

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56933; File No. SR-Phlx-2007-70)

December 7, 2007

Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Approving a Proposed Rule Change Modified by Amendment No. 1 Thereto Relating to Rule 1034, Minimum Increments

On September 5, 2007, 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, as amended (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Rule 1034, Minimum Increments, to decrease the size of the minimum quoting and trading increments applicable to the Exchange’s U.S. dollar-settled foreign currency options (“FCOs”). On October 11, 2007, the Exchange submitted Amendment No. 1 to the proposed rule change. The proposed rule change, as amended, was published for comment in the Federal Register on November 02, 2007.³ The Commission received no comments on the proposal. This order approves the proposed rule change, as modified by Amendment No. 1.

Phlx proposed to amend Rule 1034, Minimum Increments, to decrease the size of the minimum quoting and trading increments applicable to the Exchange’s U.S. dollar-settled FCOs.⁴ Currently, all U.S. dollar-settled FCOs other than the Japanese yen have minimum

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 56714 (October 29, 2007), 72 FR 56714 (SR-Phlx-2007-70).

⁴ On January 8, 2007, the Exchange began trading U.S. dollar-settled options on the British pound and the Euro on the Exchange's electronic trading platform for options, Phlx XL. See Securities Exchange Act Release No. 54989 (December 21, 2006), 71 FR 78506 (December 29, 2006) (approving SR-Phlx-2006-34). The Exchange subsequently listed U.S. dollar-settled FCOs on the Australian dollar, the Canadian dollar, the Swiss franc

increments of \$.0010 (expressed as .10) or \$.0005 (expressed as .05). Minimum increments for the Japanese yen are \$.000010 (also expressed as .10) or \$.000005 (expressed as .05). In each case the applicable minimum increment is determined by the price at which the option is quoting. These minimum increments were originally established in order to accommodate trading of U.S. dollar-settled FCOs on the Phlx XL platform, which did not have penny trading capability when the rules for the U.S. dollar-settled FCOs were first drafted and filed with the Commission.

The proposed amendments to Rule 1034 would set the minimum increment for U.S. dollar-settled FCOs on currencies other than the Japanese yen at \$.0001 and the minimum increment for U.S. dollar-settled FCO contracts on the Japanese yen at \$.000001 (in both cases expressed as .01), regardless of the price at which the option is quoting. The Exchange believes that quoting and trading U.S. dollar-settled FCOs in smaller increments should provide additional trading opportunities and enable investors to trade these options with greater precision as to price. According to the Exchange, the changes would permit the trading of U.S. dollar-settled FCOs in the same minimum increments that have long been applicable to the Exchange's physical delivery FCO contracts.⁵

and the Japanese yen. See Securities Exchange Act Release No. 56034 (July 10, 2007), 72 FR 38853 (July 16, 2007) (approving SR-Phlx-2007-34).

The Exchange plans to implement the proposed rule change on January 2, 2008. Telephone conversation between Carla Behnfeldt, Director and Counsel, Phlx, and Natasha Cowen, Special Counsel, Division of Trading and Markets, Commission, on December 6, 2007.

⁵ Although U.S. dollar-settled FCOs would be trading in these narrower minimum increments, the Exchange notes that they would not actually be trading in pennies (the trading increment would actually be much smaller although it would be expressed as .01) and would not be considered part of the Exchange's pilot program currently applicable to certain equity options. The pilot, which permits certain options series to be quoted and traded in increments of \$ 0.01, began on January 26, 2007. See, e.g., Securities Exchange Act Release No. 56563 (September 27, 2007), 72 FR 56429 (October 3, 2007) (SR-Phlx-2007-62).

The Commission finds, after careful consideration, that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁶ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,⁷ which requires that an exchange have rules designed, among other things, 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 proposed rule change will allow U.S. dollar-settled FCOs to trade in the same increments as applicable to the Exchange's physical delivery FCOs.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁸ that the proposed rule change (SR-Phlx-2007-70), as modified by Amendment No. 1, be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

Florence E. Harmon
Deputy Secretary

⁶ In approving this rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78f(b)(5).

⁸ 15 U.S.C. 78s(b)(2).

⁹ 17 CFR 200.30-3(a)(12).