Proposed Rule Change by Philadelphia Stock Exchange

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

Initial  Amendment  Withdrawal

Section 19(b)(2)  Section 19(b)(3)(A)  Section 19(b)(3)(B)

Rule

Pilot  Extension of Time Period for Commission Action

Date Expires

Section 19(b)(2)  Section 19(b)(3)(A)  Section 19(b)(3)(B)

Rule

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

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

Date 08/31/2006

By Cynthia Hoekstra  Director

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,
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.

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).

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.

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.

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.

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item 1 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.

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")\(^1\) and Rule 19b-4 thereunder,\(^2\) proposes to remove the reference to options listed on the iShares FTSE/Xinhua China 25 Index Fund ("FXI Options"), from the Exchange’s Summary of Index Option and FXI Options Charges. Therefore, the Exchange proposes to charge transactions involving FXI Options according to the Exchange’s Summary of Equity Option Charges, which will, in turn, include payment for order flow charges, effective for trades settling on or after September 1, 2006.

Additionally, in connection with the Exchange’s payment for order flow program, the Exchange proposes to clarify who may receive payment for order flow funds, based on the instructions of the specialist units\(^3\) and Directed Registered Options Traders ("Directed ROTs").\(^4\) Currently, any available payment for order flow funds are disbursed by the Exchange according to the instructions of the specialist units and Directed ROTs.

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\(^3\) The Exchange uses the terms “specialist” and “specialist unit” interchangeably herein.

\(^4\) Directed ROTs are either Streaming Quote Traders ("SQTs") or Remote Streaming Quote Traders ("RSQTs") that receive Directed Orders. An SQT is an Exchange ROT who has received permission from the Exchange to generate and submit option quotations electronically through an electronic interface with AUTOM via an Exchange approved proprietary electronic quoting device in eligible options to which such SQT is assigned. AUTOM is the Exchange’s electronic order delivery, routing, execution and reporting system, which provides for the automatic entry and routing of equity option and index option orders to the Exchange trading floor. See Exchange Rules 1014(b)(ii) and 1080). An RSQT is an Exchange ROT that is a member or member organization of the Exchange with no physical trading floor presence who has received permission from the 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
A specialist unit or Directed ROT must certify to the Exchange that payment for order flow funds directed by either of them to be paid to Order Flow Providers reflect payment arrangements entered into by the specialist unit or Directed ROT and the Order Flow Provider. However, order flow providers who are not members or member organizations of the Exchange may also route orders to the Exchange through a member or member organization. In these situations, the Exchange proposes to clarify that the specialist unit or Directed ROT may instruct the Exchange to direct payment to these order flow providers if they have entered into payment arrangements with a specialist unit or Directed ROT to send order flow to the Exchange.

Finally, the Exchange is proposing to delete references to Full-size index options (“QCX”) and Mini index options (“QCE”) on the Nasdaq Composite Index, Inc.® from its current Summary of Index Option and FXI Options Charges and $60,000 “Firm Related” Equity Option and Index Option Cap, as these products are no longer listed or traded at the Exchange.

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5 The term “Order Flow Provider” is defined as any member or member organization that submits, as agent, customer orders to the Exchange. See Exchange Rule 1080(l).

6 The Nasdaq Composite Index® is a registered trademark of The Nasdaq Stock Market LLC, and is licensed for use by Phlx.
A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of the Exchange’s Summary of Index Options and FXI Options Charges and the Exchange’s $60,000 “Firm Related” Equity Option and Index Option Cap 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 August 30, 2006.

Questions and comments on the proposed rule change may be directed to Cynthia Hoekstra, Director, at (215) 496-5066 or Edith Hallahan, 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 Exchange currently charges transactions involving FXI options, an equity option, according to the Exchange’s Summary of Index Option and FXI Options Charges. The Exchange began charging for FXI Options in the same manner that the Exchange charges for index options beginning with transactions settling on or after October 19, 2004. The Exchange believed, at that time, that charging FXI Options according to the rates set forth in the Exchange’s Summary of Index Option and FXI Options Charges was reasonable for these types of products because the higher charges were to help defray some of the license fees incurred by the Exchange in connection with the listing and trading of FXI Options.
The purpose of this proposal is to remain competitive with other exchanges that also trade FXI Options pursuant to their respective equity option fee schedules. By assessing transactions involving FXI Options according to the Exchange’s Summary of Equity Option Charges, the transaction fees will be the same or lower than the charges currently assessed, which should, in turn, encourage more FXI Options business to be transacted on the Exchange. In addition, because FXI Options will now be subject to the Exchange’s fee schedule, a payment for order flow fee, as set forth on the Exchange’s Summary of Equity Option Charges, may now be charged on FXI Option transactions, which may also encourage additional order flow.⁷

The purpose of amending the definition of Order Flow Providers⁸ as set forth in the Exchange’s payment for order flow program is to clarify that the available payment for order flow funds that are disbursed by the Exchange according to instructions of the specialist units and Directed ROTs to Order Flow Providers, may include order flow providers that are not members or member organizations of the Exchange.

Currently, the term “Order Flow Provider” is defined in Exchange Rule 1080(l) as any member or member organization that submits, as agent, customer orders to the Exchange. The Exchange is not seeking to amend the definition as set forth in Rule 1080(l). As described above, the Exchange merely intends to clarify that in addition to the defined term of Order Flow Provider, order flow providers may include non-members or non-member organizations that submit, as agent, customer orders to the Exchange through a member or member organization. The Exchange is not changing any other aspect of its

⁷ Specialist units and Directed Registered Options Traders elect to opt into or out of the Exchange’s payment for order flow program.

⁸ See Exchange Rule 1080(l).
payment for order flow program pursuant to this filing. The payment for order flow fee will continue to be assessed on Exchange members, specifically specialists and Directed ROTs who participate in the Exchange’s payment for order flow program, in addition to Registered Options Traders.

The purpose of removing references to QCX and QCE from the Exchange’s current Summary of Index Option and FXI Options Charges and $60,000 “Firm Related” Equity Option and Index Option Cap is to update these fee schedules to reflect the fact that these products have been delisted from, and therefore no longer trade on, the Exchange.

b. **Statutory Basis**

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act\(^9\) in general, and furthers the objectives of Section 6(b)(4) of the Act\(^10\) 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**

No written comments were either solicited or received.


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\textsuperscript{11} and Rule 19b-4(f)(2)\textsuperscript{12} 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 not based on the rules of another self-regulatory organization or of the Commission.

9. **Exhibits**

1. Notice of proposed rule for publication in the Federal Register.

5. Exchange’s Summary of Index Options and FXI Options Charges and the Exchange’s $60,000 “Firm Related” Equity Option and Index Option Cap.

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\textsuperscript{12} 17 CFR 240.19b-4(f)(2).
**Exhibit 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No.                  ; File No. SR-Phlx-2006-56)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of  
Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to Amending  
the Summary of Index Option and FXI Options Charges and the $60,000 “Firm Related”  
Equity Option and Index Option Cap

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 ______________________ 2006,  
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\(^3\) and Rule 19b-4 thereunder,\(^4\)  
proposes to remove the reference to options listed on the iShares FTSE/Xinhua China 25  
Index Fund ("FXI Options"), from the Exchange’s Summary of Index Option and FXI  
Options Charges. Therefore, the Exchange proposes to charge transactions involving  
FXI Options according to the Exchange’s Summary of Equity Option Charges, which

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will, in turn, include payment for order flow charges, effective for trades settling on or after September 1, 2006.

Additionally, in connection with the Exchange’s payment for order flow program, the Exchange proposes to clarify who may receive payment for order flow funds, based on the instructions of the specialist units\(^5\) and Directed Registered Options Traders (“Directed ROTs”). \(^6\) Currently, any available payment for order flow funds are disbursed by the Exchange according to the instructions of the specialist units and Directed ROTs. A specialist unit or Directed ROT must certify to the Exchange that payment for order flow funds directed by either of them to be paid to Order Flow Providers\(^7\) reflect payment

\(^5\) The Exchange uses the terms “specialist” and “specialist unit” interchangeably herein.

\(^6\) Directed ROTs are either Streaming Quote Traders (“SQTs”) or Remote Streaming Quote Traders (“RSQTs”) that receive Directed Orders. An SQT is an Exchange ROT who has received permission from the Exchange to generate and submit option quotations electronically through an electronic interface with AUTOM via an Exchange approved proprietary electronic quoting device in eligible options to which such SQT is assigned. AUTOM is the Exchange’s electronic order delivery, routing, execution and reporting system, which provides for the automatic entry and routing of equity option and index option orders to the Exchange trading floor. See Exchange Rules 1014(b)(ii) and 1080). An RSQT is an Exchange ROT that is a member or member organization of the Exchange with no physical trading floor presence who has received permission from the 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. An RSQT may only trade in a market making capacity in classes of options in which he is assigned. See Exchange Rule 1014(b)(ii)(B). See Securities Exchange Act Release Nos. 51126 (February 2, 2005), 70 FR 6915 (February 9, 2005) (SR-Phlx-2004-90) and 51428 (March 24, 2005), 70 FR 16325 (March 30, 2005) (SR-Phlx-2005-12). The term “Directed Order” means any customer order to buy or sell, which has been directed to a particular specialist, RSQT, or “SQT” by an Order Flow Provider (defined below). The provisions of Rule 1080(l) are in effect for a one-year pilot period to expire on May 27, 2007. See Securities Exchange Act Release No. 53870 (May 25, 2006), 71 FR 31251 (June 1, 2006) (SR-Phlx-2006-27).

\(^7\) The term “Order Flow Provider” is defined as any member or member organization that submits, as agent, customer orders to the Exchange. See Exchange Rule 1080(l).
arrangements entered into by the specialist unit or Directed ROT and the Order Flow Provider. However, order flow providers who are not members or member organizations of the Exchange may also route orders to the Exchange through a member or member organization. In these situations, the Exchange proposes to clarify that the specialist unit or Directed ROT may instruct the Exchange to direct payment to these order flow providers if they have entered into payment arrangements with a specialist unit or Directed ROT to send order flow to the Exchange.

Finally, the Exchange is proposing to delete references to Full-size index options ("QCX") and Mini index options ("QCE") on the Nasdaq Composite Index, Inc.® from its current Summary of Index Option and FXI Options Charges and $60,000 “Firm Related” Equity Option and Index Option Cap, as these products are no longer listed or traded at the Exchange.


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.

8 The Nasdaq Composite Index® is a registered trademark of The Nasdaq Stock Market LLC, and is licensed for use by Phlx.
A. **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

1. **Purpose**

The Exchange currently charges transactions involving FXI options, an equity option, according to the Exchange’s Summary of Index Option and FXI Options Charges. The Exchange began charging for FXI Options in the same manner that the Exchange charges for index options beginning with transactions settling on or after October 19, 2004. The Exchange believed, at that time, that charging FXI Options according to the rates set forth in the Exchange’s Summary of Index Option and FXI Options Charges was reasonable for these types of products because the higher charges were to help defray some of the license fees incurred by the Exchange in connection with the listing and trading of FXI Options.

The purpose of this proposal is to remain competitive with other exchanges that also trade FXI Options pursuant to their respective equity option fee schedules. By assessing transactions involving FXI Options according to the Exchange’s Summary of Equity Option Charges, the transaction fees will be the same or lower than the charges currently assessed, which should, in turn, encourage more FXI Options business to be transacted on the Exchange. In addition, because FXI Options will now be subject to the Exchange’s fee schedule, a payment for order flow fee, as set forth on the Exchange’s Summary of Equity Option Charges, may now be charged on FXI Option transactions, which may also encourage additional order flow.\(^9\)

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\(^9\) Specialist units and Directed Registered Options Traders elect to opt into or out of the Exchange’s payment for order flow program.
The purpose of amending the definition of Order Flow Providers\textsuperscript{10} as set forth in the Exchange’s payment for order flow program is to clarify that the available payment for order flow funds that are disbursed by the Exchange according to instructions of the specialist units and Directed ROTs to Order Flow Providers, may include order flow providers that are not members or member organizations of the Exchange.

Currently, the term “Order Flow Provider” is defined in Exchange Rule 1080(l) as any member or member organization that submits, as agent, customer orders to the Exchange. The Exchange is not seeking to amend the definition as set forth in Rule 1080(l). As described above, the Exchange merely intends to clarify that in addition to the defined term of Order Flow Provider, order flow providers may include non-members or non-member organizations that submit, as agent, customer orders to the Exchange through a member or member organization. The Exchange is not changing any other aspect of its payment for order flow program pursuant to this filing. The payment for order flow fee will continue to be assessed on Exchange members, specifically specialists and Directed ROTs who participate in the Exchange’s payment for order flow program, in addition to Registered Options Traders.

The purpose of removing references to QCX and QCE from the Exchange’s current Summary of Index Option and FXI Options Charges and $60,000 “Firm Related” Equity Option and Index Option Cap is to update these fee schedules to reflect the fact that these products have been delisted from, and therefore no longer trade on, the Exchange.

\textsuperscript{10} See Exchange Rule 1080(l).
2. **Statutory Basis**

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act\(^\text{11}\) in general, and furthers the objectives of Section 6(b)(4) of the Act\(^\text{12}\) in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

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**

No written comments were either solicited or received.

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\(^\text{13}\) and paragraph (f)(2) of Rule 19b-4\(^\text{14}\) 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 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-Phlx-2006-56 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-2006-56. 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-2006-56 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.\textsuperscript{15}

Nancy M. Morris
Secretary

\textsuperscript{15} 17 CFR 200.30-3(a)(12).
SUMMARY OF EQUITY OPTION CHARGES (p. 3/6)

EQUITY OPTION PAYMENT FOR ORDER FLOW FEES*

(1) For trades resulting from either Directed or non-Directed Orders that are delivered electronically and executed on the Exchange: Assessed on ROTs, specialists and Directed ROTs on those trades when the specialist unit or Directed ROT elects to participate in the payment for order flow program.***

(2) No payment for order flow fees will be assessed on trades that are not delivered electronically.

QQQQ (NASDAQ-100 Index Tracking StockSM) $0.75 per contract
Remaining Equity Options[, except FXI Options] $0.70 per contract

See Appendix A for additional fees.

*Assessed on transactions resulting from customer orders. This proposal will be in effect for trades settling on or after October 1, 2005 and will remain in effect as a pilot program that is scheduled to expire on May 27, 2007.

***Any excess payment for order flow funds billed but not utilized by the specialist or Directed ROT will be carried forward unless the Directed ROT or specialist elects to have those funds rebated to the applicable ROT, Directed ROT or specialist on a pro rata basis, reflected as a credit on the monthly invoices. At the end of each calendar quarter, the Exchange will calculate the amount of excess funds from the previous quarter and subsequently rebate excess funds on a pro-rata basis to the applicable ROT, Directed ROT or specialist who paid into that pool of funds.
SUMMARY OF INDEX OPTION [AND FXI OPTIONS] CHARGES (p. 1/1)

OPTION COMPARISON CHARGE (applicable to all trades – except specialist trades)

<table>
<thead>
<tr>
<th>Category</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Option Trader</td>
<td>$.03 per contract</td>
</tr>
<tr>
<td>Firm (Proprietary and Customer Executions)¹⁸⁺</td>
<td>$.04 per contract</td>
</tr>
</tbody>
</table>

OPTION TRANSACTION CHARGE

<table>
<thead>
<tr>
<th>Category</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Executions</td>
<td>$.40 per contract</td>
</tr>
<tr>
<td>Firm/Proprietary**¹⁹⁺</td>
<td>$.20 per contract</td>
</tr>
<tr>
<td>Firm/Proprietary Facilitation</td>
<td>$.20 per contract</td>
</tr>
<tr>
<td>Registered Option Trader</td>
<td>$.21 per contract</td>
</tr>
<tr>
<td>Specialist</td>
<td>$.24 per contract</td>
</tr>
</tbody>
</table>

OPTION FLOOR BROKERAGE ASSESSMENT

<table>
<thead>
<tr>
<th>Monthly Net Floor Brokerage Income</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $300,000</td>
<td>5.5%</td>
</tr>
<tr>
<td>$300,001 - $500,000</td>
<td>6.5% (excess &gt; $300,000)</td>
</tr>
<tr>
<td>$500,001 and Over</td>
<td>7.5% (excess &gt; $500,000)</td>
</tr>
</tbody>
</table>

Monthly Cap: $100,000

CANCELLATION FEE

$1.10 per order for each cancelled AUTOM-delivered order in excess of the number of orders executed on the Exchange by a member organization in a given month. The cancellation fee is not assessed in a month in which fewer than 500 AUTOM-delivered orders are cancelled.

REAL-TIME RISK MANAGEMENT FEE

$.0025 per contract for firms/members receiving information on a real-time basis

See Appendix A for additional fees.

+ Subject to a maximum fee of $60,000, except for [QCE, QCX and FXI and for] certain license fees which are assessed per contract side – see $60,000 “Firm Related” Equity Option and Index Option Cap.

**Non-clearing firm members’ proprietary transactions are eligible for the “firm” rate based upon submission of a PHLX rebate request form with supportive documentation within thirty (30) days of invoice date.

¹⁸ For the purpose of this Summary of Equity Option Charges, the Firm / Proprietary comparison or transaction charge applies to member organizations for orders for the proprietary account of any member or non-member broker-dealer that derives more than 35% of its annual, gross revenues from commissions and principal transactions with customers. Member organizations will be required to verify this amount to the Exchange by certifying that they have reached this threshold and by submitting a copy of their annual report, which was prepared in accordance with Generally Accepted Accounting Principles (“GAAP”). In the event that a firm has not been in business for one year, the most recent quarterly reports, prepared in accordance with GAAP, will be accepted.

¹⁹ See footnote 18.
$60,000 “FIRM RELATED” EQUITY OPTION AND INDEX OPTION CAP

“Firm related” transaction and comparison charges for equity and index options, in the aggregate, for one billing month will not exceed $60,000 per month, per member organization, except when a member organization who trades QQQQ, IWF, IWM, IWO, IWS, NYC, NY, SPY, SHY, IEF, TLT, AGG, TIP, KSX, KIX, BKK, OEF, IEV, IOO, IXC, IXG, IXJ, IXN, IXP, ILF, IJH, ITF, IVV, XLI, XLK, XLU, XLP, XLE, XLF, XLV, XLB, XLY, MDY, KRX, MFX, DGT, TMW, DVY, IYY, IWM, IYC, IYF, IYG, IYH, IYJ, IYK, IYR, IYW, IYZ, IDU and FDM options exceeds the $60,000 cap, a license fee of $0.10 per contract side will be in addition, once the cap is reached. When calculating the $60,000 cap, all equity option and index option transaction and comparison charges for products without license fees are calculated first and then equity option and index option transaction and comparison charges for products with license fees that are assessed by the Exchange after the $60,000 cap is reached are calculated.

[QXC, QCE and FXI Options are not subject to the $60,000 cap described above.]

See Appendix A for additional fees.

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“Dow Jones” and “SSGA’s streetTracks based on the Dow Jones Global Titans 50 IndexSM”, “SSGA’s streetTracks based on the Dow Jones Wilshire 5000 IndexSM”, “BGI’s iShares Dow Jones Select Dividend IndexSM”, “iShares Dow Jones U.S. Total Market IndexSM”, “iShares Dow Jones U.S. Basic Materials IndexSM”, “iShares Dow Jones U.S. Consumer Services Sector IndexSM”, “iShares Dow Jones U.S. Financial Sector IndexSM”, “iShares Dow Jones U.S. Financial Services Sector IndexSM”, “iShares Dow Jones U.S. Healthcare Sector IndexSM”, “iShares Dow Jones U.S. Industrial Sector IndexSM”, “iShares Dow Jones U.S. Consumer Goods Sector IndexSM”, “iShares Dow Jones U.S. Real Estate Sector IndexSM”, “iShares Dow Jones U.S. Technology Sector IndexSM”, “iShares Dow Jones U.S. Telecommunications Sector IndexSM”, “iShares Dow Jones U.S. Utilities Sector IndexSM”, and “First Trust’s ETF based on the Dow Jones Select Microcap IndexSM”, are service marks of Dow Jones & Company, Inc. and have been licensed for use for certain purposes by the Philadelphia Stock Exchange, Inc. The Dow Jones products are not sponsored, endorsed, or promoted by Dow Jones, and Dow Jones makes no representation regarding the advisability of investing in such product(s).