

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53673; File No. SR-Phlx-2005-80)

April 18, 2006

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Accelerated Approval to a Proposed Rule Change and Amendment No. 1 Thereto Relating to the Automated Delivery and Handling of Stop and Stop-Limit Orders

I. Introduction

On December 15, 2005, the Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² the proposed rule change relating to the automated delivery and handling of stop and stop-limit orders. On March 6, 2006, Phlx filed Amendment No. 1 to the proposed rule change with the Commission.³ The proposed rule change, as amended, was published for comment in the Federal Register on March 27, 2006.⁴ The Commission received no comments on the proposal. This order approves the proposed rule change, as amended, on an accelerated basis.

II. Description of the Proposal

The Phlx proposed to amend Phlx Rules 1066(c)(1) and 1080(b)(i)(A) and (C), and to delete Options Floor Procedure Advices (“OFPAs”) A-5 and A-6, to permit customer

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1, which replaced the original filing in its entirety, added clarifying language to the description of the proposed rule change and adopted a definition of “agency order” in Phlx Rule 1080(b)(i)(A).

⁴ See Securities Exchange Act Release No. 53514 (March 17, 2006), 71 FR 15240 (March 27, 2006).

and off-floor broker-dealer stop⁵ and stop-limit⁶ orders in options to be delivered via the Exchange's Automated Options Market ("AUTOM") System⁷ and to be handled electronically. The Exchange also proposed to amend Phlx Rule 1080(b)(i)(A) to include the definition of "agency order" in the rule and to delete certain provisions in the Exchange's rules that were either redundant or no longer practical.

III. Discussion

The Commission has reviewed the proposed rule change, as amended, and finds that it is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁸ In particular, the Commission finds the proposed rule change, as amended, is consistent with Section 6(b)(5) of the Act⁹ which, among other things, requires that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating securities transactions, to remove

⁵ A stop order is a contingency order to buy or sell when the market for a particular option contract reaches a specified price. A stop order to buy becomes a market order when the option contract trades or is bid at or above the stop price. A stop order to sell becomes a market order when the option contract trades or is offered at or below the stop price. See Phlx Rule 1066(c)(1).

⁶ A stop-limit order is a contingency order to buy or sell at a limited price when the market for a particular option contract reaches a specified price. A stop limit order to buy becomes a limit order executable at the limit price or better when the option contract trades or is bid at or above the stop-limit price. A stop limit order to sell becomes a limit order executable at the limit price or better when the option contract trades or is offered at or below the stop limit price. See id.

⁷ See Phlx Rule 1080.

⁸ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁹ 15 U.S.C. 78f(b)(5).

impediments to 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 proposal is intended to increase the number of orders handled electronically and establish rules that permit the electronic delivery and handling of stop and stop-limit orders via the Exchange's AUTOM System. The Commission notes that increasing the number of orders handled electronically should increase the efficiency and accuracy of the handling of such orders. In addition, the proposal is substantially similar to a rule currently in effect on the International Securities Exchange, Inc.¹⁰

The Exchange requests accelerated approval of the proposal to permit implementation of the functionality for stop and stop-limit orders in AUTOM as soon as possible. Therefore, the Exchange requests that the Commission find good cause for approving the proposal, as amended, prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register.

The Commission notes that the proposal and Amendment No. 1 were noticed for the full 21-day comment period, and the Commission received no comments regarding the proposal, as amended. As discussed more fully above, the Commission believes that the proposed rule change should permit the Exchange to handle stop orders and stop limit orders more efficiently. Accordingly, the Commission finds good cause pursuant to Section 19(b)(2) of the Act¹¹ to approve the proposed rule change, as amended, prior to the thirtieth day after the date of publication of notice of filing thereof in the Federal Register.

¹⁰ See Securities Exchange Act Release No. 48811 (November 20, 2003), 68 FR 66909 (November 28, 2003).

¹¹ 15 U.S.C. 78s(b)(2).

IV. Conclusion

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹² that the proposed rule change (File No. SR-Phlx-2005-80), as amended, be and hereby is, approved on an accelerated basis.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Nancy M. Morris
Secretary

¹² 15 U.S.C. 78s(b)(2).

¹³ 17 CFR 200.30-3(a)(12).