

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53462; File No. SR-Phlx-2005-70)

March 9, 2006

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Approving Proposed Rule Change Relating to the Deletion of Phlx Rule 454

On November 9, 2005, the Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”), filed with the Securities and Exchange Commission (“Commission”) a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² to delete Phlx Rule 454, “Limitations on Members’ Trading Because of Options, etc.” The proposed rule change was published for comment in the Federal Register on February 6, 2006.³ The Commission received no comments regarding the proposal. This order approves the proposed rule change.

The Phlx proposes to delete Phlx Rule 454, which prohibits a member, while on the floor, from initiating the purchase or sale of a security on the Exchange for the member’s own account or a related account if the member or a related account holds or has granted an over-the counter option on the security. The Phlx notes that it adopted Phlx Rule 454 in 1935.⁴

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 53188 (January 30, 2006), 71 FR 6122.

⁴ See Securities Exchange Act Release No. 13016 (November 29, 1976), 41 FR 53383 (December 6, 1976) (order approving File No. SR-Phlx-76-15) (amending Phlx Rule 454 to permit a Phlx member to trade an underlying security on the Phlx if the member has purchased or sold a listed option on the underlying security).

securities exchange.⁵ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,⁶ which requires, among other things, that the rules of a national securities exchange be designed to prevent fraudulent and manipulative acts and practices, 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. The Commission believes that the deletion of Phlx Rule 454 is consistent with Section 6(b)(5) of the Act because the Phlx now has in place comprehensive surveillance and oversight procedures designed to monitor trading in options and their underlying securities.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (SR-Phlx-2005-70) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Nancy M. Morris
Secretary

⁵ In approving this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁶ 15 U.S.C. 78f(b)(5).

⁷ 15 U.S.C. 78s(b)(2).

⁸ 17 CFR 200.30-3(a)(12).