eliminate Certain License Fees

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> notice is hereby given that on November 27, 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 Exchange. The Exchange has designated this proposal as one establishing or changing a due, fee, or other charge imposed by a self-regulatory organization pursuant to Section 19(b)(3)(A) of the Act,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. 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 proposes to modify its fee schedule to eliminate certain licensing fees and to not charge or rebate, when applicable, those license fees that were collected during the time period that the license fees were deemed to be no longer in effect. The text of the proposed rule change is available on the Phlx’s Web site, <http://www.phlx.com>, at the Phlx’s Office of the Secretary, and at the Commission’s Public Reference Room.

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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> 15 U.S.C. 78s(b)(3)(A).

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

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 proposal. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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 the Statutory Basis for, the Proposed Rule Change

1. Purpose

Currently, the Exchange imposes a license fee of \$0.10 per contract side for equity option and index option "firm" transactions on certain licensed products after a cap of \$60,000 per member organization is reached.<sup>5</sup> The Exchange also assesses a license fee of \$0.10 per contract side after a 14,000 cap is reached on Registered Options Traders ("ROT") comparison charges and ROT and specialist transaction charges in connection with non-AUTOM delivered equity option contracts on those products that carry a license fee.<sup>6</sup> Additionally, the Exchange imposes a license fee of \$0.05 per contract side for dividend and short stock interest strategies in

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<sup>5</sup> The \$60,000 cap applies to all "firm-related" equity option and index option comparison and transaction charges combined. "Firm-related" charges include equity option firm/proprietary comparison charges, equity option firm/proprietary transaction charges, equity option firm/proprietary facilitation transaction charges, index option firm/proprietary comparison charges, index option firm/proprietary transaction charges, and index option firm/proprietary facilitation transaction charges (collectively "firm-related" charges). See e.g., Securities Exchange Act Release No. 53287 (February 14, 2006), 71 FR 9186 (February 22, 2006) (SR-Phlx-2006-10).

<sup>6</sup> See Securities Exchange Act Release No. 54659 (October 27, 2006), 71 FR 64603 (November 2, 2006) (SR-Phlx-2006-67).

connection with certain products that carry license fees, if applicable.<sup>7</sup> The list of product symbols that are assessed a license fee are listed on the Exchange's \$60,000 "Firm-Related" Equity Option and Index Option Cap Fee Schedule.

The Exchange is proposing to eliminate the \$0.10 per contract side and \$0.05 per contract side license fees described above on the following products: iShares Lehman 1-3 Year Treasury Bond Fund, traded under the symbol SHY; iShares Lehman 7-10 Year Treasury Bond Fund, traded under the symbol IEF; iShares Lehman 20+ Treasury Bond Fund, traded under the symbol TLT; iShares Lehman Aggregate Bond Fund, traded under the symbol AGG; iShares Lehman TIPS Bond Fund, traded under the symbol TIP (collectively "iShares Lehman products"); Standard & Poor's Depository Receipts®, Trust Series 1, traded under the symbol SPY;<sup>8</sup> iShares S&P 100 Index, traded under the symbol OEF; iShares S&P Europe 350, traded under the symbol IEV; iShares S&P Global 100 Index, traded under the symbol IOO; iShares S&P Global Energy Sector Index, traded under the symbol IXC; iShares S&P Global Financial Sector Index, traded under the symbol IXG; iShares S&P Global Healthcare Sector Index, traded under the symbol IXJ; iShares S&P Global Information Technology Sector Index, traded under the symbol IXN; iShares S&P Global Telecom Sector Index, traded under the symbol IXP; iShares S&P Latin America 40, traded under the symbol ILF ; iShares S&P MidCap 400, traded under the symbol IJH; iShares S&P SmallCap 600, traded under the symbol IJR; iShares S&P TOPIX

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<sup>7</sup> See e.g., Securities Exchange Act Release No. 54424 (September 11, 2006), 71 FR 54699 (September 18, 2006) (SR-Phlx-2006-55).

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150, traded under the symbol ITF; iShares S&P 500, traded under the symbol IVV; S&P Industrial Select Sector SPDR, traded under the symbol XLI; S&P Technology Select Sector SPDR, traded under the symbol XLK; S&P Utilities Select Sector SPDR, traded under the symbol XLU; S&P Consumer Staples Select Sector SPDR, traded under the symbol XLP; S&P Energy Select Sector SPDR, traded under the symbol XLE; S&P Financial Select Sector SPDR, traded under the symbol XLF; S&P Health Care Select Sector SPDR, traded under the symbol XLV; S&P Materials Select Sector SPDR, traded under the symbol XLB; S&P Consumer Discretionary Select Sector SPDR, traded under the symbol XLY; MidCap SPDR, traded under the symbol MDY (collectively “S&P products”); State Street Global Advisors’, a division of State Street Bank and Trust Company (“SSGA”), streetTracks based on the Dow Jones & Co., Inc. (“Dow Jones”) Global Titans 50 Index<sup>SM</sup>, traded under the symbol DGT; SSGA’s streetTracks based on the Dow Jones Wilshire 5000 Index<sup>SM</sup>, traded under the symbol TMW; BGI’s iShares Dow Jones Select Dividend Index<sup>SM</sup>, traded under the symbol DVY; iShares Dow Jones U.S. Total Market Index<sup>SM</sup>, traded under the symbol IYY; iShares Dow Jones U.S. Basic Materials Index<sup>SM</sup>, traded under the symbol IWY; iShares Dow Jones U.S. Consumer Services Sector Index<sup>SM</sup>, traded under the symbol IYC; iShares Dow Jones U.S. Financial Sector Index<sup>SM</sup>, traded under the symbol IYF; iShares Dow Jones U.S. Financial Services Sector Index<sup>SM</sup>, traded under the symbol IYG; iShares Dow Jones U.S. Healthcare Sector Index<sup>SM</sup>, traded under the symbol IYH; iShares Dow Jones U.S. Industrial Sector Index<sup>SM</sup>, traded under the symbol IYJ; iShares Dow Jones U.S. Consumer Goods Sector Index<sup>SM</sup>, traded under the symbol IYK; iShares Dow Jones U.S. Real Estate Sector Index<sup>SM</sup>, traded under the symbol IYR; iShares Dow Jones U.S. Technology Sector Index<sup>SM</sup>, traded under the symbol IYW; iShares Dow Jones U.S. Telecommunications Sector Index<sup>SM</sup>, traded under the symbol IYZ; iShares Dow Jones U.S.

Utilities Sector Index<sup>SM</sup>, traded under the symbol IDU; and First Trust’s ETF based on the Dow Jones Select Microcap Index<sup>SM</sup>, traded under the symbol FDM, (collectively “Dow Jones products”);<sup>9</sup> NYSE Composite Index, traded under the symbol NYC; and NYSE U.S. 100 Index, traded under the symbol NY, (collectively “NYSE products”); and Nasdaq-100 Index Tracking Stock, traded under the symbol QQQQ (“QQQQ”)<sup>sm 10</sup>.

The proposed rule change would remove references to the product symbols listed above from the Exchange’s \$60,000 “Firm Related” Equity Option and Index Option Cap because the Exchange no longer pays a license fee in connection with the trading of these products.

Accordingly, there is no need to assess a license fee. Therefore, for trades settling on or after November 28, 2006, the Exchange will eliminate the \$0.10 and \$0.05 license fees for the above-

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<sup>9</sup> “Dow Jones” and “SSGA’s streetTracks based on the Dow Jones Global Titans 50 Index<sup>SM</sup>”, “SSGA’s streetTracks based on the Dow Jones Wilshire 5000 Index<sup>SM</sup>”, “BGI’s iShares Dow Jones Select Dividend Index<sup>SM</sup>”, “iShares Dow Jones U.S. Total Market Index<sup>SM</sup>”, “iShares Dow Jones U.S. Basic Materials Index<sup>SM</sup>”, “iShares Dow Jones U.S. Consumer Services Sector Index<sup>SM</sup>”, “iShares Dow Jones U.S. Financial Sector Index<sup>SM</sup>”, “iShares Dow Jones U.S. Financial Services Sector Index<sup>SM</sup>”, “iShares Dow Jones U.S. Healthcare Sector Index<sup>SM</sup>”, “iShares Dow Jones U.S. Industrial Sector Index<sup>SM</sup>”, “iShares Dow Jones U.S. Consumer Goods Sector Index<sup>SM</sup>”, “iShares Dow Jones U.S. Real Estate Sector Index<sup>SM</sup>”, “iShares Dow Jones U.S. Technology Sector Index<sup>SM</sup>”, “iShares Dow Jones U.S. Telecommunications Sector Index<sup>SM</sup>”, “iShares Dow Jones U.S. Utilities Sector Index<sup>SM</sup>”, and “First Trust’s ETF based on the Dow Jones Select Microcap Index<sup>SM</sup>”, are service marks of Dow Jones & Company, Inc. and have been licensed for use for certain purposes by the Philadelphia Stock Exchange, Inc. The Dow Jones products are not sponsored, endorsed, sold or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of investing in such product(s).

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referenced products. In addition, the Exchange will either not charge any license fees, or rebate any license fees that were collected, for iShares Lehman products, S&P products, Dow Jones products and NYSE products for trades settling on or after June 16, 2006 through November 27, 2006. Additionally, the Exchange will either not charge any license fees, or rebate any license fees that were collected, on QQQQ for trades settling on or after October 13, 2006 through November 27, 2006.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act<sup>11</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>12</sup> in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

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

The Phlx believes that the proposed rule change would impose no 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

The Exchange did not solicit or receive any written comments with respect to the proposal.

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

The foregoing proposed rule change has been designated as a fee change pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>13</sup> and Rule 19b-4(f)(2)<sup>14</sup> thereunder. Accordingly, the proposal is effective upon filing with the Commission. At any time within 60 days of the filing

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

<sup>12</sup> 15 U.S.C. 78f(b)(4).

<sup>13</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>14</sup> 17 CFR 240.19b-4(f)(2).

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](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2006-78 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-2006-78. 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 Exchange. 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-2006-78 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.<sup>15</sup>

Florence E. Harmon  
Deputy Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).