Proposed Rule Change by Philadelphia Stock Exchange
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<table>
<thead>
<tr>
<th>Initial</th>
<th>Amendment</th>
<th>Withdrawal</th>
<th>Section 19(b)(2)</th>
<th>Section 19(b)(3)(A)</th>
<th>Section 19(b)(3)(B)</th>
<th>Rule</th>
</tr>
</thead>
<tbody>
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Extension of Time Period for Commission Action
Date Expires

Description
Provide a brief description of the proposed rule change (limit 250 characters).

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Carla
Last Name Behnfeldt
Title Director
E-mail Carla.Behnfeldt@Phlx.com
Telephone (215) 496-5208
Fax

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

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

Date 06/13/2007
By Carla Behnfeldt
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.
| **Form 19b-4 Information** | 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. |
| **Exhibit 1 - Notice of Proposed Rule Change** | 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). |
| **Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications** | 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. |
| **Exhibit 3 - Form, Report, or Questionnaire** | 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. |
| **Exhibit 4 - Marked Copies** | 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. |
| **Exhibit 5 - Proposed Rule Text** | The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I 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. |
| **Partial Amendment** | 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. |
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") and Rule 19b-4 thereunder, proposes to: (1) list and trade U.S. dollar-settled foreign currency options ("FCO") on the Australian Dollar, the Canadian Dollar, the Swiss Franc and the Japanese Yen (together, the “New Currencies”); (2) amend certain rules relating to the quoting convention for U.S. dollar-settled FCO for purposes of clarity; (3) delete from Rule 1012 a requirement that the Exchange delist any series of U.S. dollar-settled FCO outside of a ten percent band around the spot price that have no open interest; (4) amend the closing settlement value rule by moving from 2:00 PM to 5:00 PM the time at which the Exchange uses the previously announced Noon Buying Rate as the basis for the closing settlement value; (5) extend the applicability of Rule 1064, Crossing, Facilitation and Solicited Orders to U.S. dollar-settled FCOs; and (6) to clarify the applicability of Rule 1092, Obvious Errors, to U.S. dollar-settled FCOs. This amendment replaces the original filing in its entirety.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The amended text of the proposed rule change indicating any additions to or deletions from the immediately preceding filing is attached hereto as Exhibit 4. The text of the amended Exchange rules is attached hereto as Exhibit 5.

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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 April 11, 2007.

Questions and comments on the proposed rule change may be directed to Carla Behnfeldt, Director and Counsel, at (215) 496-5208, or Edith Hallahan, Senior Vice President and 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 purpose of the proposed rule change is to expand the Exchange’s current product offering to include U.S. dollar-settled FCOs on the New Currencies, to clarify certain existing rules relating to the quoting convention for U.S. dollar-settled FCO, and to eliminate a mandatory delisting requirement for certain series. The proposal is also intended to improve the product by moving from 2:00 PM to 5:00 PM the time after which the Exchange uses the previously announced Noon Buying Rate for purposes of the closing settlement value for U.S. dollar-settled FCOs, extending the applicability of Rule 1064, Crossing, Facilitation and Solicited Orders, to U.S. dollar-settled FCOs, and clarifying the applicability of Rule 1092, Obvious Errors, to U.S. dollar-settled FCOs.

   In January 2007, the Exchange began the listing and trading of U.S. dollar-settled options on the British pound and the Euro. These new U.S. dollar-settled FCO were in

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addition to the Exchange’s existing physical delivery FCO. That rule change included amendments to permit trading of U.S. dollar-settled FCO on the Exchange's electronic trading platform for options, Phlx XL. U.S. dollar-settled options on the British pound and the Euro have been trading on the Exchange since January 8, 2007. In approving the listing and trading of U.S. dollar-settled FCOs on the British pound and the Euro, the approval order stated that the listing and trading of additional U.S. dollar-settled FCOs on other foreign currencies will require the Exchange to file additional proposed rule changes on Form 19b-4.4

The Exchange now proposes to list U.S. dollar-settled FCO on the New Currencies. The unit of trading, or contract size, for the New Currencies will be 10,000 Australian dollars, 10,000 Canadian dollars, 10,000 Swiss francs and 1,000,000 Japanese yen. U.S. dollar-settled options on the New Currencies would be subject to the same rules that now apply to existing U.S. dollar-settled options on foreign currencies.5 In addition, a number of rules are being amended to specifically apply to U.S. dollar-settled options on each currency, as described below. Like the British pound and the Euro, physical delivery options on the four New Currencies are already traded on the Exchange. These existing, physical delivery options on the New Currencies would not be affected by this proposal and would continue to trade as they do today, by open outcry.6

4 Id.
5 See the approval order cited at footnote 3, above, for a description of the rules applicable to U.S. dollar-settled FCO.
6 The Exchange represents that it has an adequate surveillance program in place for FCOs. The Exchange is also a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement, dated June 20, 1994, and may obtain trading information via the ISG from other exchanges who are members or
The Exchange proposes to disseminate, over the facilities of the Consolidated Tape Association at least once every fifteen seconds while the Exchange is open for trading, a modified spot rate for the four New Currencies like the modified spot rate currently disseminated for the British pound and the Euro. As with the British pound and Euro, the modified spot rate will be calculated by the Exchange, based on spot prices (bids and asks) it receives from Thomson Financial LLC ("Thomson"). Like the British pound and the Euro, for the Australian dollar the Exchange will determine the midpoint

affiliates of the ISG. The members of the ISG include all of the U.S. registered stock and options markets. The ISG members work together to coordinate surveillance and investigative information sharing in the stock and options markets. In addition, the major futures exchanges are affiliated members of the ISG, which allows for the sharing of surveillance information for potential intermarket trading abuses. Futures on the New Currencies trade on the Chicago Mercantile Exchange and the New York Board of Trade. The New York Stock Exchange and NYSE Arca list the following exchange traded funds: CurrencyShares Australian Dollar, CurrencyShares Canadian Dollar and Currency Shares Swiss Franc. The Exchange represents that, to the best of the Exchange's knowledge, these U.S. markets are the primary trading markets in the world for exchange-traded futures, options on futures and trust shares on these currencies. Phlx can obtain surveillance information from the NYSE, NYSE Arca, CME and NYBOT as they are members of the ISG. In addition, the Phlx is able to obtain information regarding trading in these products through Phlx members, in connection with such members' proprietary or customer trades which they effect on any relevant market. See Equity Floor Procedure Advice F-8 and Options Floor Procedure F-8, Failure to Comply with an Exchange Inquiry. Pursuant to Phlx Rule 1022, specialists and Registered Options Traders ("ROTs") are required to identify all accounts maintained for foreign currency trading in which the specialist or ROT engages in trading activity or over which he exercises investment discretion, and no specialist or ROT may engage in foreign currency trading in any account not reported pursuant to the rule. Phlx Rule 1022 also requires every specialist and ROT to make available to the Phlx upon request all books, records and other information relating to transactions for their own account or accounts of associated persons with respect to the foreign currency underlying U.S. dollar-settled FCOs, including transactions in the cash market as well as the futures, options and options on futures markets. Rule 1022(d) includes "other foreign currency derivatives" in the list of currency related transactions with respect to which specialists and ROTs must provide information to the Exchange.

between the bid and the ask and will modify that rate by multiplying it by 100. For example, if .8688 U.S. dollars buys 1 Australian dollar, a modifier of 100 would be used so that the modified spot rate would become 86.88. However, because the Thomson spot rate is expressed differently for the Canadian dollar, the Japanese yen and the Swiss franc than for the Australian dollar, the British pound and the Euro - in foreign currency units per U.S. dollar rather than in U.S. dollars per unit of foreign currency - the modified spot rate Phlx will disseminate for the Canadian dollar, the Japanese yen and the Swiss franc will be one divided by the midpoint between the bid and ask of Thomson spot rate, rounded up to the nearest millionth if the result ends in values greater than or equal to five ten-millionths, and rounded down if less than five ten-millionths, multiplied by the appropriate modifier.\(^8\) For the Canadian dollar and the Swiss franc, the modifier will be 100. For the Japanese yen, the modifier will be 10,000. For example, if 115.84 Japanese yen buys one U.S. dollar, the Exchange will divide that amount into one to determine that .008632596 dollars will buy one Japanese yen. The Exchange would then multiply the rounded figure, .008633, by 10,000, so that the modified spot rate to be disseminated would be 86.33. The Exchange notes that sufficient other venues exist for obtaining reliable spot market information on the New Currencies so that investors in U.S. dollar-settled FCOs can monitor the underlying spot market in the New Currencies. The modified spot rate for the New Currencies will be disseminated over the facilities of the Consolidated Tape Association at least once every fifteen seconds while the Exchange is

\(^8\) Premiums and spot rates for the Canadian dollar, the Japanese yen and the Swiss franc have been quoted in foreign currency units per U.S. dollar for years in connection with the Exchange’s physical delivery FCO. Other major market data vendors also quote spot rates in terms of foreign currency units per dollar as well.
open for trading, but will not otherwise amend or affect the Exchange’s existing rules governing U.S. dollar-settled FCOs.

Rule 1033, Bids and Offers – Premium, would apply to U.S. dollar-settled options on the New Currencies as well as to the existing U.S. dollar-settled options on the British pound and the Euro. Pursuant to Rule 1033(b)(ii)(A), bids and offers are to be expressed in terms of U.S. dollars per unit of the underlying foreign currency, provided that the first two decimal places shall be omitted from all bid and offer quotations for the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, and the Euro, and the first four decimal places shall be omitted from all bid and offer quotations for the Japanese yen. Thus, for example, a bid of “1.60” for an option contract on the Japanese yen shall represent a bid to pay $.000160 per yen.

Rule 1001, Position Limits, provides that the position limits shall be 200,000 put or call option contracts (aggregating both U.S. dollar-settled and physical delivery contracts) on the same side of the market relating to the same underlying foreign currency. Rule 1001 is being amended, however, to provide that one U.S. dollar-settled Australian dollar option contract shall count as one fifth of a contract, one U.S. dollar settled Canadian dollar option contract shall count as one fifth of a contract, one U.S. dollar-settled Swiss Franc option contract shall count as one sixth of a contract, and one U.S. dollar-settled Japanese yen option contract shall count as one sixth of a contract. The counting of U.S. dollar-settled option contracts as less than one full contract reflects the fact that the size of the U.S. dollar-settled option contract is smaller than the

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9 Currently, Rule 1001 provides that one U.S. dollar-settled British pound option contract shall count as one third of a contract, and that one U.S. dollar-settled Euro option contract shall count as one sixth of a contract.
Exchange’s physical delivery contract on the same currencies.\textsuperscript{10} The position limit rules were originally adopted for the larger physical delivery contracts.

Rule 1012, Series Of Options Open For Trading, Commentary .06 currently provides that the Exchange will initially list exercise strike prices for each expiration of U.S. dollar-settled options on the Euro and the British pound within a ten percent band around the current spot price at half-cent (\$0.005) intervals. This rule is being expanded to cover all U.S. dollar-settled foreign currency options, including options on the New Currencies. The rule is also proposed to be amended by deleting a current requirement that the Exchange delist any previously-listed series outside of the current ten percent band that have no open interest. The Exchange has found that this requirement is an administrative burden and does not believe that the restriction is justified. For example, the Exchange has found that approximately once a week, it is required to delete a series only to have it be listed again in a day or two due to movement in the currency. Delisting and relisting various exercise prices with no advance notice on a daily basis has the potential to confuse investors and complicate their trading strategies and decisions.

Rule 1034, Minimum Increments, currently prescribes the minimum trading increment for all U.S. dollar-settled FCO. This rule will now apply to the New Currencies as well. However, the rule is being amended to add an example of the

\textsuperscript{10} The size of the U.S. dollar-settled Australian dollar option contract is 10,000 Australian dollars, which is one fifth the size of the physical delivery contract size of 50,000 Australian dollars. The size of the U.S. dollar-settled Canadian dollar option contract is 10,000 Canadian dollars, which is one fifth the size of the physical delivery contract size of 50,000 Canadian dollars. The size of the U.S. dollar-settled Swiss franc option contract is 10,000 Swiss francs, which is approximately one sixth the size of the physical delivery contract size of 62,500 Swiss francs. The size of the U.S. dollar-settled Japanese yen option contract is 1,000,000 Japanese yen, which is approximately one sixth the size of the physical delivery contract size of 6,250,000 Japanese yen.
minimum trading increment in the case of U.S. dollar-settled options on the Japanese yen, which differs from the other U.S. dollar-settled currencies options in that four decimal places, rather than two, are to be disregarded. Thus, the amended rule provides that all U.S. dollar-settled FCO on the Japanese yen quoting at $.000300 (expressed as 3.00) or higher shall have a minimum trading increment of $.000010 per unit of the foreign currency, expressed as .10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 1,000,000 Japanese yen. The minimum increment for U.S. dollar-settled FCO on the Japanese yen quoting under $.000300 (expressed as 3.00) shall be $.000005 per unit of the foreign currency, expressed as .05 per unit of the foreign currency, which equals a $5.00 minimum increment per contract consisting of 1,000,000 Japanese yen.11

Rule 1057, U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value, currently provides for the determination of the closing settlement value for U.S. dollar-settled options on the British pound and the Euro. The rule is being amended to provide for the closing settlement value for U.S. dollar settled options on the New Currencies. Because the Noon Buying Rate is expressed differently for the Canadian

11 In contrast, the rule currently contains the following example covering Euros and British pounds:

All U.S. dollar-settled [options on Euros and British pounds] quoting at $.0300 (expressed as $3.00) or higher shall have a minimum trading increment of $.0010 per unit of the foreign currency, expressed as .10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 10,000 Euros or 10,000 British pounds. The minimum increment for U.S. dollar-settled [options on Euros and British pounds] quoting under $.0300 (expressed as $3.00) shall be $.0005 per unit of the foreign currency, expressed as .05 per unit of the foreign currency, which equals a $5.00 minimum increment per contract consisting of 10,000 Euros or 10,000 British pounds.
dollar, the Japanese yen and the Swiss franc than for the Australian dollar, the British pound and the Euro – in foreign currency units per U. S. dollar rather than in U. S. dollars per unit of foreign currency - the closing settlement value for the Canadian dollar, the Japanese yen and the Swiss franc will be an amount equal to one divided by the day's announced Noon Buying Rate, as determined by the Federal Reserve Bank of New York on the trading day prior to expiration, rounded to the nearest .0001 (except in the case of the Japanese yen where the amount shall be rounded to the nearest .000001).

In addition Rule 1057 provides that if the Noon Buying Rate is not announced by 2:00 p.m. (Eastern time ("ET")), the closing settlement value will be based upon the most recently announced Noon Buying Rate, unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances. The Exchange is proposing to amend Rule 1057 to provide that the closing settlement value will be based upon the most recently announced Noon Buying Rate if the Noon Buying Rate is not announced by 5:00 p.m. ET (rather than 2:00 p.m. ET, as the rule currently requires). The Exchange believes that moving the deadline to 5:00 p.m. ET should decrease the likelihood that it may be required to base the closing settlement value on the previously announced Noon Buying Rate which is likely not to be current. The rule will continue to permit the Exchange to apply an alternative closing settlement value as a result of extraordinary circumstances.

Rule 1014, Obligations and Restrictions Applicable to Specialists and Registered Options Traders, and Options Floor Procedure Advice F-6, Option Quote Parameters, are being revised to provide an illustration of the different option quote spread parameters for U.S. dollar-settled options on the Japanese yen, which differ from the other U.S. dollar-
settled FCOs in that four decimal places, rather than two, are to be disregarded when the quote parameters are expressed.

Exchange rules designed to protect public customers trading in FCOs would apply to U.S. dollar-settled FCOs on the New Currencies. Specifically, Phlx Rule 1024(b) prohibits members from accepting a customer order to purchase or write a U.S. dollar-settled FCO unless such customer's account has been specially approved in writing by a designated Foreign Currency Options Principal of the member for transactions in FCOs. Additionally, Phlx Rule 1026 is designed to ensure that options, including U.S. dollar-settled FCOs, are sold only to customers capable of evaluating and bearing the risks associated with trading in the instruments. Finally, under Phlx Rule 1027, members are permitted to exercise discretionary power with respect to trading U.S. dollar-settled FCOs in a customer's account only if the member has received prior written authorization from the customer and the account has been accepted in writing by a designated Foreign Currency Options Principal. In addition, the Foreign Currency Options Principal or a Registered Options Principal must approve and initial each discretionary U.S. dollar-settled FCO on the day the order is entered. Phlx Rule 1025 relating to the supervision of accounts, Phlx Rule 1028 relating to confirmations, and Phlx Rule 1029 relating to delivery of options disclosure documents also apply to trading in U.S. dollar-settled FCOs, including FCOs on the New Currencies.

Rules 1014 and 1034 are being amended by removing the dollar sign before the “expressed as” values for quotes and quote spread parameters. Similarly, dollar signs are added to Options Floor Procedure Advice in front of the maximum quote spreads (but not in front of the “expressed as” values for the maximum quote spreads). The Exchange
believes that these changes will make the quoting convention (i.e., disregarding the first four decimal places for the Japanese yen and the first two decimal places for the other currencies underlying the U.S. dollar-settled FCOs) less confusing to the investing public. The changes will also make Rules 1014 and 1034 more consistent with Rule 1033.

Rule 1014, Commentary .13 is being revised to delete the requirement that the Options Committee and the Foreign Currency Options Committee each establish separate in-person amounts for equity and index options and foreign currency options, respectively. The amendment will delete this requirement which was unnecessarily added to Rule 1014 in the recent filing to trade U.S. dollar-settled FCO. Currently, Options Floor Procedure Advice B-3 provides that a Registered Options Trader or “ROT” (other than a Remote Streaming Quote Trader or “RSQT”) is required to trade in person, and not through the use of orders, the greater of 1,000 contracts or 50% of his contract volume on the Exchange each quarter. ROTs may satisfy this requirement in any option traded on the Exchange. For purposes of Rule 1014, Commentary .13, there is no useful reason to establish separate requirements for equity and index options on the one hand, and U.S. dollar-settled FCO on the other.\footnote{Floor Procedure Advice B-3 contains a separate requirement that at least 50% of an ROT’s trading activity in each quarter must be in assigned options. This requirement will continue to apply to ROTs assigned to equity and index options and FCO.} This amendment will permit the Options Committee to establish one in person requirement applicable to all ROTs and permit any ROT to satisfy that in person requirement by trading any kind of option, be it equity, index or FCO.

Rule 1064, Crossing, Facilitation and Solicited Orders, is proposed to be amended to extend the applicability of the rule to U.S. dollar-settled FCO. Phlx Rule 1064 sets
forth, among other things, the procedures by which a floor broker holding an equity or index option order ("original order") may cross it with another order or orders he or she is holding, or, in the case of a public customer order, with a contra side order provided by the originating firm from its own proprietary account ("facilitation order"). Under certain conditions, Rule 1064 provides "participation guarantees" in such crossing or facilitation transactions, entitling the floor broker to cross a certain percentage of the original order with the other order or orders ahead of members of the trading crowd. These participation guarantees currently apply to transactions in equity and index options only. The Exchange proposes to amend Rule 1064, Commentary .02, to provide a participation guarantee for trading in U.S. dollar-settled options that is the same as the participation guarantee for index options.

Rule 1092, Obvious Errors, is also proposed to be amended to clarify that the obvious error amounts stated in the existing rule are the amounts by which the amount is “expressed” and not the actual amounts. This is merely a technical correction.

Finally, the Exchange represents that it has the necessary systems capacity to support new options series that will result from the introduction of U.S. dollar-settled options on the New Currencies.

b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^{13}\) in general, and furthers the objectives of Section 6(b)(5) of the Act\(^{14}\) in particular, in that it is designed to promote just and equitable principles of trade, to remove

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\(^{13}\) 15 U.S.C. 78f(b).

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, by offering investors the ability to invest in U.S. dollar-settled FCO on the New Currencies and by simplifying existing rules relating to the expression of strike prices and quotes.

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 Exchange requests that the Commission find good cause for approving the proposed rule change before the 30th day after the date of publication of notice of filing thereof in the Federal Register. The Exchange requests accelerated approval of the proposal to enable the Exchange to immediately list and trade U.S. dollar-settled U.S. dollar-settled options on the New Currencies. Accelerating approval of this proposal should benefit investors by creating, without undue delay, additional competition in the market for cash settled options on the New Currencies, subject to the standards and representations discussed herein. The Exchange notes that the International Securities
Exchange, LLC has already received approval to trade cash settled FCOs on the New Currencies.\textsuperscript{15} Therefore, the Exchange requests that the Commission find good cause, consistent with Section 19(b)(2) of the Act,\textsuperscript{16} to approve the proposed rule change on an accelerated basis.

8. \textbf{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. However, as noted above, the International Securities Exchange, LLC has recently received approval to list and trade cash-settled FCOs on the New Currencies (among other currencies).

9. \textbf{Exhibits}

1. Notice of proposed rule for publication in the \textit{Federal Register}.

4. Amended text of the proposed rule change indicating any additions to or deletions from the immediately preceding filing.

5. Proposed Rule Text


Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\), and Rule 19b-4\(^2\) thereunder, notice is hereby given that on ______________________ 2007, 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 (1) list and trade U.S. dollar-settled foreign currency options ("FCO") on the Australian Dollar, the Canadian Dollar, the Swiss Franc and the Japanese Yen (together, the “New Currencies”); (2) amend certain rules relating to the quoting convention for U.S. dollar-settled FCO for purposes of clarity; (3) delete from Rule 1012 a requirement that the Exchange delist any series of U.S. dollar-settled FCO outside of a ten percent

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band around the spot price that have no open interest; (4) amend the closing settlement value rule by moving from 2:00 PM to 5:00 PM the time at which the Exchange uses the previously announced Noon Buying Rate as the basis for the closing settlement value; (5) extend the applicability of Rule 1064, Crossing, Facilitation and Solicited Orders to U.S. dollar-settled FCOs; and (6) to clarify the applicability of Rule 1092, Obvious Errors, to U.S. dollar-settled FCOs. This amendment replaces the original filing in its entirety.


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.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to expand the Exchange’s current product offering to include U.S. dollar-settled FCOs on the New Currencies, to clarify certain existing rules relating to the quoting convention for U.S. dollar-settled FCO, and to eliminate a mandatory delisting requirement for certain series. The proposal is also intended to improve the product by moving from 2:00 PM to 5:00 PM the time after which the Exchange uses the previously announced Noon Buying Rate for purposes of
the closing settlement value for U.S. dollar-settled FCOs, extending the applicability of Rule 1064, Crossing, Facilitation and Solicited Orders, to U.S. dollar-settled FCOs, and clarifying the applicability of Rule 1092, Obvious Errors, to U.S. dollar-settled FCOs.

In January 2007, the Exchange began the listing and trading of U.S. dollar-settled options on the British pound and the Euro. These new U.S. dollar-settled FCO were in addition to the Exchange’s existing physical delivery FCO. That rule change included amendments to permit trading of U.S. dollar-settled FCO on the Exchange's electronic trading platform for options, Phlx XL. U.S. dollar-settled options on the British pound and the Euro have been trading on the Exchange since January 8, 2007. In approving the listing and trading of U.S. dollar-settled FCOs on the British pound and the Euro, the approval order stated that the listing and trading of additional U.S. dollar-settled FCOs on other foreign currencies will require the Exchange to file additional proposed rule changes on Form 19b-4.

The Exchange now proposes to list U.S. dollar-settled FCO on the New Currencies. The unit of trading, or contract size, for the New Currencies will be 10,000 Australian dollars, 10,000 Canadian dollars, 10,000 Swiss francs and 1,000,000 Japanese yen. U.S. dollar-settled options on the New Currencies would be subject to the same rules that now apply to existing U.S. dollar-settled options on foreign currencies. In addition, a number of rules are being amended to specifically apply to U.S. dollar-settled


6 Id.

7 See the approval order cited at footnote 5, above, for a description of the rules applicable to U.S. dollar-settled FCO.
options on each currency, as described below. Like the British pound and the Euro, physical delivery options on the four New Currencies are already traded on the Exchange. These existing, physical delivery options on the New Currencies would not be affected by this proposal and would continue to trade as they do today, by open outcry.⁸

The Exchange proposes to disseminate, over the facilities of the Consolidated Tape Association at least once every fifteen seconds while the Exchange is open for trading.

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⁸ The Exchange represents that it has an adequate surveillance program in place for FCOs. The Exchange is also a member of the Intermarket Surveillance Group ("ISG") under the Intermarket Surveillance Group Agreement, dated June 20, 1994, and may obtain trading information via the ISG from other exchanges who are members or affiliates of the ISG. The members of the ISG include all of the U.S. registered stock and options markets. The ISG members work together to coordinate surveillance and investigative information sharing in the stock and options markets. In addition, the major futures exchanges are affiliated members of the ISG, which allows for the sharing of surveillance information for potential intermarket trading abuses. Futures on the New Currencies trade on the Chicago Mercantile Exchange and the New York Board of Trade. The New York Stock Exchange and NYSE Arca list the following exchange traded funds: CurrencyShares Australian Dollar, CurrencyShares Canadian Dollar and Currency Shares Swiss Franc. The Exchange represents that, to the best of the Exchange's knowledge, these U.S. markets are the primary trading markets in the world for exchange-traded futures, options on futures and trust shares on these currencies. Phlx can obtain surveillance information from the NYSE, NYSE Arca, CME and NYBOT as they are members of the ISG. In addition, the Phlx is able to obtain information regarding trading in these products through Phlx members, in connection with such members' proprietary or customer trades which they effect on any relevant market. See Equity Floor Procedure Advice F-8 and Options Floor Procedure F-8, Failure to Comply with an Exchange Inquiry. Pursuant to Phlx Rule 1022, specialists and Registered Options Traders ("ROTs") are required to identify all accounts maintained for foreign currency trading in which the specialist or ROT engages in trading activity or over which he exercises investment discretion, and no specialist or ROT may engage in foreign currency trading in any account not reported pursuant to the rule. Phlx Rule 1022 also requires every specialist and ROT to make available to the Phlx upon request all books, records and other information relating to transactions for their own account or accounts of associated persons with respect to the foreign currency underlying U.S. dollar-settled FCOs, including transactions in the cash market as well as the futures, options and options on futures markets. Rule 1022(d) includes "other foreign currency derivatives" in the list of currency related transactions with respect to which specialists and ROTs must provide information to the Exchange.
trading, a modified spot rate for the four New Currencies like the modified spot rate currently disseminated for the British pound and the Euro.\textsuperscript{9} As with the British pound and Euro, the modified spot rate will be calculated by the Exchange, based on spot prices (bids and asks) it receives from Thomson Financial LLC ("Thomson"). Like the British pound and the Euro, for the Australian dollar the Exchange will determine the midpoint between the bid and the ask and will modify that rate by multiplying it by 100. For example, if .8688 U.S. dollars buys 1 Australian dollar, a modifier of 100 would be used so that the modified spot rate would become 86.88. However, because the Thomson spot rate is expressed differently for the Canadian dollar, the Japanese yen and the Swiss franc than for the Australian dollar, the British pound and the Euro - in foreign currency units per U.S. dollar rather than in U.S. dollars per unit of foreign currency - the modified spot rate Phlx will disseminate for the Canadian dollar, the Japanese yen and the Swiss franc will be one divided by the midpoint between the bid and ask of Thomson spot rate, rounded up to the nearest millionth if the result ends in values greater than or equal to five ten-millionths, and rounded down if less than five ten-millionths, multiplied by the appropriate modifier.\textsuperscript{10} For the Canadian dollar and the Swiss franc, the modifier will be 100. For the Japanese yen, the modifier will be 10,000. For example, if 115.84 Japanese yen buys one U.S. dollar, the Exchange will divide that amount into one to determine that .008632596 dollars will buy one Japanese yen. The Exchange would then multiply the


\textsuperscript{10} Premiums and spot rates for the Canadian dollar, the Japanese yen and the Swiss franc have been quoted in foreign currency units per U.S. dollar for years in connection with the Exchange’s physical delivery FCO. Other major market data vendors also quote spot rates in terms of foreign currency units per dollar as well.
rounded figure, .008633, by 10,000, so that the modified spot rate to be disseminated would be 86.33. The Exchange notes that sufficient other venues exist for obtaining reliable spot market information on the New Currencies so that investors in U.S. dollar-settled FCOs can monitor the underlying spot market in the New Currencies. The modified spot rate for the New Currencies will be disseminated over the facilities of the Consolidated Tape Association at least once every fifteen seconds while the Exchange is open for trading, but will not otherwise amend or affect the Exchange’s existing rules governing U.S. dollar-settled FCOs.

Rule 1033, Bids and Offers – Premium, would apply to U.S. dollar-settled options on the New Currencies as well as to the existing U.S. dollar-settled options on the British pound and the Euro. Pursuant to Rule 1033(b)(ii)(A), bids and offers are to be expressed in terms of U.S. dollars per unit of the underlying foreign currency, provided that the first two decimal places shall be omitted from all bid and offer quotations for the British pound, the Swiss franc, the Canadian dollar, the Australian dollar, and the Euro, and the first four decimal places shall be omitted from all bid and offer quotations for the Japanese yen. Thus, for example, a bid of “1.60” for an option contract on the Japanese yen shall represent a bid to pay $.000160 per yen.

Rule 1001, Position Limits, provides that the position limits shall be 200,000 put or call option contracts (aggregating both U.S. dollar-settled and physical delivery contracts) on the same side of the market relating to the same underlying foreign currency. Rule 1001 is being amended, however, to provide that one U.S. dollar-settled Australian dollar option contract shall count as one fifth of a contract, one U.S. dollar settled Canadian dollar option contract shall count as one fifth of a contract, one U.S.
dollar-settled Swiss Franc option contract shall count as one sixth of a contract, and one
U.S. dollar-settled Japanese yen option contract shall count as one sixth of a contract.\textsuperscript{11}
The counting of U.S. dollar-settled option contracts as less than one full contract reflects
the fact that the size of the U.S. dollar-settled option contract is smaller than the
Exchange’s physical delivery contract on the same currencies.\textsuperscript{12} The position limit rules
were originally adopted for the larger physical delivery contracts.

Rule 1012, Series Of Options Open For Trading, Commentary .06 currently
provides that the Exchange will initially list exercise strike prices for each expiration of
U.S. dollar-settled options on the Euro and the British pound within a ten percent band
around the current spot price at half-cent ($0.005) intervals. This rule is being expanded to
cover all U.S. dollar-settled foreign currency options, including options on the New
Currencies. The rule is also proposed to be amended by deleting a current requirement
that the Exchange delist any previously-listed series outside of the current ten percent
band that have no open interest. The Exchange has found that this requirement is an
administrative burden and does not believe that the restriction is justified. For example,
the Exchange has found that approximately once a week, it is required to delete a series
only to have it be listed again in a day or two due to movement in the currency. Delisting

\textsuperscript{11} Currently, Rule 1001 provides that one U.S. dollar-settled British pound option
contract shall count as one third of a contract, and that one U.S. dollar-settled Euro option
contract shall count as one sixth of a contract.

\textsuperscript{12} The size of the U.S. dollar-settled Australian dollar option contract is 10,000
Australian dollars, which is one fifth the size of the physical delivery contract size of
50,000 Australian dollars. The size of the U.S. dollar-settled Canadian dollar option
contract is 10,000 Canadian dollars, which is one fifth the size of the physical delivery
contract size of 50,000 Canadian dollars. The size of the U.S. dollar-settled Swiss franc
option contract is 10,000 Swiss francs, which is approximately one sixth the size of the
physical delivery contract size of 62,500 Swiss francs. The size of the U.S. dollar-settled
Japanese yen option contract is 1,000,000 Japanese yen, which is approximately one sixth
the size of the physical delivery contract size of 6,250,000 Japanese yen.
and relisting various exercise prices with no advance notice on a daily basis has the potential to confuse investors and complicate their trading strategies and decisions.

Rule 1034, Minimum Increments, currently prescribes the minimum trading increment for all U.S. dollar-settled FCO. This rule will now apply to the New Currencies as well. However, the rule is being amended to add an example of the minimum trading increment in the case of U.S. dollar-settled options on the Japanese yen, which differs from the other U.S. dollar-settled currencies options in that four decimal places, rather than two, are to be disregarded. Thus, the amended rule provides that all U.S. dollar-settled FCO on the Japanese yen quoting at $.000300 (expressed as 3.00) or higher shall have a minimum trading increment of $.000010 per unit of the foreign currency, expressed as .10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 1,000,000 Japanese yen. The minimum increment for U.S. dollar-settled FCO on the Japanese yen quoting under $.000300 (expressed as 3.00) shall be $.000005 per unit of the foreign currency, expressed as .05 per unit of the foreign currency, which equals a $5.00 minimum increment per contract consisting of 1,000,000 Japanese yen.13

13 In contrast, the rule currently contains the following example covering Euros and British pounds:

All U.S. dollar-settled [options on Euros and British pounds] quoting at $.0300 (expressed as $3.00) or higher shall have a minimum trading increment of $.0010 per unit of the foreign currency, expressed as .10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 10,000 Euros or 10,000 British pounds. The minimum increment for U.S. dollar-settled [options on Euros and British pounds] quoting under $.0300 (expressed as $3.00) shall be $.0005 per unit of the foreign currency, expressed as .05 per unit of the foreign currency, which equals a $5.00 minimum increment per contract consisting of 10,000 Euros or 10,000 British pounds.
Rule 1057, U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value, currently provides for the determination of the closing settlement value for U.S. dollar-settled options on the British pound and the Euro. The rule is being amended to provide for the closing settlement value for U.S. dollar settled options on the New Currencies. Because the Noon Buying Rate is expressed differently for the Canadian dollar, the Japanese yen and the Swiss franc than for the Australian dollar, the British pound and the Euro – in foreign currency units per U. S. dollar rather than in U. S. dollars per unit of foreign currency - the closing settlement value for the Canadian dollar, the Japanese yen and the Swiss franc will be an amount equal to one divided by the day's announced Noon Buying Rate, as determined by the Federal Reserve Bank of New York on the trading day prior to expiration, rounded to the nearest .0001 (except in the case of the Japanese yen where the amount shall be rounded to the nearest .000001).

In addition Rule 1057 provides that if the Noon Buying Rate is not announced by 2:00 p.m. (Eastern time ("ET")), the closing settlement value will be based upon the most recently announced Noon Buying Rate, unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances. The Exchange is proposing to amend Rule 1057 to provide that the closing settlement value will be based upon the most recently announced Noon Buying Rate if the Noon Buying Rate is not announced by 5:00 p.m. ET (rather than 2:00 p.m. ET, as the rule currently requires). The Exchange believes that moving the deadline to 5:00 p.m. ET should decrease the likelihood that it may be required to base the closing settlement value on the previously announced Noon Buying Rate which is likely not to be current. The rule will
continue to permit the Exchange to apply an alternative closing settlement value as a result of extraordinary circumstances.

Rule 1014, Obligations and Restrictions Applicable to Specialists and Registered Options Traders, and Options Floor Procedure Advice F-6, Option Quote Parameters, are being revised to provide an illustration of the different option quote spread parameters for U.S. dollar-settled options on the Japanese yen, which differ from the other U.S. dollar-settled FCOs in that four decimal places, rather than two, are to be disregarded when the quote parameters are expressed.

Exchange rules designed to protect public customers trading in FCOs would apply to U.S. dollar-settled FCOs on the New Currencies. Specifically, Phlx Rule 1024(b) prohibits members from accepting a customer order to purchase or write a U.S. dollar-settled FCO unless such customer's account has been specially approved in writing by a designated Foreign Currency Options Principal of the member for transactions in FCOs. Additionally, Phlx Rule 1026 is designed to ensure that options, including U.S. dollar-settled FCOs, are sold only to customers capable of evaluating and bearing the risks associated with trading in the instruments. Finally, under Phlx Rule 1027, members are permitted to exercise discretionary power with respect to trading U.S. dollar-settled FCOs in a customer's account only if the member has received prior written authorization from the customer and the account has been accepted in writing by a designated Foreign Currency Options Principal. In addition, the Foreign Currency Options Principal or a Registered Options Principal must approve and initial each discretionary U.S. dollar-settled FCO on the day the order is entered. Phlx Rule 1025 relating to the supervision of accounts, Phlx Rule 1028 relating to confirmations, and Phlx Rule 1029 relating to
delivery of options disclosure documents also apply to trading in U.S. dollar-settled FCOs, including FCOs on the New Currencies.

Rules 1014 and 1034 are being amended by removing the dollar sign before the “expressed as” values for quotes and quote spread parameters. Similarly, dollar signs are added to Options Floor Procedure Advice in front of the maximum quote spreads (but not in front of the “expressed as” values for the maximum quote spreads). The Exchange believes that these changes will make the quoting convention (i.e., disregarding the first four decimal places for the Japanese yen and the first two decimal places for the other currencies underlying the U.S. dollar-settled FCOs) less confusing to the investing public. The changes will also make Rules 1014 and 1034 more consistent with Rule 1033.

Rule 1014, Commentary .13 is being revised to delete the requirement that the Options Committee and the Foreign Currency Options Committee each establish separate in-person amounts for equity and index options and foreign currency options, respectively. The amendment will delete this requirement which was unnecessarily added to Rule 1014 in the recent filing to trade U.S. dollar-settled FCO. Currently, Options Floor Procedure Advice B-3 provides that a Registered Options Trader or “ROT” (other than a Remote Streaming Quote Trader or “RSQT”) is required to trade in person, and not through the use of orders, the greater of 1,000 contracts or 50% of his contract volume on the Exchange each quarter. ROTs may satisfy this requirement in any option traded on the Exchange. For purposes of Rule 1014, Commentary .13, there is no useful reason to establish separate requirements for equity and index options on the
one hand, and U.S. dollar-settled FCO on the other.\textsuperscript{14} This amendment will permit the Options Committee to establish one in person requirement applicable to all ROTs and permit any ROT to satisfy that in person requirement by trading any kind of option, be it equity, index or FCO.

Rule 1064, Crossing, Facilitation and Solicited Orders, is proposed to be amended to extend the applicability of the rule to U.S. dollar-settled FCO. Phlx Rule 1064 sets forth, among other things, the procedures by which a floor broker holding an equity or index option order ("original order") may cross it with another order or orders he or she is holding, or, in the case of a public customer order, with a contra side order provided by the originating firm from its own proprietary account ("facilitation order"). Under certain conditions, Rule 1064 provides "participation guarantees" in such crossing or facilitation transactions, entitling the floor broker to cross a certain percentage of the original order with the other order or orders ahead of members of the trading crowd. These participation guarantees currently apply to transactions in equity and index options only. The Exchange proposes to amend Rule 1064, Commentary .02, to provide a participation guarantee for trading in U.S. dollar-settled options that is the same as the participation guarantee for index options.

Rule 1092, Obvious Errors, is also proposed to be amended to clarify that the obvious error amounts stated in the existing rule are the amounts by which the amount is “expressed” and not the actual amounts. This is merely a technical correction.

\textsuperscript{14} Floor Procedure Advice B-3 contains a separate requirement that at least 50\% of an ROT's trading activity in each quarter must be in assigned options. This requirement will continue to apply to ROTs assigned to equity and index options and FCO.
Finally, the Exchange represents that it has the necessary systems capacity to support new options series that will result from the introduction of U.S. dollar-settled options on the New Currencies.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\textsuperscript{15} in general, and furthers the objectives of Section 6(b)(5) of the Act\textsuperscript{16} in particular, in that it is designed 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, by offering investors the ability to invest in U.S. dollar-settled FCO on the New Currencies and by simplifying existing rules relating to the expression of strike prices and quotes.

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 Exchange requests that the Commission find good cause for approving the proposed rule change before the 30th day after the date of publication of notice of filing

\textsuperscript{15} 15 U.S.C. 78f(b).

thereof in the Federal Register. The Exchange requests accelerated approval of the proposal to enable the Exchange to immediately list and trade U.S. dollar-settled U.S. dollar-settled options on the New Currencies. Accelerating approval of this proposal should benefit investors by creating, without undue delay, additional competition in the market for cash settled options on the New Currencies, subject to the standards and representations discussed herein. The Exchange notes that the International Securities Exchange, LLC has already received approval to trade cash settled FCOs on the New Currencies. Therefore, the Exchange requests that the Commission find good cause, consistent with Section 19(b)(2) of the Act, to approve the proposed rule change on an accelerated basis.

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-2007-34 on the subject line.

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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-2007-34. 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](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-2007-34 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.¹⁹

Nancy M. Morris
Secretary


**Exhibit 4**

_**Amendment No. 1 changes are marked: new language is in bold type; deletions are struck through.**_

_New text underlined; deleted text bracketed_

**Rule 1001. Position Limits**

Except with the prior written approval of the Exchange in each instance, no member or member organization shall effect, for any account in which such member or member organization has an interest or for the account of any partner, officer, director or employee thereof or for the account of any customer, an opening transaction (whether on the Exchange or on another participating exchange) in an option contract of any class of options dealt in on the Exchange if the member or member organization has reason to believe that, as a result of such transaction, the member or member organization or partner, officer, director or employee thereof or customer would, acting alone or in concert with others, directly or indirectly control an aggregate position: (a) of more than 13,500, 22,500, 31,500, 60,000 or 75,000, except that for a pilot program period of 6 months (the "Pilot Program Period") from March 1, 2007 through September 1, 2007, the position limits shall be 25,000 or 50,000 or 75,000 or 200,000 or 250,000 option contracts (whether long or short), put or call option contracts on the same side of the market relating to the same underlying security, which limit is determined in accordance with commentary .05(a), in the case of options on a stock or Exchange-Traded Fund Share, (except with respect to put or call option contracts overlying the Nasdaq-100 Index Tracking Stock ("QQQQ")® for which the position limit shall be 300,000 contracts (or 900,000 contracts during the Pilot Program Period) on the same side of the market, and the Standard and Poor's Depositary Receipts ("SPDRs"), for which the position limit shall be 300,000 contracts on the same side of the market,) or (b) with respect to a stock or Exchange-Traded Fund Share option not dealt in on the Exchange, exceeding the applicable position limit established by the exchange on which the option contract is transacted, when the member or member organization is not a member of that other exchange, or more than 200,000 put or call option contracts (aggregating both U.S. dollar-settled and physical delivery contracts) on the same side of the market relating to the same underlying foreign currency (except for the U.S. dollar and the Mexican peso) in the case of options on a foreign currency (provided that: (i) one U.S. dollar-settled British pound option contract shall count as one third of a contract, [and that] (ii) one U.S. dollar-settled Euro option contract shall count as one sixth of a contract, (iii) one U.S. dollar-settled Australian dollar option contract shall count as one fifth of a contract, (iv) one U.S. dollar-settled Canadian dollar option contract shall count as one fifth of a contract, (v) one U.S. dollar-settled Swiss Franc option contract shall count as one sixth of a contract, and (vi) one U.S. dollar-settled Japanese yen option contract shall count as one sixth of a contract), or such other number of option contracts as may be fixed from time to time by the Exchange as the position limit for one or more classes or series. Position limits for index warrants shall be determined in accordance with Commentary .05(d).
Commentary: No Change.

Rule 1012. Series Of Options Open For Trading

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Commentary:

(a) – (d) No Change.

.01 - .05 No Change

.06 The Exchange will initially list exercise strike prices for each expiration of U.S. dollar settled options on [the Euro and the British pound] currencies other than the Japanese yen within a ten percent band around the current spot price, defined for purposes of this rule as one one hundredth of the Phlx modified spot rate, at half-cent ($0.005) intervals. Thus, if the spot price of the Euro were at $1.0000 (expressed as 100.00), the Exchange would list strikes in $0.005 intervals up to $1.0500 (expressed as 105.00) and down to $0.9500 (expressed as 95.00), for a total of twenty-one strike prices available for trading. As the spot price for U.S. dollar settled FCO moves, the Exchange will list new strike prices that, at the time of listing, do not exceed the spot price by more than 5% and are not less than the spot price by 5%. For example, if at the time of initial listing, the spot price of the Euro is at $1.0000, the strike prices the Exchange will list will be $0.9500 (expressed as 95.00) to $1.0500 (expressed as 105.00). If the spot price then moves to $1.0500 (expressed as 105.00), the Exchange may list additional strikes at the following prices: $1.0550 (expressed as 105.50) to 1.1000 (expressed as 110.00). [In that event, the Exchange would delist any previously-listed series outside of the current ten percent band that have no open interest.] With respect to U.S. dollar-settled options on the Japanese yen, the Exchange will initially list exercise strike prices for each expiration within a ten percent band around the current spot price, defined for purposes of this rule as one ten thousandth of the Phlx modified spot rate, at intervals of $.00005.

.07 No Change.

Rule 1014 Obligations and Restrictions Applicable to Specialists and Registered Options Traders

(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 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) Options on Equities (including Exchange-Traded Fund Shares) and U.S. dollar-settled Foreign Currency Options.

(A)(1) Quote Spread Parameters (Bid/Ask Differentials) –

(a) No Change.

(b) Options on U.S. dollar-settled FCO. With respect to all U.S. dollar-settled FCO other than the Japanese yen, [B]bidding and/or offering so as to create differences of no more than $.0025 (expressed as [$].25) between the bid and the offer for each option contract for which the prevailing bid is less than $.0200 (expressed as [$]2.00); no more than $.0040 (expressed as [$].40) where the prevailing bid is $.0200 (expressed as [$]2.00) or more but less than $.0500 (expressed as [$]5.00); no more than ($.0050 (expressed as [$].50) where the prevailing bid is .0500 (expressed as [$]5.00) or more but less than $.[0]100 (expressed as [$]10.00); no more than $.0080 (expressed as [$].80) where the prevailing bid is $.[0]100 (expressed as [$]10.00) or more but less than $.[0]200 (expressed as [$]20.00); and no more than $.0100 (expressed as [$]1.00) where the prevailing bid is $.2000 (expressed as [$]20.00) or more. 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) Options on Equities (including Exchange-Traded Fund Shares) and U.S. dollar-settled Foreign Currency Options.

(A)(1) Quote Spread Parameters (Bid/Ask Differentials) –

(a) No Change.

(b) Options on U.S. dollar-settled FCO. With respect to all U.S. dollar-settled FCO other than the Japanese yen, [B]bidding and/or offering so as to create differences of no more than $.0025 (expressed as [$].25) between the bid and the offer for each option contract for which the prevailing bid is less than $.0200 (expressed as [$]2.00); no more than $.0040 (expressed as [$].40) where the prevailing bid is $.0200 (expressed as [$]2.00) or more but less than $.0500 (expressed as [$]5.00); no more than ($.0050 (expressed as [$].50) where the prevailing bid is .0500 (expressed as [$]5.00) or more but less than $.[0]100 (expressed as [$]10.00); no more than $.0080 (expressed as [$].80) where the prevailing bid is $.[0]100 (expressed as [$]10.00) or more but less than $.[0]200 (expressed as [$]20.00); and no more than $.0100 (expressed as [$]1.00) where the prevailing bid is $.2000 (expressed as [$]20.00) or more. With respect to U.S. dollar-settled FCO on the Japanese yen, bidding and/or offering so as to create differences of no more than $.000025 (expressed as .25) between the bid and the offer for each option contract for which the prevailing bid is less than $.000200 (expressed as 200); no more than $.000040 (expressed as .40) where the prevailing bid is $.000200 (expressed as 200) or more but less than $.000500 (expressed as 500); no more than ($.000050 (expressed as .50) where the prevailing bid is $.000500 (expressed as 500) or more but less than $.001000 (expressed as 1000); no more than $.000800 (expressed as .80) where the prevailing bid is $.001000 (expressed as 1000) or more but less than $.002000 (expressed as 2000); and no more than $.000100 (expressed as 100) where the prevailing bid is $.002000 (expressed as 2000) or more.

(2) Streaming Quote Options.

(a) No Change.

(b) Streaming Quote Options on U.S. dollar-settled FCO, other than U.S. dollar-settled FCO on the Japanese yen, trading on Phlx XL may be quoted electronically with a difference not to exceed $.0500 (expressed as [$]5.00) between the bid and offer regardless of the price of the bid. Streaming Quote Options on U.S. dollar-settled FCO options on the Japanese yen trading on Phlx XL may be quoted electronically with a
difference not to exceed $.000500 (expressed as 5.00) between the bid and offer regardless of the price of the bid. The [.0500 (expressed as $5)] bid/ask differentials set forth in this sub-paragraph (c)(i)(A)(2) (b) only apply to Streaming Quote Options trading on Phlx XL and only following the opening rotation in each security (i.e., the bid/ask differentials specified in sub-paragraph (c)(i)(A)(1) above shall apply during opening rotation). Quotations provided in open outcry in Streaming Quote Options may not be made with [.0500 (expressed as $5)] bid/ask differentials set forth in this subparagraph (c)(i)(A)(2) (b) and instead must comply with the legal bid/ask differential requirements described in sub-paragraph (c)(i)(A)(1) above and not in this sub-paragraph (c)(i)(A)(2)(b).

(B) No Change.

(ii) No Change.

(d) – (h) No Change.

* * * Commentary

.01 - .12  No Change

.13 Within each quarter an ROT must execute in person, and not through the use of orders, a specified number of contracts, such number to be determined from time to time by the Committee on Options[(in the case of equity options and index options) and by the Foreign Currency Options Committee (in the case of U.S. dollar-settled foreign currency options)].

.14 - .19  No Change

**Rule 1034. Minimum Increments**

(a) Except as provided in sub-paragraph (i)(B) below, all options on stocks, index options, and Exchange Traded Options quoting in decimals at $3.00 or higher shall have a minimum increment of $.10, and all options on stocks and index options quoting in decimals under $3.00 shall have a minimum increment of $.05. All U.S. dollar-settled FCO (other than options on the Japanese yen) quoting at $.0300 (expressed as [$]3.00) or higher shall have a minimum trading increment of $.0010 per unit of the foreign currency, expressed as .10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 10,000 Euros or 10,000 British pounds. **Australian dollars, Canadian dollars or Swiss francs.** The minimum increment for U.S. dollar-settled FCO (other than options on the Japanese yen) quoting under $.0300 (expressed as [$]3.00) shall be $.0005 per unit of the foreign currency, expressed as .05 per unit of the foreign currency, which equals a $5.00 minimum increment per contract consisting of 10,000 Euros or 10,000 British pounds. **Australian dollars, Canadian dollars or Swiss francs.** All U.S. dollar-settled FCO on the Japanese yen quoting at
$.000300 (expressed as 3.00) or higher shall have a minimum trading increment of $.000010 per unit of the foreign currency, expressed as .10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 1,000,000 Japanese yen. The minimum increment for U.S. dollar-settled FCO on the Japanese yen quoting under $.000300 (expressed as 3.00) shall be $.000005 per unit of the foreign currency, expressed as .05 per unit of the foreign currency, which equals a $5.00 minimum increment per contract consisting of 1,000,000 Japanese yen.

(i) – (iii) No Change.

Rule 1057.
U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value

U.S. dollar-settled foreign currency options are settled in U.S. dollars.

The closing settlement value for the U.S. dollar settled FCO options on the Australian dollar, the Euro and the British pound shall be the day's announced Noon Buying Rate, as determined by the Federal Reserve Bank of New York on the trading day prior to expiration. If the Noon Buying Rate is not announced by [2:00] 5:00 p.m. (Eastern time (“ET”)), the closing settlement value will be the most recently announced Noon Buying Rate, unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

The closing settlement value for the U.S. dollar settled FCO options on the Canadian dollar, the Swiss franc and the Japanese yen shall be an amount equal to one divided by the day's announced Noon Buying Rate, as determined by the Federal Reserve Bank of New York on the trading day prior to expiration, rounded to the nearest .0001 (except in the case of the Japanese yen where the amount shall be rounded to the nearest .000001). If the Noon Buying Rate is not announced by 5:00 p.m. (Eastern time (“ET”)), the closing settlement value will be based upon the most recently announced Noon Buying Rate, unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

Neither the Exchange, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current settlement value or the closing settlement value resulting from an act, condition, or cause beyond the reasonable control of the Exchange including but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the current settlement value or the closing settlement value by the Exchange.

The Exchange shall post the closing settlement value on its website.
Rule 1064
Crossing, Facilitation and Solicited Orders

* * * * *
Commentary

.01 No Change

.02 Firm Participation Guarantees. (i) Notwithstanding the provisions of paragraphs (a) and (b) of this Rule, when a Floor Broker holds an equity [or], index or U.S. dollar-settled foreign currency option order of the eligible order size or greater ("original order"), the Floor Broker is entitled to cross a certain percentage of the original order with other orders that he is holding or in the case of a public customer order, with a facilitation order of the originating firm (i.e., the firm from which the original customer order originated).

(ii) No Change.

(iii) The percentage of the order which a Floor Broker is entitled to cross, after all public customer orders that were (1) on the limit order book and then (2) represented in the trading crowd at the time the market was established have been satisfied, is determined as follows:

(A) With respect to orders for equity options, 40% of the remaining contracts in the order if the order is traded at or between the best bid or offer given by the crowd in response to the Floor Broker's initial request for a market.

(B) With respect to orders for index or U.S. dollar-settled foreign currency options, 20% of the remaining contracts in the order.

(iv) When crossing an order pursuant to this Commentary, a Floor Broker must disclose on its order ticket for any order which is subject to crossing, all of the terms of such order, including any contingency involving, and all related transactions in, either options or, in the case of equity or index options, underlying or related securities. The Floor Broker, in the case of equity or index options, must disclose all securities that are components of the customer order which is subject to crossing before requesting bids and offers for the execution of all components of the order.

(v) Once the trading crowd has provided a quote, it will remain in effect until: (A) a reasonable amount of time has passed, or (B) there is a significant change in the price of the underlying security, or (C) the market given in response to the request has been improved. In the case of a dispute, the term "significant change" will be interpreted on a case-by-case basis by an Options Exchange Official based upon the extent of the recent
trading in the option and, in the case of equity and index options, in the underlying security, and any other relevant factors.

(vi) If a trade pursuant to this Commentary occurs when the specialist is on parity with one or more controlled accounts, then the Enhanced Specialist Participation which is established pursuant to Exchange Rule 1014(g)(ii)-(iv) shall apply only to the number of contracts remaining after the following orders have been satisfied: those public customer orders which trade ahead of the cross transaction, and any portion of an order being crossed against the original order being represented by the Floor Broker.

(A) Respecting orders for index options and U.S. dollar-settled foreign currency options, the Enhanced Specialist Participation may only be 20% of the original order after customer orders have been executed for orders crossed pursuant to this paragraph (vi) unless the Floor Broker has chosen to cross less than its 20% entitlement, in which case the Enhanced Specialist Participation will be a percentage that combined with the percentage the firm crossed is no more than 40% of the original order.

(B) Respecting orders for equity options, the specialist shall not be entitled to receive the Enhanced Specialist Participation after customer orders have been executed for orders crossed pursuant to this paragraph (vi) unless the Floor Broker has chosen to cross less than its 40% entitlement, in which case the Enhanced Specialist Participation will be a percentage that combined with the percentage the firm crossed is no more than 40% of the original order.

If the trade occurs at a price other than the specialist's disseminated bid or offer, the specialist is entitled to no guaranteed participation.

(vii) – (ix) No Change.

**Rule 1092.**

**Obvious Errors**

The Exchange shall either nullify a transaction or adjust the execution price of a transaction that results in an Obvious Error as provided in this Rule.

(a) Definition of Obvious Error. For purposes of this Rule only, an Obvious Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for a series by an amount equal to at least the amount shown below:

<table>
<thead>
<tr>
<th>For equity and index options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theoretical</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>price</th>
<th>amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $2</td>
<td>$.25</td>
</tr>
<tr>
<td>$2 to $5</td>
<td>$.40</td>
</tr>
<tr>
<td>Above $5 to $10</td>
<td>$.50</td>
</tr>
<tr>
<td>Above $10 to $20</td>
<td>$.80</td>
</tr>
<tr>
<td>Above $20</td>
<td>$1.00</td>
</tr>
</tbody>
</table>

For foreign currency options other than the Japanese yen

<table>
<thead>
<tr>
<th>Theoretical price</th>
<th>Minimum amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $.02 (expressed as 2)</td>
<td>$.0025 (expressed as .25)</td>
</tr>
<tr>
<td>$.02 to $.05 (expressed as 2 to 5)</td>
<td>$.004 (expressed as .40)</td>
</tr>
<tr>
<td>Above $.05 to $.10 (expressed as 5 to 10)</td>
<td>$.0050 (expressed as .50)</td>
</tr>
<tr>
<td>Above $.10 to $.20 (expressed as 10 to 20)</td>
<td>$.0080 (expressed as .80)</td>
</tr>
<tr>
<td>Above $.20 (expressed as 20)</td>
<td>$.0100 (expressed as 1.00)</td>
</tr>
</tbody>
</table>

For foreign currency options on the Japanese yen

<table>
<thead>
<tr>
<th>Theoretical price</th>
<th>Minimum amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $.0002 (expressed as 2)</td>
<td>$.000025 (expressed as .25)</td>
</tr>
<tr>
<td>$.0002 to $.0005 (expressed as 2 to 5)</td>
<td>$.00004 (expressed as .40)</td>
</tr>
<tr>
<td>Above $.0005 to $.0010 (expressed as 5 to 10)</td>
<td>$.000050 (expressed as .50)</td>
</tr>
</tbody>
</table>
Above $.0010 to $.000080 (expressed as .80)
$.0020 (expressed as 10 to 20)

Above $.0020 (expressed as 20) $.000100 (expressed as 1.00)

(b) – (f) No Change.

* * * Commentary  No Change.

**F-6 Option Quote Parameters**

* * * * *

When bidding and/or offering in U.S. dollar-settled foreign currency option issues other than options on the Japanese yen, the following parameters should be utilized:

<table>
<thead>
<tr>
<th>Current Option Bid</th>
<th>Maximum Quote Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $.0200</td>
<td>$ .0025 (expressed as .25)</td>
</tr>
<tr>
<td>(expressed as 2.00)</td>
<td></td>
</tr>
<tr>
<td>$.0200 (expressed</td>
<td>$ .0040 (expressed as .40)</td>
</tr>
<tr>
<td>as 2.00) to less</td>
<td></td>
</tr>
<tr>
<td>than $.0500 (expressed as 5.00)</td>
<td></td>
</tr>
<tr>
<td>$.0500 (expressed as 5.00) to less</td>
<td>$ .0050 (expressed as .50)</td>
</tr>
<tr>
<td>than $.1000 (expressed as 10.00)</td>
<td></td>
</tr>
<tr>
<td>$.1000 (expressed as 10.00) to less</td>
<td>$ .0080 (expressed as .80)</td>
</tr>
<tr>
<td>than $.2000 (expressed as [$]20.00)</td>
<td></td>
</tr>
<tr>
<td>$.2000 (expressed as [$]20.00) and greater</td>
<td>$ .0100 (expressed as 1.00)</td>
</tr>
</tbody>
</table>

When bidding and/or offering in U.S. dollar-settled options on the Japanese yen, the following parameters should be utilized:

<table>
<thead>
<tr>
<th>Current Option Bid</th>
<th>Maximum Quote Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $.000200</td>
<td>$ .000025 (expressed as .25)</td>
</tr>
<tr>
<td>(expressed as 2.00)</td>
<td></td>
</tr>
</tbody>
</table>
$.000200 (expressed as 2.00) to less than $.000500 (expressed as 5.00) .............. $ .000040 (expressed as .40)

$.000500 (expressed as 5.00) to less than $.001000 (expressed as 10.00) ...................... $ .000050 (expressed as .50)

$.001000 (expressed as 10.00) to less than $.002000 (expressed as 20.00) ............... $ .000080 (expressed as .80)

$.002000 (expressed as 20.00) and greater ........................................ $ .000100 (expressed as 1.00)

*   *   *   *   *
Exhibit 5

New text underlined; deleted text bracketed

Rule 1001. Position Limits

Except with the prior written approval of the Exchange in each instance, no member or member organization shall effect, for any account in which such member or member organization has an interest or for the account of any partner, officer, director or employee thereof or for the account of any customer, an opening transaction (whether on the Exchange or on another participating exchange) in an option contract of any class of options dealt in on the Exchange if the member or member organization has reason to believe that, as a result of such transaction, the member or member organization or partner, officer, director or employee thereof or customer would, acting alone or in concert with others, directly or indirectly control an aggregate position: (a) of more than 13,500, 22,500, 31,500, 60,000 or 75,000, except that for a pilot program period of 6 months (the "Pilot Program Period") from March 1, 2007 through September 1, 2007, the position limits shall be 25,000 or 50,000 or 75,000 or 200,000 or 250,000 option contracts (whether long or short), put or call option contracts on the same side of the market relating to the same underlying security, which limit is determined in accordance with commentary .05(a), in the case of options on a stock or Exchange-Traded Fund Share, (except with respect to put or call option contracts overlying the Nasdaq-100 Index Tracking Stock ("QQQQ")® for which the position limit shall be 300,000 contracts (or 900,000 contracts during the Pilot Program Period) on the same side of the market, and the Standard and Poor's Depositary Receipts ("SPDRs"), for which the position limit shall be 300,000 contracts on the same side of the market,) or (b) with respect to a stock or Exchange-Traded Fund Share option not dealt in on the Exchange, exceeding the applicable position limit established by the exchange on which the option contract is transacted, when the member or member organization is not a member of that other exchange, or more than 200,000 put or call option contracts (aggregating both U.S. dollar-settled and physical delivery contracts) on the same side of the market relating to the same underlying foreign currency (except for the U.S. dollar and the Mexican peso) in the case of options on a foreign currency (provided that: (i) one U.S. dollar-settled British pound option contract shall count as one third of a contract, [and that] (ii) one U.S. dollar-settled Euro option contract shall count as one sixth of a contract, (iii) one U.S. dollar-settled Australian dollar option contract shall count as one fifth of a contract, (iv) one U.S. dollar-settled Canadian dollar option contract shall count as one fifth of a contract, (v) one U.S. dollar-settled Swiss Franc option contract shall count as one sixth of a contract, and (vi) one U.S. dollar-settled Japanese yen option contract shall count as one sixth of a contract), or such other number of option contracts as may be fixed from time to time by the Exchange as the position limit for one or more classes or series. Position limits for index warrants shall be determined in accordance with Commentary .05(d).

Commentary: No Change.
Rule 1012. Series Of Options Open For Trading

Commentary:

(a) – (d) No Change.

.01 - .05 No Change

.06 The Exchange will initially list exercise strike prices for each expiration of U.S. dollar settled options on [the Euro and the British pound] currencies other than the Japanese yen within a ten percent band around the current spot price at half-cent ($.005) intervals. Thus, if the spot price of the Euro were at $1.0000 (expressed as 100.00), the Exchange would list strikes in $.005 intervals up to $1.0500 (expressed as 105.00) and down to $.9500 (expressed as 95.00), for a total of twenty-one strike prices available for trading. As the spot price for U.S. dollar settled FCO moves, the Exchange will list new strike prices that, at the time of listing, do not exceed the spot price by more than 5% and are not less than the spot price by 5%. For example, if at the time of initial listing, the spot price of the Euro is at $1.0000, the strike prices the Exchange will list will be $.9500 (expressed as 95.00) to $1.0500 (expressed as 105.00). If the spot price then moves to $1.0500 (expressed as 105.00), the Exchange may list additional strikes at the following prices: $1.0550 (expressed as 105.50) to 1.1000 (expressed as 110.00). [In that event, the Exchange would delist any previously-listed series outside of the current ten percent band that have no open interest.] With respect to U.S. dollar-settled options on the Japanese yen, the Exchange will initially list exercise strike prices for each expiration within a ten percent band around the current spot price, at intervals of $.00005.

.07 No Change.

Rule 1014  Obligations and Restrictions Applicable to Specialists and Registered Options Traders

(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 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) Options on Equities (including Exchange-Traded Fund Shares) and U.S. dollar-settled Foreign Currency Options.

(A)(1) Quote Spread Parameters (Bid/Ask Differentials) –

(a) No Change.

(b) Options on U.S. dollar-settled FCO. With respect to all U.S. dollar-settled FCO other than the Japanese yen, [B]bidding and/or offering so as to create differences of no more than $.0025 (expressed as $[.25]) between the bid and the offer for each option contract for which the prevailing bid is less than $.0200 (expressed as $[2.00]); no more than $.0040 (expressed as $[.40]) where the prevailing bid is $.0200 (expressed as $[2.00]) or more but less than $.0500 (expressed as $[5.00]); no more than $.0050 (expressed as $.0050) where the prevailing bid is $.0500 (expressed as $[5.00]) or more but less than $.1000 (expressed as $[10.00]); no more than $.0080 (expressed as $.0080) where the prevailing bid is $.1000 (expressed as $[10.00]) or more but less than $.2000 (expressed as $[20.00]); and no more than $.0100 (expressed as $.0100) where the prevailing bid is $.2000 (expressed as $[20.00]) or more. With respect to U.S. dollar-settled FCO on the Japanese yen, bidding and/or offering so as to create differences of no more than $0.000025 (expressed as $.000025) between the bid and the offer for each option contract for which the prevailing bid is less than $.000200 (expressed as $.000200); no more than $.000040 (expressed as $.000040) where the prevailing bid is $.000200 (expressed as $.000200) or more but less than $.000500 (expressed as $.000500); no more than $.000050 (expressed as $.000050) where the prevailing bid is $.000500 (expressed as $.000500) or more but less than $.001000 (expressed as $.001000); no more than $.000080 (expressed as $.000080) where the prevailing bid is $.001000 (expressed as $.001000) or more but less than $.002000 (expressed as $.002000); and no more than $.000100 (expressed as $.000100) where the prevailing bid is $.002000 (expressed as $.002000) or more.

(2) Streaming Quote Options.

(a) No Change.

(b) Streaming Quote Options on U.S. dollar-settled FCO, other than U.S. dollar-settled FCO on the Japanese yen, trading on Phlx XL may be quoted electronically with a difference not to exceed $.0500 (expressed as $[5.00]) between the bid and offer regardless of the price of the bid. Streaming Quote Options on U.S. dollar-settled FCO on the Japanese yen trading on Phlx XL may be quoted electronically with a difference not to exceed $.000500 (expressed as $.000500) between the bid and offer regardless of the price of the bid. The [$0.0500 (expressed as $.05)] bid/ask differentials set forth in this sub-paragraph (c)(i)(A)(2)(b) only apply to Streaming Quote Options trading on Phlx XL and only following the opening rotation in each security (i.e., the bid/ask differentials specified in sub-paragraph (c)(i)(A)(1) above shall apply during opening rotation).
Quotations provided in open outcry in Streaming Quote Options may not be made with [$0.0500 (expressed as $5)] bid/ask differentials set forth in this subparagraph (c)(i)(A)(2)(b) and instead must comply with the legal bid/ask differential requirements described in sub-paragraph (c)(i)(A)(1) above and not in this sub-paragraph (c)(i)(A)(2)(b).

(B) No Change.

(ii) No Change.

(d) – (h) No Change.

* * * Commentary

.01 - .12 No Change

.13 Within each quarter an ROT must execute in person, and not through the use of orders, a specified number of contracts, such number to be determined from time to time by the Committee on Options[(in the case of equity options and index options) and by the Foreign Currency Options Committee (in the case of U.S. dollar-settled foreign currency options)].

.14 - .19 No Change

**Rule 1034. Minimum Increments**

(a) Except as provided in sub-paragraph (i)(B) below, all options on stocks, index options, and Exchange Traded Options quoting in decimals at $3.00 or higher shall have a minimum increment of $.10, and all options on stocks and index options quoting in decimals under $3.00 shall have a minimum increment of $.05. All U.S. dollar-settled FCO (other than options on the Japanese yen) quoting at $.0300 (expressed as [$]3.00) or higher shall have a minimum trading increment of $.0010 per unit of the foreign currency, expressed as .10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 10,000 Euros, [or 10,000] British pounds, Australian dollars, Canadian dollars or Swiss francs. The minimum increment for U.S. dollar-settled FCO (other than options on the Japanese yen) quoting under $.0300 (expressed as [$]3.00) shall be $.0005 per unit of the foreign currency, expressed as .05 per unit of the foreign currency, which equals a $5.00 minimum increment per contract consisting of 10,000 Euros, [or 10,000] British pounds, Australian dollars, Canadian dollars or Swiss francs. All U.S. dollar-settled FCO on the Japanese yen quoting at $.000300 (expressed as 3.00) or higher shall have a minimum trading increment of $.000010 per unit of the foreign currency, expressed as .10 per unit of the foreign currency, which equals a $10.00 minimum increment per contract consisting of 1,000,000 Japanese yen. The minimum increment for U.S. dollar-settled FCO on the Japanese yen quoting under $.000300 (expressed as 3.00) shall be $.000005 per unit of the foreign currency.
currency, expressed as \(0.05\) per unit of the foreign currency, which equals a $5.00 minimum increment per contract consisting of 1,000,000 Japanese yen.

(i) – (iii) No Change.

**Rule 1057.**
**U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value**

U.S. dollar-settled foreign currency options are settled in U.S. dollars.

The closing settlement value for the U.S. dollar settled FCO on the Australian dollar, the Euro and the British pound shall be the day's announced Noon Buying Rate, as determined by the Federal Reserve Bank of New York on the trading day prior to expiration. If the Noon Buying Rate is not announced by 5:00 p.m. (Eastern time ("ET")), the closing settlement value will be the most recently announced Noon Buying Rate, unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

The closing settlement value for the U.S. dollar settled FCO on the Canadian dollar, the Swiss franc and the Japanese yen shall be an amount equal to one divided by the day's announced Noon Buying Rate, as determined by the Federal Reserve Bank of New York on the trading day prior to expiration, rounded to the nearest .0001 (except in the case of the Japanese yen where the amount shall be rounded to the nearest .000001). If the Noon Buying Rate is not announced by 5:00 p.m. (Eastern time ("ET")), the closing settlement value will be based upon the most recently announced Noon Buying Rate, unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

Neither the Exchange, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current settlement value or the closing settlement value resulting from an act, condition, or cause beyond the reasonable control of the Exchange including but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the current settlement value or the closing settlement value by the Exchange.

The Exchange shall post the closing settlement value on its website.

**Rule 1064**
**Crossing, Facilitation and Solicited Orders**

* * * * *
Commentary

.01 No Change

.02 Firm Participation Guarantees. (i) Notwithstanding the provisions of paragraphs (a) and (b) of this Rule, when a Floor Broker holds an equity [or], index or U.S. dollar-settled foreign currency option order of the eligible order size or greater ("original order"), the Floor Broker is entitled to cross a certain percentage of the original order with other orders that he is holding or in the case of a public customer order, with a facilitation order of the originating firm (i.e., the firm from which the original customer order originated).

(ii) No Change.

(iii) The percentage of the order which a Floor Broker is entitled to cross, after all public customer orders that were (1) on the limit order book and then (2) represented in the trading crowd at the time the market was established have been satisfied, is determined as follows:

(A) With respect to orders for equity options, 40% of the remaining contracts in the order if the order is traded at or between the best bid or offer given by the crowd in response to the Floor Broker's initial request for a market.

(B) With respect to orders for index or U.S. dollar-settled foreign currency options, 20% of the remaining contracts in the order.

(iv) When crossing an order pursuant to this Commentary, a Floor Broker must disclose on its order ticket for any order which is subject to crossing, all of the terms of such order, including any contingency involving, and all related transactions in, either options or, in the case of equity or index options, underlying or related securities. The Floor Broker, in the case of equity or index options, must disclose all securities that are components of the customer order which is subject to crossing before requesting bids and offers for the execution of all components of the order.

(v) Once the trading crowd has provided a quote, it will remain in effect until: (A) a reasonable amount of time has passed, or (B) there is a significant change in the price of the underlying security, or (C) the market given in response to the request has been improved. In the case of a dispute, the term "significant change" will be interpreted on a case-by-case basis by an Options Exchange Official based upon the extent of the recent trading in the option and, in the case of equity and index options, in the underlying security, and any other relevant factors.

(vi) If a trade pursuant to this Commentary occurs when the specialist is on parity with one or more controlled accounts, then the Enhanced Specialist Participation which is established pursuant to Exchange Rule 1014(g)(ii)-(iv) shall apply only to the number of contracts remaining after the following orders have been satisfied: those public customer
orders which trade ahead of the cross transaction, and any portion of an order being crossed against the original order being represented by the Floor Broker.

(A) Respecting orders for index options and U.S. dollar-settled foreign currency options, the Enhanced Specialist Participation may only be 20% of the original order after customer orders have been executed for orders crossed pursuant to this paragraph (vi) unless the Floor Broker has chosen to cross less than its 20% entitlement, in which case the Enhanced Specialist Participation will be a percentage that combined with the percentage the firm crossed is no more than 40% of the original order.

(B) Respecting orders for equity options, the specialist shall not be entitled to receive the Enhanced Specialist Participation after customer orders have been executed for orders crossed pursuant to this paragraph (vi) unless the Floor Broker has chosen to cross less than its 40% entitlement, in which case the Enhanced Specialist Participation will be a percentage that combined with the percentage the firm crossed is no more than 40% of the original order.

If the trade occurs at a price other than the specialist's disseminated bid or offer, the specialist is entitled to no guaranteed participation.

(vii) – (ix) No Change.

**Rule 1092.**

**Obvious Errors**

The Exchange shall either nullify a transaction or adjust the execution price of a transaction that results in an Obvious Error as provided in this Rule.

(a) Definition of Obvious Error. For purposes of this Rule only, an Obvious Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for a series by an amount equal to at least the amount shown below:

<table>
<thead>
<tr>
<th>Theoretical price</th>
<th>Minimum amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $2</td>
<td>$.25</td>
</tr>
<tr>
<td>$2 to $5</td>
<td>$.40</td>
</tr>
<tr>
<td>Above $5 to</td>
<td>$.50</td>
</tr>
</tbody>
</table>
$10

<table>
<thead>
<tr>
<th>Above $10 to $20</th>
<th>$.80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above $20</td>
<td>$1.00</td>
</tr>
</tbody>
</table>

For foreign currency options other than the Japanese yen

<table>
<thead>
<tr>
<th>Theoretical price</th>
<th>Minimum amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $0.02 (expressed as 2)</td>
<td>$.0025 (expressed as .25)</td>
</tr>
<tr>
<td>$.02 to $.05 (expressed as 2 to 5)</td>
<td>$.004 (expressed as .40)</td>
</tr>
<tr>
<td>Above $.05 to $.10 (expressed as 5 to 10)</td>
<td>$.0050 (expressed as .50)</td>
</tr>
<tr>
<td>Above $.10 to $.20 (expressed as 10 to 20)</td>
<td>$.0080 (expressed as .80)</td>
</tr>
<tr>
<td>Above $.20 (expressed as 20)</td>
<td>$.0100 (expressed as 1.00)</td>
</tr>
</tbody>
</table>

For foreign currency options on the Japanese yen

<table>
<thead>
<tr>
<th>Theoretical price</th>
<th>Minimum amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below $0.0002 (expressed as 2)</td>
<td>$.000025 (expressed as .25)</td>
</tr>
<tr>
<td>$.0002 to $.0005 (expressed as 2 to 5)</td>
<td>$.00004 (expressed as .40)</td>
</tr>
<tr>
<td>Above $.0005 to $.0010 (expressed as 5 to 10)</td>
<td>$.000050 (expressed as .50)</td>
</tr>
<tr>
<td>Above $.0010 to $.0020 (expressed as 10 to 20)</td>
<td>$.000080 (expressed as .80)</td>
</tr>
<tr>
<td>Above $.0020 (expressed as 20)</td>
<td>$.000100 (expressed as 1.00)</td>
</tr>
</tbody>
</table>

(b) – (f) No Change.
**Commentary  No Change.**

**F-6 Option Quote Parameters**

When bidding and/or offering in U.S. dollar-settled foreign currency option issues other than options on the Japanese yen, the following parameters should be utilized:

<table>
<thead>
<tr>
<th>Current Option Bid</th>
<th>Maximum Quote Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $.0200</td>
<td>$ .0025 (expressed as .25)</td>
</tr>
<tr>
<td>(expressed as 2.00)</td>
<td></td>
</tr>
<tr>
<td>$.0200 (expressed as 2.00) to less than $.0500</td>
<td>$ .0050 (expressed as .50)</td>
</tr>
<tr>
<td>(expressed as 5.00)</td>
<td></td>
</tr>
<tr>
<td>$.0500 (expressed as 5.00) to less than $.1000 (expressed as 10.00)</td>
<td>$ .0080 (expressed as .80)</td>
</tr>
<tr>
<td>..................................................</td>
<td></td>
</tr>
<tr>
<td>$.1000 (expressed as 10.00) to less than $.2000 (expressed as [$]20.00)</td>
<td>$ .0100 (expressed as 1.00)</td>
</tr>
<tr>
<td>..................................................</td>
<td></td>
</tr>
<tr>
<td>$.2000 (expressed as [$]20.00) and greater</td>
<td></td>
</tr>
</tbody>
</table>

When bidding and/or offering in U.S. dollar-settled options on the Japanese yen, the following parameters should be utilized:

<table>
<thead>
<tr>
<th>Current Option Bid</th>
<th>Maximum Quote Spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $.000200</td>
<td>$ .000025 (expressed as .25)</td>
</tr>
<tr>
<td>(expressed as 2.00)</td>
<td></td>
</tr>
<tr>
<td>$.000200 (expressed as 2.00) to less than $.000500</td>
<td>$ .000040 (expressed as .40)</td>
</tr>
<tr>
<td>(expressed as 5.00)</td>
<td></td>
</tr>
</tbody>
</table>
$.000500 (expressed as 5.00) to less
than $.001000 (expressed as 10.00)

$.001000 (expressed as 10.00) to less
than $.002000 (expressed as 20.00)

$.002000 (expressed as 20.00) and
greater

* * * * *