

MEMORANDUM

TO: Members, Member Organizations, Participants, Participant Organizations

FROM: Richard S. Rudolph, Vice President and Counsel
Legal Department

DATE: February 7, 2008

RE: Non-Streaming Registered Options Traders (“ROTs”)
Option Assignment Notification

The Securities and Exchange Commission (“SEC” or “Commission”) has **approved** an amendment to Exchange Rule 1014(b)(ii)(C) that requires Registered Options Traders on the Exchange’s options floor that do not stream electronic quotations into the Phlx XL system, known as “non-SQT ROTs,” to notify the Exchange of the options in which such Non-SQT ROT intends to make markets.

Currently, a number of ROTs on the options floor do not stream electronic quotations into the Phlx XL system. Instead, such non-SQT ROTs make verbal markets when called upon to do so, and also have the ability to send limit orders via electronic interface with Phlx XL.

In order to enhance the Exchange’s ability to track non-SQT ROT activity in assigned and unassigned issues, **beginning Monday, February 11, 2008**, non-SQT ROTs will be required to notify the Exchange of each option, on an issue-by-issue basis, in which such non-SQT ROT intends to be assigned to make markets. Such notification must be in writing on a form prescribed by the Exchange (an “ROT Assignment Form”). Any change to a non-SQT ROT’s ROT Assignment Form must be made in writing by such non-SQT ROT prior to the end of the trading session in which such change is to take place.

Receipt of the properly completed ROT Assignment Form by a duly qualified non-SQT ROT applicant constitutes acceptance by the Exchange of such non-SQT ROT’s assignment in, or termination of assignment in (as indicated on the ROT Assignment Form), the options listed on the ROT Assignment Form. All such assignments will not be effective, and will be terminated, in the event that such non-SQT ROT applicant fails to qualify as an ROT on the Exchange.

The text of the proposed rule change is set forth below. Questions concerning the rule may be addressed to Rick Rudolph in the Legal Department at (215) 496-5074. Questions concerning the notification process may be addressed to Bill Terrell at (215) 496-5205.

Rule Text

Brackets indicate deletions; underlining indicates new text.

Obligations and Restrictions Applicable to Specialists and Registered Options Traders

Rule 1014. (a) No change.

(b) ROT. (i) No change.

(ii) (A) – (B) No change.

(C) Non-SQT ROT. A non-SQT ROT is an ROT who is neither an SQT nor an RSQT.

(1) A non-SQT ROT shall notify the Exchange of each option, on an issue-by-issue basis, in which such non-SQT ROT intends to be assigned to make markets. Such notification shall be in writing on a form prescribed by the Exchange (an “ROT Assignment Form”). Any change to such ROT Assignment Form shall be made in writing by such non-SQT ROT prior to the end of the trading session in which such change is to take place.

(2) Receipt of the properly completed ROT Assignment Form by a duly qualified non-SQT ROT applicant constitutes acceptance by the Exchange of such non-SQT ROT’s assignment in, or termination of assignment in (as indicated on the ROT Assignment Form), the options listed on such ROT Assignment Form. All such assignments shall not be effective, and shall be terminated, in the event that such non-SQT ROT applicant fails to qualify as an ROT on the Exchange.

(D) – (E) No change.

(c) – (h) No change.

Commentary: No change.