The Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”) hereby submits this Partial Amendment No. 2 to SR-Phlx-2006-87. Rule text and sections of Form 19b-4 that are not included in this Amendment No. 2 remain unchanged from the previous submissions.

**Proposed Amendments to the Purpose Section of Form 19b-4**

The Exchange proposes the following amendments to the Purpose Section:

1. In the section titled “Definition of OEO,” insert the following after the first full paragraph:

   “OEOs would be members of the Exchange’s regulatory staff, including the on-floor surveillance staff, who have sufficient expertise to act in the capacity of an OEO as determined by the CRO. This could include existing Exchange regulatory staff, new hires, or contract employees.”

2. In the section titled “Definition of OEO,” replace in its entirety the final paragraph of the section with the following paragraph:

   “Under the proposal, the Referee may act in the capacity of an OEO respecting initial rulings concerning requests for relief from the requirements of certain enumerated Exchange rules\(^1\) since such rulings are final and not appealable. The Referee could not, however, rule in the capacity of an OEO concerning, for example, a nullified or adjusted trade resulting from trading dispute or an obvious error, because the Referee would have a conflict of interest in ruling on an appeal from his or her own decision to nullify or adjust such a trade.”\(^2\)

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1 Exchange Rule 124(a), Commentary .02(a), states:
   (a) An Exchange employee or independent contractor, the Referee, shall be appointed by the Board of Governors on the recommendation of the Audit Committee to review Floor Official rulings concerning the nullification and adjustment of transactions in accordance with Rule 124(d), and to act in the capacity of a Floor Official respecting initial rulings concerning requests for relief from the requirements of Exchange Rules relating to:
   (i) bid/ask differentials pursuant to Rule 1014(c) and Options Floor Procedure Advice (“OFPA”) F-6;
   (ii) disengagement of Exchange automatic execution systems pursuant to Rule 1080(e) and OFPA A-13;
   (iii) the determination pursuant to Rule 1080(c)(i) that quotes in options on the Exchange or another market or markets are subject to relief from the firm quote requirement set forth in the SEC Quote Rule, as defined in Exchange Rule 1082(a)(iii) (the "Quote Rule"), and that quotes in options on the Exchange or another market or markets previously subject to such relief are no longer subject to such relief; and
   (iv) trading halts, openings and re-openings pursuant to Rules 1017, 1047 and 1047A and OFPAs A-12, A-14 and G-2.

2 Exchange Rule 124, Commentary .01 provides:
3. In the section titled “Openings,” replace in its entirety the first full paragraph with the following:

“Currently, the Exchange provides an automated opening system for options, however two Floor Officials may direct the manual opening of the affected series where necessary to ensure a fair and orderly market. For example, two Floor Officials may authorize the opening of a series at a price that falls outside of the Exchange’s established parameters where necessary to ensure a fair and orderly market.”

Proposed Amendments to Rule Text

The following proposed changes to rule text should read correctly as follows:

Brackets indicate deletions; underlining indicates new text.

* * * * *

Clearly Erroneous Executions

Rule 163. (a) – (b) No change.

(c) Review Procedures.

(1) No change.

(2) If a party affected by a determination made under this Rule so requests within the time permitted in Rule 124(d)(i), the Referee will review decisions made by the Equity Exchange Official under this Rule, including whether a clearly erroneous execution occurred and whether the correct adjustment was made, pursuant to Rule 124(d) as if the decision of the Equity Exchange Official was an [Floor] Options Exchange Official ruling.

(d) – (e) No change.

“Exchange staff may determine that a Floor Official is ineligible to participate in a particular ruling where it appears that such Floor Official has a conflict of interest. For purposes of this Rule, and without limitation, a conflict of interest exists where a Floor Official: (a) is directly or indirectly affiliated with a party seeking a Floor Official ruling; (b) is a participant or is directly or indirectly affiliated with a participant in a transaction that is the subject of a Floor Official ruling; (c) is a debtor or creditor of a party seeking a Floor Official ruling; or (d) is an immediate family member of a party seeking a Floor Official ruling. Exchange staff may consider other circumstances, on a case-by-case basis, in determining the eligibility or ineligibility of a particular Floor Official to participate in a particular ruling due to a conflict of interest.”

3 See Exchange Rule 1017(f).

4 See Exchange Rule 1017(e)(ii).
Rule 1001. No Change

Commentary:

.01 - .02 No Change

.03 The Exchange will not approve any opening purchase or writing transaction or the carrying of any position that would exceed the limits established by this Rule except in highly unusual circumstances. An exemption will be granted to a member or member organization only under the following circumstances:

(i) the exemption request must be submitted in writing to an [floor] Options Exchange [o] Official and set forth the facts justifying the exemption;

(ii)-(iv) No Change

A position limit exemption requires the approval of [two floor] an Options Exchange [o] Official[s]. The exemption is effective at the time a decision is communicated; retroactive exemptions will not be granted. The size and duration of an exemption will be determined on a case-by-case basis. An exemption usually will be granted only until the nearest expiration.

.04 Specialists --The Exchange may establish higher position limits for specialists' transactions than those applicable with respect to other accounts. Whenever a specialist reasonably anticipates that he may exceed such position limits in the performance of his function of assisting in the maintenance of a fair and orderly market, he must seek an exemption in writing in accordance with this commentary.

A position limit exemption requires the approval of [two floor] an Options Exchange [o] Official[s]. The exemption is effective at the time a decision is communicated; retroactive exemptions will not be granted. The size and duration of an exemption will be determined on a case-by-case basis. An exemption usually will be granted only until the nearest expiration.

.05 (a)-(c) No change.

(d)

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(1) – (4) No change.
(5) The Exchange may establish higher position limits for specialists' transactions other than those applicable with respect to other accounts. Whenever a specialist reasonably anticipates that he may exceed such position limits in the performance of his specialist functions, he must consult with and obtain the prior approval of an [Floor] Options Exchange Official.

.06 - .07 No Change

.08 Firm Facilitation Exemption

A member organization may be exempt from established position limits for equity option positions (including Exchange-Traded Fund Share option positions) held in its proprietary account where such position will facilitate an order for a customer of that member organization, provided that such position satisfies the following:

(a) No change.

(b) Approval Procedure: prior approval from [two Floor] an Options Exchange Official[s] and the submission of a complete Firm Facilitation Form, which must be kept current, are required. Approval may be granted on the basis of verbal representations, in which case the member organization shall submit to the Market Surveillance Department a completed form respecting such approval within two business days or the time specified when approval is granted. A member organization may request an exemption based on interest expressed by its customer, prior to obtaining an order. This exemption is not available where either the customer or facilitation order are all or none or fill or kill orders.

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(c)-(e) No Change

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Obligations and Restrictions Applicable to Specialists and Registered Options Traders

Rule 1014. (a) No Change

(b) ROT (i) No change

(ii) (A) – (D) No change

(E)

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(1) ***** (a) - (b) No Change

(c) Continuous Open Outcry Quoting Obligation: In response to any request for quote by a Floor Broker, specialist, [Floor] Options Exchange
Official, or other ROT (including an SQT), non-SQT ROTs must provide a two-sided market complying with the quote spread parameter requirements contained in Rule 1014(c)(i) (in the case of equity options and U.S. dollar-settled FCOs) or Rule 1014(c)(ii) (in the case of physical delivery FCOs). Such non-SQT ROTs shall provide such quotations with a size of not less than 10 contracts.

(d) No Change

(2) ***** (a) - (b) No Change

(c) In Classes of Option Contracts to Which Assigned --Affirmative Obligations. With respect to classes of option contracts to which his assignment extends, a Specialist and an ROT, whenever the ROT (except an RSQT) enters the trading crowd in other than a floor brokerage capacity or is called upon by an [Floor] Options Exchange Official or a Floor Broker, to make a market, are expected to engage, to a reasonable degree under the existing circumstances, in dealing for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. Without limiting the foregoing, a Specialist and an ROT is expected to perform the following activities in the course of maintaining a fair and orderly market:

(i)-(ii) No Change

(d) In Classes of Option Contracts Other Than Those Which Appointed. With respect to classes of option contracts other than those to which his appointment extends, an ROT (other than an RSQT), whenever he enters the trading crowd in other than a floor brokerage capacity or is called upon by an [floor] Options Exchange [o]fficial or a floor broker to make a market, shall undertake the obligations specified in paragraph (c) of this rule. Furthermore, an ROT should not:

(i) – (iii) No change.

(e) No change.

(f) The provisions of the foregoing paragraphs (d) and (e) of this rule shall not apply to:

(i) No change.

(ii) any transaction, other than a transaction for an account in which an ROT has an interest, made with the prior approval of an [Floor] Options Exchange Official to permit a member to contribute to the maintenance of a fair and orderly market in an option, or any purchase or sale to reverse any such transaction; or
(iii) No change.

(g) - (h) No Change

Commentary: .01 - .11 No Change

.12 The number of ROTs in a trading crowd who are establishing or increasing a position may temporarily be limited when, in the judgment of [two Floor] an Options Exchange Official[s], the interests of a fair and orderly market are served by such limitation.

.13 - .19 No change.

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Philadelphia Stock Exchange Automated Options Market (AUTOM) and Automatic Execution System

Rule 1080. (a)-(b) No Change

(c) AUTO-X.

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The Exchange shall provide automatic executions for eligible customer and broker-dealer orders up to the Exchange's disseminated size as defined in Exchange Rule 1082 (except with respect to orders eligible for "Book Match" as described in Rule 1080(g)(ii) below).

(i) (A) Where the Chairperson of the Options Committee or his designee, in the case of equity or [equity] index options, or the Chairperson of the Foreign Currency Options Committee, in the case of foreign currency options (or if the Chairperson of the Options Committee or his designee or the Chairperson of the Foreign Currency Options Committee or his designee, as the case may be is unavailable, [two Floor] an Options Exchange Official[s]), determines that quotes in options on the Exchange or another market or markets are subject to relief from the firm quote requirement set forth in the SEC Quote Rule, as defined in Exchange Rule 1082(a)(iii) (the "Quote Rule"), customer market orders will receive an automatic execution at the NBBO based on the best bid or offer in markets whose quotes are not subject to relief from the firm quote requirement set forth in the Quote Rule. Such determination may be made by way of notification from another market that its quotes are not firm or are unreliable; administrative message from the Option Price Reporting Authority ("OPRA"); quotes received from another market designated as "not firm" using the appropriate indicator; and/or telephonic or electronic inquiry to, and verification from, another market that its quotes are not firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are excluded from the calculation of NBBO. The Exchange may determine to exclude quotes from its calculation of NBBO on a series-by-series basis or issue-by-issue basis, or may determine to exclude all options quotes from an exchange, where appropriate, under the conditions set forth above. The Exchange shall maintain a record of each instance in
which another exchange's quotes are excluded from the Exchange's calculation of NBBO, and shall notify such other exchange that its quotes have been so excluded. Such documentation shall include: identification of the option(s) affected by such action; the date and time such action was taken and concluded; identification of the other exchange(s) whose quotes were excluded from the Exchange's calculation of NBBO; identification of the Chairperson of the Options Committee, his designee, the Chairperson of the Foreign Currency Options Committee, his designee, or [two Floor] an Options Exchange Official[s] (as applicable) who approved such action; the reasons for which such action was taken; and identification of the specialist and the specialist unit. The Exchange will maintain these documents pursuant to the record retention requirements of the Securities Exchange Act of 1934 and the rule and regulations thereunder.

(B) Where the Chairperson of the Options Committee or his designee, in the case of equity or [equity] index options (or if the Chairperson of the Options Committee or his designee or the Chairperson of the Foreign Currency Options Committee or his designee, as the case may be, is unavailable, [two Floor] an Options Exchange Official[s]), will determine[s] that quotes in options on the Exchange or another market or markets previously subject to relief from the firm quote requirement set forth in the Quote Rule are no longer subject to such relief, such quotations will be included in the calculation of NBBO for such options. Such determination may be made by way of notification from another market that its quotes are firm; administrative message from the Option Price Reporting Authority ("OPRA"); and/or telephonic or electronic inquiry to, and verification from, another market that its quotes are firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are again included in the calculation of NBBO.

(ii)-(vi)  No Change

(d)  No Change

(e) Extraordinary Circumstances --In the event extraordinary circumstances with respect to a particular class of options exist, [two Floor] an Options Exchange Official[s] may determine to disengage AUTO-X with respect to that option, in accordance with Exchange procedures. Five minutes subsequent to the disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), the requesting specialist or his/her designee, [two Floor] an Options Exchange Official[s], and a designated surveillance staff person, shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged when either: (i) the specialist or his/her designee determines that the conditions supporting the extraordinary circumstances no longer exist, at which time the specialist or his/her designee shall inform the Market Surveillance staff that the extraordinary circumstances no longer exist and that the specialist is re-engaging AUTO-X; or (ii) when [two Floor] an Options Exchange Official[s] and the designated surveillance staff person determine that the conditions supporting the extraordinary circumstances no longer exist. In the event extraordinary conditions exist floor-wide, [two Exchange Floor] an Options Exchange Official[s] and the Chairperson of the
Options Committee or the Chairperson of the Foreign Currency Options Committee or his/her designee may determine to disengage the AUTO-X feature floor-wide. Five minutes subsequent to a floor-wide disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), [two Floor] an Options Exchange Official[s], the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/her designee and a designated Market Surveillance staff person shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged when either: (1) the specialist determines that the conditions supporting the extraordinary circumstances no longer exist for their particular class of options at which time the specialist or his/her designee will inform Market Surveillance staff that the extraordinary circumstances no longer exist for their particular class of options and that the specialist is re-engaging AUTO-X; or (2) when [two Floor] an Options Exchange Official[s], the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/her designee and the designated Market Surveillance staff person determine that the extraordinary circumstances no longer exist. The NBBO Feature is always disengaged when AUTO-X is disengaged.

Extraordinary circumstances include market occurrences and system malfunctions that impact a specialist's ability to accurately price and disseminate option quotations in a timely manner. Such occurrences include fast market conditions such as volatility, order imbalances, volume surges or significant price variances in the underlying security; internal system malfunctions including the Exchange's Auto-Quote system; or malfunctions of external systems such as specialized quote feed, or delays in the dissemination of quotes from the Option Price Reporting Authority; or other similar occurrences.

The Exchange shall document any action taken to disengage AUTO-X pursuant to this Rule 1080(e), and shall notify all AUTOM Users of each instance in which AUTO-X is disengaged due to extraordinary circumstances. Such documentation shall include: identification of the option(s) affected by such action (except in a case of floor-wide disengagement); the date and time such action was taken and concluded; identification of the [Floor] Options Exchange Official[s] who approved such action, the reasons for which such action was taken; identification of the specialist and the specialist Unit (or in the case of floor-wide disengagement, identification of the Option Committee Chairperson or the Foreign Currency Options Committee Chairperson or his/her designee); and identification of the Market Surveillance staff person monitoring the situation. The Exchange will maintain these documents pursuant to the record retention requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder.

  (i) No change.

  (f) Specialist Obligations - (i)-(iv) No Change
(v) To ensure proper notification to AUTOM users, a specialist must promptly notify the Surveillance Post of any AUTOM-related [Floor] Options Exchange Official approval in order for such approval to be valid.

(g)-(l) No Change

Commentary: No Change

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**A-13 Auto Execution Engagement/Disengagement Responsibility**

(a) It is the responsibility of the option Specialist to engage the Auto Execution (Auto-X) system for an assigned option within three (3) minutes of completing the opening or reopening rotation of that option.

Where extraordinary circumstances occur, a Specialist may be provided an exemption from receiving orders through Auto-X and may then disengage the system upon approval by [two Floor] an Options Exchange Official[s]. Five minutes subsequent to the disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), the requesting Specialist or his/her designee, [two Floor] an Options Exchange Official[s], and a designated surveillance staff person, shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged with either: (i) Specialist or his/her designee determines that the conditions supporting the extraordinary circumstances no longer exist, at which time the Specialist or his/her designee shall inform the Market Surveillance staff that the extraordinary circumstances no longer exist and that the Specialist is re-engaging AUTO-X; or (ii) when [two Floor] an Options Exchange Official[s] and the designated surveillance staff person determine that the conditions supporting the extraordinary circumstances no longer exist. In the event extraordinary circumstances exist floor-wide, [two Floor] an Options Exchange [Floor] Official[s] and the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/or her designee may determine to disengage the AUTO-X feature floor-wide. Five minutes subsequent to a floor-wide disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), [two Floor] an Options Exchange Official[s], the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/her designee and a designated Market Surveillance staff person shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged when either: (1) the Specialist determines that the conditions supporting the extraordinary circumstances no longer exist for their particular class of options at which time the Specialist or his/her designee will inform Market Surveillance staff that the extraordinary circumstances no longer exist for their particular class of options and that the Specialist is re-engaging AUTO-X; or (2) when [two Floor] an Options Exchange Official[s], the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/her designee and the designated Market Surveillance
staff person determine that the extraordinary circumstances no longer exist. The NBBO feature is always disengaged when AUTO-X is disengaged.

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The Exchange shall document any action taken to disengage AUTO-X pursuant to this Rule 1080(e), and shall notify all AUTOM Users of each instance in which AUTO-X is disengaged due to extraordinary circumstances. Such documentation shall include: identification of the option(s) affected by such action (except in a case of floor-wide disengagement); the date and time such action was taken and concluded; identification of the [Floor] Options Exchange Official[s] who approved such action; the reasons for which such action was taken; identification of the Specialist and the Specialist Unit (or in the case of floor-wide disengagement, identification of the Options Committee Chairperson or Foreign Currency Options Committee Chairperson or his/her designee); and identification of the Market Surveillance staff person monitoring the situation. The Exchange will maintain these documents pursuant to the record retention requirement of the Securities Exchange Act of 1934 and the rules and regulations thereunder.

(b)(i) Where the Chairperson of the Options Committee or his designee, in the case of equity or [equity] index options, or the Chairperson of the Foreign Currency Options Committee, in the case of foreign currency options (or if the Chairman of the Options Committee or his designee or the Chairperson of the Foreign Currency Options Committee, or his designee, as the case may be, is unavailable, [two Floor] an Options Exchange Official[s]) determines that quotes in options on the Exchange or another market or markets are subject to relief from the firm quote requirement set forth in the SEC Quote Rule, as defined in Exchange Rule 1082(a)(iii) (the "Quote Rule"), customer market orders will receive an automatic execution at the NBBO based on the best bid or offer in markets whose quotes are not subject to relief from the firm quote requirement set forth in the Quote Rule. Such determination may be made by way of notification from another market that its quotes are not firm or are unreliable; administrative message from the Option Price Reporting Authority ("OPRA"); quotes received from another market designated as "not firm" using the appropriate indicator; and/or telephonic or electronic inquiry to, and verification from, another market that its quotes are not firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are excluded from the calculation of NBBO. The Exchange may determine to exclude quotes from its calculation of NBBO on a series-by-series basis or issue-by-issue basis, or may determine to exclude all options quotes from an exchange, where appropriate. The Exchange shall maintain a record of each instance in which another exchange's quotes are excluded from the Exchange's calculation of NBBO, and shall notify such other exchange that its quotes have been so excluded. Such documentation shall include: identification of the option(s) affected by such action; the date and time such action was taken and concluded; identification of the other exchange(s) whose quotes were excluded from the Exchange's calculation of NBBO; identification of the Chairman of the Options Committee, his designee, or [two Floor] an Options Exchange Official[s] (as applicable) who approved such action; the reasons for which such action was taken; and identification of the specialist and the specialist unit. The Exchange will maintain these
documents pursuant to the record retention requirements of the Securities Exchange Act of 1934 and the rule and regulations thereunder.

(ii) Where the Chairperson of the Options Committee or his designee (or if the Chairperson of the Options Committee or his designee is unavailable, [two Floor] an Options Exchange Official[s]), determines that quotes in options on the Exchange or another market or markets previously subject to relief from the firm quote requirement set forth in the Quote Rule are no longer subject to such relief, such quotations will be included in the calculation of NBBO for such options. Such determination may be made by way of notification from another market that its quotes are firm; administrative message from the Option Price Reporting Authority ("OPRA"); and/or telephonic or electronic inquiry to, and verification from, another market that its quotes are firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are again included in the calculation of NBBO.

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F-17 FCO Trades to be Effected in the Pit (PHYSICAL DELIVERY FOREIGN CURRENCY OPTION ONLY)

Each bid and offer represented for execution on the Foreign Currency Option Floor shall be loudly and audibly voiced in the respective trading pit of that option. For the purposes of this Advice, the trading pit is defined as the common area immediately in front of the respective option post and, in the case of an active trading crowd, all common areas immediately adjacent thereto necessary to contain such crowd.

An Options Exchange [Floor] Official may extend for any trading segment the boundaries of a trading pit to include other common areas available on the floor for trading, except that booth spaces and the aisles between those spaces may not be included in any such extension boundaries. Failure to adhere to the requirements provided herein may result in the issuance of a fine in accordance with the fine schedule below.

FINE SCHEDULE: No Change.

F-18 FCO Expiration Months and Strike Prices - Selective Quoting Facility (PHYSICAL DELIVERY FOREIGN CURRENCY OPTION ONLY)

In accordance with the requirements of Exchange Rule 1012, the six mid-month expiration months normally available for trading in any FCO class on the Exchange will be the four quarterly option series of the March cycle and the next two available near-term months. Expirations for month-end and long-term options may also be added in accordance with the provisions of Rules 1012 and 1000 (.21). Strike prices may be added by the Exchange as needed in relation to the underlying spot and forward prices in accordance with Rule 1012.

All PHLX FCO series open for trading in accordance with Exchange Rule 1012 are
classified each day as either "update" or "non-update" series. Update series are those series for which the Exchange best bid/ask quotes, and updates to those quotes, are continuously transmitted to vendors for off-floor public dissemination throughout the trading day. Update series are set at the commencement of trading on each day and include, at minimum, at that time (i) the two in-the-money strikes and six out-of-the-money strikes for both puts and calls around the underlying price for American style options with expiration dates of the three nearest mid-month expirations and the three nearest month-end expirations, and (ii) any other American style or European style options where open interest is maintained as of the commencement of that trade day. In addition, update series may be activated intra-day at the initiative of the Exchange or in response to a request from either the respective Specialist or from an [FCO Floor] Options Exchange Official.

Non-update strikes, for which continuous dissemination of Exchange quotes to off-floor vendors is not required, include each FCO quote which does not qualify as an update series. Non-update FCO quotes are distinguished by triple zeroes (000-000) in the bid/ask column and the "I" identifier, which signals the series as an "inactive" series. Option series which maintain open interest but have not traded within the previous five trade days are considered non-update series, but must have one bid/ask quote disseminated at the close of each trade day.

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RULE 60—REGULATION AND FINE SCHEDULE
ORDER AND DECORUM CODE

Sanctions for Breach of Regulations

(a)(i) An [Floor] Options Exchange Official may impose on members, member organizations, participants, participant organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange, [or two Floor Officials] and may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1 -- 960.12.

(ii) Exchange Staff may impose on members, member organizations, participants, participant organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange, or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

(b)(i) [Two Floor] An Options Exchange Official[s] and an officer of the Exchange may exclude a member, participant, and any associated person of member organizations and participant organizations (“member”) from the trading floor for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange that occurred on the trading floor or on the premises immediately adjacent to
the trading floor. Specifically, members shall be excluded if they pose an immediate threat to the safety of persons or property, are seriously disrupting Exchange operations, or are in possession of a firearm. Members so excluded are excluded for the remainder of the trading day.

(ii) – (iv) No change.

Commentary (a)

The procedure to be followed in cases where a pre-set fine of up to $5,000.00 is summarily assessed is as follows:

.01 Notice of Fine. Notice of fine for breach of such regulations shall be given by the issuance of a written citation. Exchange Staff shall serve the written citations that are issued by the [Floor] Options Exchange Official [or Exchange Staff]. The cited party may accept or contest the written citation.

.02 - .07 No change.

Commentary (b)

The procedure to be followed when a member is to be excluded from the trading floor is as follows:

.01 Ruling. After [two Floor] Options Exchange Official[s] and an officer of the Exchange determine that a member shall be excluded, a member of the Exchange's security staff shall escort the member off the trading floor. The member shall remain off the trading floor for the remainder of the trading day. Exchange staff shall thereafter memorialize the exclusion in the form of a written citation.

(.02)-(03) No Change

RULE 60 --REGULATION AND FINE SCHEDULE

(ORDER AND DECORUM CODE)

In most cases, the PHLX will enforce compliance with Order and Decorum Code pursuant to Rule 60. While ordinarily a finding of a violation will result in the appropriate pre-set fine and/or sanction, [two] Options Exchange [Floor] Official[s] or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

In the case of repeat violations of a regulation by the same individual, the amount of the fine is determined by the number of such violations which have occurred within the year immediately preceding the current violation.

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