

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-57434; File No. SR-Phlx-2008-19)

March 5, 2008

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Specialist Option Transaction Charge Credit Pilot Program

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (“Act”) and Rule 19b-4 thereunder,² notice is hereby given that on February 28, 2008, 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 substantially prepared by the Exchange. The Exchange filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act,³ and Rule 19b-4(f)(2) thereunder,⁴ 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

Phlx proposes to expand the Exchange’s current \$0.21 per contract specialist option transaction charge credit pilot program and to amend the Exchange’s fee schedule to include all customer orders that are delivered electronically by Phlx XL⁵ and subsequently executed via the

¹ 15 U.S.C.78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(2).

⁵ Phlx XL, formerly referred to as AUTOM, is the Exchange’s electronic options trading platform. See Exchange Rule 1080.

Intermarket Option Linkage (“Linkage”)⁶ as a Principal Acting as Agent (“P/A”) order.⁷

While changes to the fee schedule pursuant to this proposal are effective upon filing, the Exchange has designated the changes to be in effect for transactions settling on or after March 1, 2008 through July 31, 2008.⁸ The text of the proposed rule change is available at Phlx, the Commission’s Public Reference Room, and at 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 Exchange 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 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 Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to expand the Exchange’s current specialist option transaction charge credit pilot program and to amend the Exchange’s fee schedule to

⁶ Linkage is governed by the Options Linkage Authority under the conditions set forth under the Plan for the Purpose of Creating and Operating an Intermarket Option Linkage (the “Plan”) approved by the Securities and Exchange Commission. The registered U.S. options markets are linked together on a real-time basis through a network capable of transporting orders and messages to and from each market.

⁷ A P/A order is an order for the principal account of a specialist (or equivalent entity on another participant exchange that is authorized to represent public customer orders), reflecting the terms of a related unexecuted public customer order for which the specialist is acting as agent. See Plan for the Purpose of Creating and Operating an Intermarket Option Linkage Section 2(16)(a) and Exchange Rule 1083.

⁸ This proposal is scheduled to be in effect for the same time period as fees for Linkage Principal (“P”) and P/A orders. See Securities Exchange Act Release No. 56166 (July 30, 2007), 72 FR 43312 (August 3, 2007) (SR-Phlx-2007-52).

include all customer orders that are delivered electronically by Phlx XL and subsequently executed via Linkage as a P/A order. The Exchange options specialist units incur a \$0.21 per contract option transaction charge when they execute against the customer order that corresponds with the order that was delivered either through Phlx XL or Exchange's Options Floor Broker Management System⁹ ("FBMS") to the limit order book and subsequently executed at another exchange via Linkage as a P/A order. Currently, the Exchange provides for an option transaction charge credit of \$0.21 per contract for Exchange options specialist units that incur Phlx option transaction charges when a customer order is delivered to the limit order book via the FBMS and then is executed via Linkage as a P/A Order.¹⁰

This proposal seeks to expand the \$0.21 credit to include all customer orders that are delivered electronically by Phlx XL, not just FBMS orders, and that are subsequently executed via Linkage as a P/A order.

The purpose of this proposal is to help alleviate the potential economic burden of multiple transaction charges imposed on Exchange specialist units in connection with routing these types of Linkage orders. The Exchange believes it is appropriate to assist specialist units in offsetting some of the costs that they incur in routing orders to other options exchanges in order to obtain the National Best Bid or Offer. By expanding the option transaction charge credit to all

⁹ FBMS is designed to enable Floor Brokers and/or their employees to enter, route and report transactions stemming from options orders received on the Exchange. FBMS also is designed to establish an electronic audit trail for options orders represented and executed by Floor Brokers on the Exchange, such that the audit trail provides an accurate, time-sequenced record of electronic and other orders, quotations and transactions on the Exchange, beginning with the receipt of an order by the Exchange, and further documenting the life of the order through the process of execution, partial execution, or cancellation of that order. See Exchange Rule 1080, Commentary .06.

¹⁰ See Securities Exchange Act Release No. 56101 (July 19, 2007), 72 FR 40920 (July 25, 2007) (SR-Phlx-2007-50).

electronically delivered orders as described above, the Exchange should remain competitive with other exchanges with respect to the assessment of Linkage-related fees.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,¹¹ in general, and furthers the objectives of Section 6(b)(4) of the Act,¹² in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among Exchange members. The expanded \$0.21 credit should help alleviate the undue financial burden of multiple transaction charges that are incurred by these specialist units in connection with P/A orders executed via Linkage.

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

The Exchange does not believe that the proposed rule change 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

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change.

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

The foregoing proposed rule change is effective upon filing pursuant to Section

¹¹ 15 U.S.C. 78f(b).

¹² 15 U.S.C. 78f(b)(4).

19(b)(3)(A)(ii)¹³ of the Act and Rule 19b-4(f)(2)¹⁴ thereunder because it establishes or changes a due, fee, or other charge applicable only to a member imposed by the Exchange. At any time within 60 days of the filing 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. Please include File Number SR-Phlx-2008-19 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-2008-19. 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

¹³ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁴ 17 CFR 240.19b-4(f)(2).

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, on official business days between the hours of 10:00 am and 3:00 pm. Copies of such filing will also 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 No. SR-Phlx-2008-19 and should be submitted on or before [insert date 21 days from date of publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁵

Florence E. Harmon
Deputy Secretary

¹⁵ 17 CFR 200.30-3(a)(12).