

## OMB APPROVAL

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Page 1 of 15

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No. SR - 2007 - 06

Amendment No. 

Proposed Rule Change by Philadelphia Stock Exchange

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action <input type="checkbox"/>	Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document

**Description**

Provide a brief description of the proposed rule change (limit 250 characters).

Establishing a Port Fee and corresponding credit

**Contact Information**

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name  Last Name   
Title   
E-mail   
Telephone  Fax

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date By 

(Name)

Vice President

(Title)

NOTE: Clicking the button at right will digitally sign and lock  
this form. A digital signature is as legally binding as a physical  
signature, and once signed, this form cannot be changed.

Cynthia Hoekstra,

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

The Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange"), 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> proposes to implement a fee for connecting into the Exchange's system to enter quotes ("SQF<sup>3</sup> port fee"). The SQF port fee would operate as follows: for the first 5 active SQF ports,<sup>4</sup> a member organization would be charged \$250 per port per month and, for each additional active SQF port (over the first 5 active SQF ports), the member organization would be charged \$1,000 per port per month. Additionally, the same member organization would be credited \$0.02 per side for every option contract executed on the Phlx in that same month (excluding executions resulting from dividend, merger and short stock interest strategies)<sup>5</sup> up to the amount of the SQF port fees. The SQF port fee and corresponding credit would be applied per member organization.

The SQF port fee (assessed monthly) is scheduled to become effective February 1, 2007 and the corresponding \$0.02 credit (assessed per side per executed contract) is scheduled to become effective for trades settling on or after February 1, 2007.

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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> SQF stands for specialized quote feed and is a proprietary quoting system that allows specialists, streaming quote traders and remote streaming quote traders to connect and send quotes into Phlx XL, by-passing the Exchange's Auto-Quote System. See Exchange Rule 1080, commentary .01(b).

<sup>4</sup> Active ports refer to ports that receive inbound quotes at any time within that month.

<sup>5</sup> See e.g. Securities Exchange Act Release No. 54424 (September 11, 2006), 71 FR 54699 (September 18, 2006) (SR-Phlx-2006-55).

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, a copy of a comment letter is attached hereto as Exhibit 2, and a copy of the Appendix A of the Exchange's Fee Schedule is attached hereto as Exhibit 5.

2. Procedures of the Self-Regulatory Organization

The Executive Committee, pursuant to delegated authority, approved the proposal for filing with the Securities and Exchange Commission ("SEC" or "Commission") on July 31, 2006 and January 10, 2007.

Questions and comments on the proposed rule change may be directed to Cynthia Hoekstra, Vice President, at (215) 496-5066 or Edith Hallahan, Senior Vice President and Deputy General Counsel, at (215) 496-5179.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

The purpose of the SQF port fee and corresponding credit is to encourage more efficient quoting, which should, in turn, promote a more efficient use of SQF ports. The Exchange believes that using fewer ports should assist in addressing the current and growing quoting and efficiency issues. The number of ports correlates to quoting efficiency, in that more efficient quoting uses fewer ports and fewer ports means the Exchange's systems are being used to process the same number of quotes more quickly. The credit should also encourage member organizations to send more business to the Exchange. More efficient quoting should, in turn, result in more executions on the Phlx, for which the member organization will receive a credit up to the amount of any SQF port fees that are incurred.

b. Statutory Basis

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act<sup>6</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>7</sup> in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

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

The Phlx does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

A written comment was received requesting that the Exchange grant an extension regarding the implementation date for the port fee.<sup>8</sup>

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<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> 15 U.S.C. 78f(b)(4).

<sup>8</sup> In an email dated January 17, 2007, a member requested that the date of implementation for the port fee be delayed. In August 2006, the Exchange originally distributed a memorandum, which notified members/member organizations of the Exchange's intention to adopt an SQF port fee in order to provide such members/member organizations with the opportunity to change their port arrangements before the SQF port fee took effect. Originally, the Exchange anticipated that the port fee would become effective on November 1, 2006. The Exchange, however, delayed the implementation date until February 1, 2007 to allow members/member organizations additional time to change their port arrangements. The Exchange believes that sufficient notice has been given to members/member organizations regarding the proposed port fee, which includes the August 2006 memorandum and a delay in the implementation date from November 1, 2006 until February 1, 2007. Therefore, the Exchange believes that a further delay in the implementation date is not warranted.

6. Extension of Time Period for Commission Action

The Exchange does not consent to an extension of the time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing proposed rule change establishes or changes a due, fee, or other charge applicable only to a member pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>9</sup> and Rule 19b-4(f)(2)<sup>10</sup> thereunder. Accordingly, the proposal will take effect upon filing with the Commission. 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.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is similar to the rules of the International Securities Exchange, LLC.<sup>11</sup>

9. Exhibits

1. Notice of proposed rule for publication in the Federal Register.
2. Comment letter.
5. Appendix A of the Exchange's Fee Schedule.

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

<sup>11</sup> See Securities Exchange Act Release No. 53522 (March 20, 2006), 71 FR 14975 (March 24, 2006) (SR-ISE-2006-09) (establishing a new method for charging Session/API ("login") fees to members).

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_; File No. SR-Phlx-2007-06)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of  
Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Port 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 \_\_\_\_\_ 2007, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the 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

The Phlx, pursuant to Section 19(b)(1) of the Act<sup>3</sup> and Rule 19b-4 thereunder,<sup>4</sup> proposes to implement a fee for connecting into the Exchange's system to enter quotes ("SQF<sup>5</sup> port fee"). The SQF port fee would operate as follows: for the first 5 active SQF

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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)(1).

<sup>4</sup> 17 CFR 240.19b-4.

<sup>5</sup> SQF stands for specialized quote feed and is a proprietary quoting system that allows specialists, streaming quote traders and remote streaming quote traders to connect and send quotes into Phlx XL, by-passing the Exchange's Auto-Quote System. See Exchange Rule 1080, commentary .01(b).

ports,<sup>6</sup> a member organization would be charged \$250 per port per month and, for each additional active SQF port (over the first 5 active SQF ports), the member organization would be charged \$1,000 per port per month. Additionally, the same member organization would be credited \$0.02 per side for every option contract executed on the Phlx in that same month (excluding executions resulting from dividend, merger and short stock interest strategies)<sup>7</sup> up to the amount of the SQF port fees. The SQF port fee and corresponding credit would be applied per member organization.

The SQF port fee (assessed monthly) is scheduled to become effective February 1, 2007 and the corresponding \$0.02 credit (assessed per side per executed contract) is scheduled to become effective for trades settling on or after February 1, 2007.

The text of the proposed rule change is available on the Exchange's Website at <http://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 IV below. The Phlx has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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<sup>6</sup> Active ports refer to ports that receive inbound quotes at any time within that month.

<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).

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the SQF port fee and corresponding credit is to encourage more efficient quoting, which should, in turn, promote a more efficient use of SQF ports. The Exchange believes that using fewer ports should assist in addressing the current and growing quoting and efficiency issues. The number of ports correlates to quoting efficiency, in that more efficient quoting uses fewer ports and fewer ports means the Exchange's systems are being used to process the same number of quotes more quickly. The credit should also encourage member organizations to send more business to the Exchange. More efficient quoting should, in turn, result in more executions on the Phlx, for which the member organization will receive a credit up to the amount of any SQF port fees that are incurred.

2. Statutory Basis

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act<sup>8</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>9</sup> in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

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<sup>8</sup> 15 U.S.C. 78f(b).

<sup>9</sup> 15 U.S.C. 78f(b)(4).

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 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

A written comment was received requesting that the Exchange grant an extension regarding the implementation date for the port fee.<sup>10</sup>

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>11</sup> and paragraph (f)(2) of Rule 19b-4<sup>12</sup> thereunder. 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

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<sup>10</sup> In an email dated January 17, 2007, a member requested that the date of implementation for the port fee be delayed. In August 2006, the Exchange originally distributed a memorandum, which notified members/member organizations of the Exchange's intention to adopt an SQF port fee in order to provide such members/member organizations with the opportunity to change their port arrangements before the SQF port fee took effect. Originally, the Exchange anticipated that the port fee would become effective on November 1, 2006. The Exchange, however, delayed the implementation date until February 1, 2007 to allow members/member organizations additional time to change their port arrangements. The Exchange believes that sufficient notice has been given to members/member organizations regarding the proposed port fee, which includes the August 2006 memorandum and a delay in the implementation date from November 1, 2006 until February 1, 2007. Therefore, the Exchange believes that a further delay in the implementation date is not warranted.

<sup>11</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>12</sup> 17 CFR 240.19b-4(f)(2).

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-2007-06 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-2007-06](#). 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 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-2007-06](#) 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>13</sup>

Nancy M. Morris  
Secretary

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<sup>13</sup> 17 CFR 200.30-3(a)(12).

Exhibit 2

-----Original Message-----

**From:** Eric.Foster@group1.com [mailto:Eric.Foster@group1.com]

**Sent:** Wednesday, January 17, 2007 10:55 AM

**To:** Briggs, William

**Cc:** Brown, Shelly; Smith, Walt; thomas.whittman@PHLX.com

**Subject:** Ports

Good morning Bill, I wanted to let you know where we are w/Actant, our port situation, and implementing our consolidated port server. As I'm sure you are aware we have continued working w/both Actant and the exchange in testing the port server and getting it into production. We have received a viable application of software from Actant that will work w/the consolidated server and we have successfully tested w/the exchange. We are currently going to put users on the server starting next Tuesday and if all goes well we will continue to add users throughout that week and in the weeks after until all users are migrated over.

This has been a long process for all parties involved and is going to be a change in the way we currently send our quotes to the exchange. Because of this I hope you understand that the rollout process cannot happen all at once. And, while we have maintained our pressure on Actant to get a viable platform and software for the server to us most aspects of this process have been out of our direct control. This also includes scheduling testing w/all parties. Most of the testing was occurring over the Holidays and expiration week which proved problematic for us in scheduling testing days w/the exchange. This obviously pushed back testing and our eventual go live date. It is my understanding that the exchange is unwilling to extend the date of the fee implementation for port utilization. I realize and appreciate that this date has been extended before and feel that we are in the final stretch w/rolling the server out to all traders (w/in a month). Because of this and for the reasons mentioned above I would ask the exchange for another extension. Throughout this process Group One has remained committed to correcting this issue and has worked w/all parties to ensure we have a viable alternative. If you have any questions or wish to speak w/me please contact me on the floor (x5337). Thank you.

Eric Foster  
Group One Trading

*New text underlined; deleted text bracketed*

Exhibit 5  
APPENDIX A  
\* \* \* \* \*

∞ The NASD, on behalf of the Exchange, will bill and collect these fees.

NASD CRD Processing Fee <sup>8</sup>	\$ 85.00
NASD Disclosure Processing Fee <sup>9</sup>	\$ 95.00
NASD Annual System Processing Fee <sup>10</sup>	\$ 30.00
NASD Fingerprint Card Processing Fee – 1 <sup>st</sup> Submission <sup>11</sup>	\$ 35.00
NASD Fingerprint Card Processing Fee – 2 <sup>nd</sup> submission <sup>12</sup>	\$ 13.00
NASD Fingerprint Card Processing Fee– 3 <sup>rd</sup> submission <sup>13</sup>	\$ 35.00
NASD Processing Fee for Fingerprint Results <sup>14</sup>	\$ 13.00
Trading Floor Personnel Registration Fee <sup>15</sup>	\$ 25.00 monthly
Continuing Education Fee <sup>16</sup>	\$ 75.00
Computer Equipment Services, Repairs or Replacements	\$ 100.00 per service call and \$ 75.00 per hour (Two hour minimum)
Computer Relocation Requests	\$ 100.00 per service call and \$ 75.00 per person, per hour (Two hour minimum)
<u>SQF Port Fee and Corresponding Credit (up to the amount of the SQF port fee)</u>	<u>\$ 250.00 per port per month for the first 5 active SQF ports.<sup>17</sup></u> <u>\$1,000.00 per port per month for each additional active SQF port (over the first 5 active SQF ports).</u>  <u>Credit of \$0.02 per side for every option contract executed on the Phlx in that same month from the same member organization (excluding executions resulting from dividend, merger and short stock interest strategies).</u>

<sup>8</sup> The NASD CRD Processing Fee is paid directly to the NASD for all initial, transfer, relicense and dual registration Form U4 filings.

<sup>9</sup> The NASD Disclosure Processing Fee, applicable to Form U4, Form U5 and amendments thereto, will be paid directly to the NASD for all registration, transfer or termination filings with new or amended disclosure information or that require certification, as well as any amendment to disclosure information. This fee applies to any filing containing a disclosure that was not previously disclosed on Web CRD.

<sup>10</sup> The NASD Annual System Processing Fee is assessed only during renewals and is paid directly to the NASD.

<sup>11</sup> The NASD Fingerprint Card Processing Fee is for first card submissions and is paid directly to the NASD.

<sup>12</sup> This NASD Fingerprint Card Processing Fee is for second card submissions and is paid directly to the NASD.

<sup>13</sup> This NASD Fingerprint Card Processing Fee is for third card submissions and is paid directly to the NASD.

<sup>14</sup> The NASD Processing Fee for Fingerprint Results applies to results submitted by other self-regulatory organizations; this fee is paid directly to the NASD.

<sup>15</sup> This fee is imposed on member/participant organizations for individuals who are employed by such member/participant organizations and who work on the Exchange's trading floor, such as clerks, interns, stock execution clerks and other associated persons, but who are not registered as members or participants.

<sup>16</sup> This fee will be assessed as to each individual who is required to complete the Regulatory Element of the Continuing Education Requirements pursuant to Exchange Rule 640. This fee is paid directly to the NASD.

<sup>17</sup> Active ports refer to ports that receive inbound quotes at any time within that month.

## APPENDIX A

Appeal Fee for Appeals to the Board of Governors<sup>[17]18</sup>      \$ 250.00

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<sup>[17]18</sup> This fee will apply to an appeal from a decision of a Standing Committee with the exception of appeals from a decision of the Business Conduct Committee, the Hearing Officer, Hearing Panels or Nominating Elections and Governance Committee. This fee will be refunded to appellant in the event the Board of Governors overturns the decision of the Standing Committee.