

**MEMO# 16859**

December 9, 2003

# **PHILADELPHIA STOCK EXCHANGE PROPOSED RULE CHANGE RELATING TO THE DEMUTUALIZATION OF THE EXCHANGE**

[16859] December 9, 2003 TO: EQUITY MARKETS ADVISORY COMMITTEE No. 36-03 RE: PHILADELPHIA STOCK EXCHANGE PROPOSED RULE CHANGE RELATING TO THE DEMUTUALIZATION OF THE EXCHANGE The SEC has published for comment a proposed rule change filed by the Philadelphia Stock Exchange relating to the demutualization of the Exchange.<sup>1</sup> Comments on the proposed rule change must be received by the SEC no later than December 24, 2003. If you would have any comments on the proposed rule change, please provide them to the undersigned by phone at (202) 371-5408 or by e-mail at [aburstein@ici.org](mailto:aburstein@ici.org) no later than December 17. Under the proposed demutualization plan, access to Exchange facilities and trading privileges will be conferred exclusively by newly-issued permits rather than by ownership or leasing of seats on the Exchange. According to the Release, after the effective date of the demutualization, the Exchange will continue to be a national securities exchange registered under the Securities Exchange Act and, except as will be necessary to implement the new permit structure, the Exchange is not proposing any significant changes to its existing operational and trading structure in connection with the demutualization. The Release states that the Exchange is proposing to demutualize for several reasons, including: (i) without demutualization, the Exchange's viability in its current operating structure is questionable in the face of significant financial challenges; (ii) without demutualization, the Exchange will be limited, to a large degree, to its current base of members and owners as a source of capital and revenue; (iii) the demutualization will potentially facilitate the Exchange's ability to enter into relationships with strategic or financial partners who may be crucial for the Exchange's future development, capital formation and viability; (iv) the new permit structure may facilitate the introduction of new products on the Exchange and will potentially increase transaction volume and Exchange revenues; and (v) a demutualized Exchange will be better positioned to react to new opportunities and challenges. Ari Burstein Associate Counsel 1 Securities Exchange Act Release No. 48847 (November 26, 2003), 68 FR 67720 (December 3, 2003) ("Release"). The Release can be found on the SEC's website at <http://www.sec.gov/rules/sro/34-48847.htm>.

should not be considered a substitute for, legal advice.