

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-55958; File No. SR-Phlx-2007-45)

June 26, 2007

Self-Regulatory Organizations; Philadelphia Stock Exchange Inc; Notice of Filing of Proposed Rule Change Relating to Establish New Procedures to Be Followed When Trading Halts on The Primary Market For The Underlying Security.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 14, 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, II and III below, which Items have been prepared by Phlx. 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

Phlx proposes to amend Exchange Rules 1047, Trading Rotations, Halts and Suspensions concerning equity options, 1047A, Trading Rotations, Halts or Reopenings concerning index options, and OFPA G-2, Trading Rotations, Halts or Reopenings, to establish new procedures to be followed when trading halts on the primary market for the underlying security.

The text of the proposed rule change is available at Phlx, www.phlx.com, and 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, Phlx included statements concerning the purpose of and basis for the proposed rule change. The text of these statements may be examined at the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

places specified in Item IV below. 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 help Exchange options specialists and Registered Options Traders ("ROTs") better manage risk following a trading halt on the primary market in the underlying security by permitting specialists to halt trading in the overlying option prior to receiving approval from an Options Exchange Official.

Under current Exchange rules, in order to halt trading in an option, the specialist in the option must seek out and obtain prior approval from an Options Exchange Official to do so. Typically, when trading in the underlying security halts on the primary market, a period of time passes before the specialist (a) learns of the halt on the primary market in the underlying security; and (b) is able to obtain the necessary approval to halt trading in the overlying option. During this time period, the specialist and ROTs continue to disseminate quotations in the option and are at significant market risk due to uncertainty in the pricing of the option.

The proposal would change the procedure for halting trading in equity options in the overlying option when trading is halted on the primary market in the underlying security, and in index options when trading on the primary market in underlying securities representing more than 10% of the current index value is halted. Specifically, the proposal would permit the specialist to halt trading in the option in these circumstances prior to receiving approval from an Options Exchange Official, provided that such approval is granted within five minutes following the halt of trading in the option.

The Exchange believes that this should reduce the time period following a trading halt on the primary market in the underlying security before trading the overlying option is halted, thus enabling specialists to halt trading in the overlying option more expeditiously.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act³ in general, and furthers the objectives of Section 6(b)(5) of the Act⁴ 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, by enabling Exchange options specialists and ROTs to better manage their market risk.

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

The Exchange does not believe that the proposed rule change will result in 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

Written comments were neither solicited nor 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, or

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(5).

- B. institute proceedings to determine whether the proposed rule change should be disapproved.

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-2007-45 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-2007-45. 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 such filing also will be available for inspection and copying at the principal office of 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-2007-45 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.⁵

Florence E. Harmon
Deputy Secretary

⁵ 17 CFR 200.30-3(a)(12).