

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such proposed 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-NYSE-2006-58 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-NYSE-2006-58. 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 NYSE. 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-NYSE-2006-58 and should

be submitted on or before October 10, 2006.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Nancy M. Morris,

Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-54429; File No. SR-Phlx-2006-52]

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Notice of Filing of Proposed Rule Change, and Amendment No. 1 Thereto, Relating to Quoting Obligations

September 12, 2006.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 15, 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 Phlx. On September 8, 2006, the Exchange filed Amendment No. 1 to the proposed rule change.³ The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Phlx proposes to amend Phlx Rule 1014, "Obligations and Restrictions Applicable to Specialists and Registered Options Traders," by adopting Phlx Rule 1014(b)(ii)(D)(4), which would state that Streaming Quote Traders ("SQTs"),⁴ Remote Streaming Quote Traders ("RSQTs"),⁵ and SQTs

¹⁴ 17 CFR 200.30-3(a)(12).

¹⁵ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 made a clarifying change to the proposed rule text, as well as two minor technical changes to the purpose section.

⁴ An SQT is an Exchange Registered Options Trader ("ROT") who has received permission from the Exchange to generate and submit option quotations electronically through AUTOM in eligible options to which such SQT is assigned. An SQT may only submit such quotations while such SQT is physically present on the floor of the Exchange. See Phlx Rule 1014(b)(ii)(A).

⁵ An RSQT is an ROT that is a member or member organization with no physical trading floor presence who has received permission from the

and RSQTs that receive Directed Orders⁶ ("DSQTs" and "DRSQTs," respectively) would be deemed not to be assigned in any option series until the time to expiration for such series is less than nine months. Therefore, according to the Exchange, the market making obligations described in Phlx Rule 1014(b)(ii)(D) would not apply to SQTs, RSQTs, DSQTs and DRSQTs respecting series with an expiration of nine months or greater. The Exchange proposes to adopt the rule on a six-month pilot basis, beginning on the date of approval of the proposed rule change. The text of the proposed rule change, as amended, is available on the Phlx's Web site at <http://www.phlx.com>, the Phlx's Office of the Secretary, and at 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, the Phlx included statements concerning the purpose of and basis for the proposed rule change, as amended, 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.

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, as amended, is to mitigate the Exchange's quote traffic and capacity by relaxing the quoting obligations applicable to SQTs, RSQTs, DSQTs, and DRSQTs, thereby reducing the number of quotations required to be submitted on the Exchange.

Current Quoting Obligations.

Currently, SQTs and RSQTs that do not receive Directed Orders in a Streaming Quote Option⁷ are responsible to quote

Exchange to generate and submit option quotations electronically through AUTOM in eligible options to which such RSQT has been assigned. An RSQT may only submit such quotations electronically from off the floor of the Exchange. See Phlx Rule 1014(b)(ii)(B).

⁶ The term "Directed Order" means any customer order (other than a stop or stop-limit order as defined in Phlx Rule 1066) to buy or sell which has been directed to a particular specialist, RSQT, or SQT by an Order Flow Provider. See Phlx Rule 1080(l)(i)(A).

⁷ A Streaming Quote Option is an option in which SQTs may generate and submit option quotations if such SQT is physically present on the Exchange

continuous, two-sided markets in not less than 60% of the series in each Streaming Quote Option in which such SQT or RSQT is assigned.⁸

A DSQT or DRSQT is responsible to quote continuous, two-sided markets in not less than 99% of the series listed on the Exchange in at least 60% of the options in which such DSQT or DRSQT is assigned.⁹ Whenever a DSQT or DRSQT enters a quotation in an option in which such DSQT or DRSQT is assigned, such DSQT or DRSQT must maintain continuous quotations for not less than 99% of the series of the option listed on the Exchange until the close of that trading day.¹⁰

The Proposal. One way to reduce the number of quotations submitted by SQTs, RSQTs, DSQTs and DRSQTs is to relax the quoting obligations that require quotes to be generated. Specifically, the Exchange proposes, on a six-month pilot basis, to permit SQTs, RSQTs, DSQTs and DRSQTs not to submit streaming quotations in options with a series of more than nine months until expiration, which are known as LEAPS (Long-term Equity Anticipation Securities), by deeming them not to be assigned in any option series until the time to expiration for such series is less than nine months. The effect of this is to relax their quoting obligations, and ultimately the number of quotes they are required to submit, because the quoting obligations in Phlx Rule 1014(b)(ii)(D)(1) apply only to those options in which they are assigned.

Specialists, currently responsible to quote continuous, two-sided markets in not less than 99% of the series in each Streaming Quote Option in which such specialist is assigned,¹¹ would still be required to quote LEAPS, so the Exchange would continue to disseminate a two-sided market in LEAPS. The Exchange believes that this should facilitate order routing decisions for order flow providers in determining to send order flow to the Exchange generally in all options series. Many order flow providers, from a technology standpoint, find it burdensome to determine to which market they route orders in a particular option based on whether that market trades LEAPS or not; it is simply easier to route to the market that does.

floor, and RSQTs may generate and submit option quotations from off the floor of the Exchange, electronically. See Phlx Rule 1080(k). Currently, all options trading on the Exchange are Streaming Quote options.

⁸ See Phlx Rule 1014(b)(ii)(D)(1).

⁹ See Phlx Rule 1014(b)(ii)(D)(1).

¹⁰ See Phlx Rule 1014(b)(ii)(D)(1).

¹¹ See Phlx Rule 1014(b)(ii)(D)(2).

The Exchange proposes to effect the proposed rule change on a six-month pilot basis, beginning on the date the Commission approves this proposed rule filing.

2. Statutory Basis

The Exchange believes that its proposal, as amended, is consistent with Section 6(b) of the Act,¹² in general, and furthers the objectives of Section 6(b)(5) of the Act,¹³ 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 relaxing the quoting requirements in LEAPS, thereby reducing the number of options quotations required to be submitted, which should enable the Exchange to mitigate quote traffic and use of capacity.

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

The Exchange does not believe that the proposed rule change, as amended, 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

Written comments on the proposed rule change, as amended, 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 Phlx consents, the Commission will:

(A) by order approve such proposed rule change, as amended, or

(B) institute proceedings to determine whether the proposed rule change, as amended, should be disapproved.

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Electronic Comments

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For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Nancy M. Morris,
Secretary.

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¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ 17 CFR 200.30-3(a)(12).