Proposed Rule Change by Philadelphia Stock Exchange

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

Initial Amendment Withdrawal

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

Rule

Pilot Extension of Time Period for Commission Action Date Expires

19b-4(f)(1) 19b-4(f)(4)
19b-4(f)(2) 19b-4(f)(5)
19b-4(f)(3) 19b-4(f)(6)

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 Richard Last Name Rudolph
Title Vice President and Counsel
E-mail Richard.Rudolph@phlx.com
Telephone (215) 496-5074 Fax (215) 496-6729

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 08/16/2007 By Richard S. Rudolph
Vice President and Counsel

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.
<table>
<thead>
<tr>
<th>Form 19b-4 Information</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibit 1 - Notice of Proposed Rule Change</td>
<td>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)</td>
</tr>
<tr>
<td>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</td>
<td>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.</td>
</tr>
<tr>
<td>Exhibit 3 - Form, Report, or Questionnaire</td>
<td>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.</td>
</tr>
<tr>
<td>Exhibit 4 - Marked Copies</td>
<td>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.</td>
</tr>
<tr>
<td>Exhibit 5 - Proposed Rule Text</td>
<td>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.</td>
</tr>
<tr>
<td>Partial Amendment</td>
<td>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.</td>
</tr>
</tbody>
</table>
1. **Text of the Proposed Rule Change**

The Philadelphia Stock Exchange, Inc. (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)\(^1\) and Rule 19b-4 thereunder,\(^2\) proposes to amend its schedule of fees to institute a new subsidy program (the “Subsidy”), which would be available to qualifying Phlx member organizations that offer to customers automated order routing systems and electronic market access to U.S. options markets (“Market Access Providers” or “MAPs”), and which would provide such qualified Market Access Providers incentives to route additional option orders to the Phlx and to offer to their customers certain services that are intended to promote the business of the Phlx.

The Subsidy would be applicable to any Exchange member organization that qualifies as a MAP who elects to participate by submitting any application(s) and/or form(s) required by the Exchange, and complying with other conditions enumerated below. The Subsidy would apply to any MAP that has elected to participate for the calendar month that commences following the satisfaction by such MAP of all conditions of participation, and for each calendar month thereafter, provided that such conditions continue to be satisfied.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and a copy of the Market Access Provider Subsidy section of the Exchange’s fee schedule is attached hereto as Exhibit 5.

2. **Procedures of the Self-Regulatory Organization**

The Exchange’s Executive Committee, pursuant to delegated authority, approved the proposal for filing with the Securities and Exchange Commission (“SEC” or “Commission”) on June 8, 2007.


Questions and comments on the proposed rule change may be directed to Richard S. Rudolph, Vice President and Counsel, at (215) 496-5074, 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 provide incentives to Exchange member organizations and their customers.

**Qualification as an Eligible MAP**

For a MAP to be eligible for the Subsidy, a MAP (an “Eligible MAP”) would be required to:

1. submit any required Exchange applications and/or forms for Exchange approval to participate as an Eligible MAP;
2. provide to its customers systems that enable the electronic routing of equity option orders to all of the U.S. options exchanges, including Phlx;
3. provide to its customers current consolidated market data from the U.S. options exchanges;
4. interface with Phlx’s API to access the Exchange’s electronic options trading platform, Phlx XL;
5. offer to its customers a customized interface and routing functionality (including sweep function described below) such that:
   A. Phlx will be the default destination for all equity option orders (whether marketable or not), provided that in the case of marketable orders, Phlx is at the national best bid or offer (“NBBO”) on the appropriate side of the market (i.e., the contra-side of the

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order that is routed to Phlx), regardless of size or time, up to Phlx’s disseminated size; and

(B) the MAP’s option order routing functionality incorporates a feature that causes equity option orders at a specified price to be routed simultaneously to multiple exchanges with a single click (a “sweep function”), which is configured to route all such orders (or, if such orders are for a size larger than the size disseminated by the Phlx on the opposite side of the market, at least the portion of the order that corresponds to Phlx’s disseminated size) to Phlx as the default destination for execution for a size up to the full size quoted on the Phlx, provided that, in the case of marketable orders, the Phlx disseminated price on the appropriate side of the market is at the NBBO;

(6) configure its own option order routing functionality such that it is configured as described in sub-paragraphs 5(A) and (B) above, with respect to all equity option orders as to which the MAP has discretion as to routing (“MAP Routing Orders”);

(7) ensure that the customized functionality described in sub-paragraphs (5) and (6) above permits users submitting equity option orders through such system(s) to manually override the Phlx as the default destination on an order-by-order basis; and

(8) enter into and maintain an agreement with the Exchange to function as an Eligible MAP and be in compliance with all terms thereof.

The Agreement

In the agreement referred to in sub-paragraph (8) above, Eligible MAPs will undertake to offer to their customers the customized interface described in sub-paragraph (5) above. In addition, Eligible MAPs will also undertake to provide support for such customized interface for those customers that
receive the service described in sub-paragraph (5) above. Nothing in the agreement would obligate a MAP’s customer to exclusively use an Eligible MAP’s order routing system.

Furthermore, nothing in the agreement would relieve Eligible MAPs from complying with their best execution obligations. Specifically, the Eligible MAP would need to, on a regular and at least a quarterly basis, conduct best execution evaluations. If, based upon its regular best execution analysis, the Eligible MAP determines that the routing of MAP Routing Orders to the Phlx using the feature described in sub-paragraph (6) above would, with respect to particular options, be inconsistent with the highest quality of execution standards, then the Eligible MAP may disable and suspend the features described in sub-paragraphs (5) and (6) above with respect to such options and for such period the Eligible MAP determines such inconsistency exists.

Eligible MAPs will covenant to refrain from entering into arrangements with other exchanges or execution venues where such exchange or execution venue will have the same routing position as, or priority over, Phlx as the default destination for option orders described in sub-paragraphs (5) and (6) above, unless Phlx otherwise consents. Such covenant will terminate on the date which is the last calendar day of the year that is one year from the date of the agreement; provided that Phlx may, by giving written notice to the Eligible MAP, elect to extend such covenant for additional one year terms, in which case the per contract fee (as described in the first paragraph under “Calculation of the Subsidy” below) during any extension period for that Eligible MAP shall be $0.01 per contract greater than the Subsidy Rate (as defined below) then in effect at the date of renewal, so long as such covenant remains in effect. Notwithstanding the termination of the covenant as described above, the agreement shall otherwise remain in effect.
Calculation of the Subsidy

The Subsidy, payable to Eligible MAPs monthly, would be an amount per contract (the “Subsidy Rate”) of $0.10 for each Eligible Contract (as defined below) in the immediately preceding calendar month above the particular Eligible MAP’s Baseline Order Flow (as defined below).

“Eligible Contracts” means contracts that result from the execution on the Phlx of: (1) equity option orders (other than crosses) sent electronically to an Eligible MAP (and routed to Phlx electronically by the Eligible MAP) by its customers; and (2) MAP Routing Orders (other than crosses) sent electronically by the Eligible MAP.

“Baseline Order Flow” for an Eligible MAP means the higher of: (1) 500,000 contracts; or (2) the average contracts per month, calculated for the 3-month period immediately preceding the Eligible MAP entering into the agreement with Phlx as described in sub-paragraph (8) above, that resulted from the execution on the Phlx of equity option orders (other than crosses) routed to Phlx electronically by such Eligible MAP.

The Volume Bonus

The Exchange will pay each Eligible MAP $50,000 per month (the “Volume Bonus”) for each month in which the Eligible Contracts of such Eligible MAP in the immediately preceding calendar month exceed the higher of: (1) 1,500,000; or (2) three times the Baseline Order Flow of such Eligible MAP. The Volume Bonus shall be in addition to the amount for any Subsidy that is payable.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^4\) in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act\(^5\) in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and


\(^5\) 15 U.S.C. 78f(b)(4) and (5).
issuers and other persons using its facilities, as well as to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open national market system, and, in general, to protect investors and the public interest, by establishing a Subsidy that encourages the routing of equity options business to the Exchange.

4. **Self-Regulatory Organization’s Statement on Burden on Competition**

The Phlx does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

5. **Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

No written comments were either solicited or received.

6. **Extension of Time Period for Commission Action**

The Exchange does not consent to an extension of the time period for Commission action.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The foregoing proposed rule establishes or changes a due, fee or other charge applicable only to members pursuant to Section 19(b)(3)(A)(ii) of the Act\(^6\) and Rule 19b-4(f)(2)\(^7\) thereunder. Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Exhibits

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

5. Market Access Provider Subsidy section of the Exchange’s fee schedule.
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 amend its schedule of fees to institute a new subsidy program (the "Subsidy"), which would be available to qualifying Phlx member organizations that offer to customers automated order routing systems and electronic market access to U.S. options markets ("Market Access Providers" or "MAPs"), and which would provide such qualified Market Access Providers incentives to route additional option orders to the Phlx

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and to offer to their customers certain services that are intended to promote the business of the Phlx.

The Subsidy would be applicable to any Exchange member organization that qualifies as a MAP who elects to participate by submitting any application(s) and/or form(s) required by the Exchange, and complying with other conditions enumerated below. The Subsidy would apply to any MAP that has elected to participate for the calendar month that commences following the satisfaction by such MAP of all conditions of participation, and for each calendar month thereafter, provided that such conditions continue to be satisfied.

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 provide incentives to Exchange member organizations and their customers.

For a MAP to be eligible for the Subsidy, a MAP (an “Eligible MAP”) would be required to:
(1) submit any required Exchange applications and/or forms for Exchange approval to participate as an Eligible MAP;

(2) provide to its customers systems that enable the electronic routing of equity option orders to all of the U.S. options exchanges, including Phlx;

(3) provide to its customers current consolidated market data from the U.S. options exchanges;

(4) interface with Phlx’s API to access the Exchange’s electronic options trading platform, Phlx XL;5

(5) offer to its customers a customized interface and routing functionality (including sweep function described below) such that:

   (A) Phlx will be the default destination for all equity option orders (whether marketable or not), provided that in the case of marketable orders, Phlx is at the national best bid or offer (“NBBO”) on the appropriate side of the market (i.e., the contra-side of the order that is routed to Phlx), regardless of size or time, up to Phlx’s disseminated size; and

   (B) the MAP’s option order routing functionality incorporates a feature that causes equity option orders at a specified price to be routed simultaneously to multiple exchanges with a single click (a “sweep function”), which is configured to route all such orders (or, if such orders are for a size larger than the size disseminated by the Phlx on the opposite side of the market, at least the portion of the order that corresponds to

Phlx’s disseminated size) to Phlx as the default destination for execution for a size up to the full size quoted on the Phlx, provided that, in the case of marketable orders, the Phlx disseminated price on the appropriate side of the market is at the NBBO;

(6) configure its own option order routing functionality such that it is configured as described in sub-paragraphs 5(A) and (B) above, with respect to all equity option orders as to which the MAP has discretion as to routing (“MAP Routing Orders”);

(7) ensure that the customized functionality described in sub-paragraphs (5) and (6) above permits users submitting equity option orders through such system(s) to manually override the Phlx as the default destination on an order-by-order basis; and

(8) enter into and maintain an agreement with the Exchange to function as an Eligible MAP and be in compliance with all terms thereof.

The Agreement

In the agreement referred to in sub-paragraph (8) above, Eligible MAPs will undertake to offer to their customers the customized interface described in sub-paragraph (5) above. In addition, Eligible MAPs will also undertake to provide support for such customized interface for those customers that receive the service described in sub-paragraph (5) above. Nothing in the agreement would obligate a MAP’s customer to exclusively use an Eligible MAP’s order routing system.

Furthermore, nothing in the agreement would relieve Eligible MAPs from complying with their best execution obligations. Specifically, the Eligible MAP would
need to, on a regular and at least a quarterly basis, conduct best execution evaluations. If, based upon its regular best execution analysis, the Eligible MAP determines that the routing of MAP Routing Orders to the Phlx using the feature described in sub-paragraph (6) above would, with respect to particular options, be inconsistent with the highest quality of execution standards, then the Eligible MAP may disable and suspend the features described in sub-paragraphs (5) and (6) above with respect to such options and for such period the Eligible MAP determines such inconsistency exists.

Eligible MAPs will covenant to refrain from entering into arrangements with other exchanges or execution venues where such exchange or execution venue will have the same routing position as, or priority over, Phlx as the default destination for option orders described in sub-paragraphs (5) and (6) above, unless Phlx otherwise consents. Such covenant will terminate on the date which is the last calendar day of the year that is one year from the date of the agreement; provided that Phlx may, by giving written notice to the Eligible MAP, elect to extend such covenant for additional one year terms, in which case the per contract fee (as described in the first paragraph under “Calculation of the Subsidy” below) during any extension period for that Eligible MAP shall be $0.01 per contract greater than the Subsidy Rate (as defined below) then in effect at the date of renewal, so long as such covenant remains in effect. Notwithstanding the termination of the covenant as described above, the agreement shall otherwise remain in effect.
Calculation of the Subsidy

The Subsidy, payable to Eligible MAPs monthly, would be an amount per contract (the “Subsidy Rate”) of $0.10 for each Eligible Contract (as defined below) in the immediately preceding calendar month above the particular Eligible MAP’s Baseline Order Flow (as defined below).

“Eligible Contracts” means contracts that result from the execution on the Phlx of:

1. equity option orders (other than crosses) sent electronically to an Eligible MAP (and routed to Phlx electronically by the Eligible MAP) by its customers; and
2. MAP Routing Orders (other than crosses) sent electronically by the Eligible MAP.

“Baseline Order Flow” for an Eligible MAP means the higher of:

1. 500,000 contracts; or
2. the average contracts per month, calculated for the 3-month period immediately preceding the Eligible MAP entering into the agreement with Phlx as described in sub-paragraph (8) above, that resulted from the execution on the Phlx of equity option orders (other than crosses) routed to Phlx electronically by such Eligible MAP.

The Volume Bonus

The Exchange will pay each Eligible MAP $50,000 per month (the “Volume Bonus”) for each month in which the Eligible Contracts of such Eligible MAP in the immediately preceding calendar month exceed the higher of:

1. 1,500,000; or
2. three times the Baseline Order Flow of such Eligible MAP. The Volume Bonus shall be in addition to the amount for any Subsidy that is payable.
2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5) of the Act in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and issuers and other persons using its facilities, as well as to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open national market system, and, in general, to protect investors and the public interest, by establishing a Subsidy that encourages the routing of equity options business to the Exchange.

B. **Self-Regulatory Organization’s Statement on Burden on Competition**

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. **Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

No written comments were either solicited or received.

III. **Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing proposed rule establishes or changes a due, fee or other charge applicable only to members pursuant to Section 19(b)(3)(A)(ii) of the Act and Rule 19b-
Accordingly, the proposal will take effect upon filing with the Commission. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-2007-54 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2007-54. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent

amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission’s Public Reference Room. Copies of the filing also will be available for inspection and copying at the principal office of the Phlx. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2007-54 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.\textsuperscript{10}

Nancy M. Morris
Secretary

\textsuperscript{10} 17 CFR 200.30-3(a)(12).
## Exhibit 5

### Market Access Provider Subsidy

**Market Access Provider Subsidy**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.10 per contract (the “Subsidy Rate”) for Eligible Contracts in the immediately preceding calendar month that exceed the monthly Baseline Order Flow for the MAP</td>
<td></td>
</tr>
</tbody>
</table>

**Monthly MAP Volume Bonus**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000.00</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of the Market Access Provider Subsidy and the Monthly MAP Volume Bonus, the terms shall have the meanings set forth in footnotes 3 and 4.

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1The Market Access Provider Subsidy is a per contract fee payable by the Exchange to Eligible MAPs for Eligible Contracts submitted by MAPs for execution, and are so executed, on the Exchange.

2 If the Exchange elects to extend the Priority Routing Covenant (as defined in footnote 4) for additional one year terms beyond the end of the calendar year that commences after the date of execution of the agreement described in sub-paragraph (8) under the definition of “Eligible MAP” in footnote 4(b) below, then the Market Access Provider Subsidy during such extension periods for such MAP shall be increased by $0.01 per contract above the Subsidy Rate then in effect at the date of such renewal, so long as such covenant remains in effect.

3The Exchange will pay each Eligible MAP $50,000 per month (the “Monthly MAP Volume Bonus”) for each month in which the Eligible Contracts of such Eligible MAP in the immediately preceding calendar month exceeds the higher of (1) 1,500,000 or (2) three times the Baseline Order Flow of such Eligible MAP. The Monthly MAP Volume Bonus shall be in addition to the amount for any Market Access Provider Subsidy that is payable.

4 (a) “Market Access Provider” or “MAP” means any Phlx member organization that offers to its customers automated order routing systems and electronic market access to U.S. options markets.

(b) “Eligible MAP” means a MAP eligible for the Market Access Provider Subsidy and who is required to:

1. submit any required Exchange applications and/or forms for Exchange approval to participate as an Eligible MAP;
2. provide to its customers systems that enable the electronic routing of equity option orders to all of the U.S. options exchanges, including Phlx;
3. provide to its customers current consolidated market data from the U.S. options exchanges;
4. interface with Phlx’s API to access the Exchange’s electronic options trading platform, Phlx XL;
5. offer to its customers a customized interface and routing functionality (including sweep function described below) such that:
   (A) Phlx will be the default destination for all equity option orders (whether marketable or not), provided that in the case of marketable orders, Phlx is at the national best bid or offer (“NBBO”) on the appropriate side of the market (i.e., the contra-side of the order that is routed to Phlx), regardless of size or time, up to Phlx’s disseminated size; and
   (B) the MAP’s option order routing functionality incorporates a feature that causes orders at
a specified price to be routed simultaneously to multiple exchanges with a single click (a
“sweep function”), which is configured to route all such orders (or, if such orders are for a
size larger than the size disseminated by the Phlx on the opposite side of the market, at least
the portion of the order that corresponds to Phlx’s disseminated size) to Phlx as the default
destination for execution for a size up to the full size quoted on the Phlx, provided that, in the
case of marketable orders, the Phlx disseminated price on the appropriate side of the market
is at the NBBO;
(6) configure its own option order routing functionality such that it is configured as described in
sub-paragraph 5(A) and (B) above, with respect to all equity option orders as to which the MAP
has discretion as to routing (“MAP Routing Orders”);
(7) ensure that the customized functionality described in sub-paragraphs (5) and (6) above permits
users submitting option orders through such system(s) to manually override the Phlx as the default
destination on an order-by-order basis; and
(8) enter into and maintain an agreement with the Exchange to function as an Eligible MAP and
be in compliance with all terms thereof.

(c) “Eligible Contracts” means contracts that result from the execution on the Phlx of (1) equity
option orders (other than crosses) sent electronically to an Eligible MAP (and routed to Phlx electronically
by the Eligible MAP) by its customers, and (2) MAP Routing Orders (other than crosses) sent
electronically by the Eligible MAP.
(d) “Baseline Order Flow” for an Eligible MAP means the higher of: (1) 500,000 contracts, or (2) the
average contracts per month, calculated for the 3-month period immediately preceding the Eligible MAP
entering into the agreement with Phlx as described in sub-paragraph (b)(8) above, that resulted from the
execution on the Phlx of equity option orders (other than crosses) routed to Phlx electronically by such
Eligible MAP.
(e) “Priority Routing Covenant” means an Eligible MAP’s agreement with Phlx to refrain from
entering into arrangements with other exchanges or execution venues where such exchange or execution
venue will have the same routing position as, or priority over, Phlx as the default destination for option
orders described in sub-paragraphs (b)(5) and (b)(6) above, unless Phlx otherwise consents.