

MEMORANDUM

TO: Members and Member Organizations

FROM: John Dayton

DATE: February 11, 2008

RE: Amendment of Listing Standards for Index-Linked Securities

The Securities and Exchange Commission recently noticed for immediate effectiveness a proposed rule change, SR-Phlx-2008-03, which amended Phlx Rule 803(n)(1) regarding Index-Linked Securities to permit the listing of Index-Linked Securities that do not meet the 400 initial holders requirement and/or the one million unit initial distribution requirement, but are redeemable on at least a weekly basis at the option of the holders.

Phlx Rule 803(n)(1) generally requires that each issue of Index-Linked Securities have at least one million publicly traded units and that there be at least 400 public holders, provided, however, that the minimum public distribution and the minimum public shareholders requirement do not apply to an issue traded in thousand dollar denominations. In addition, the minimum public shareholders requirement does not apply if the Index-Linked Securities are redeemable at the option of the holders thereof on at least a weekly basis. The Exchange added a further exemption from the general requirements of Phlx Rule 803(n)(1) such that, if an issue of Index-Linked Securities are redeemable at the option of the holders on at least a weekly basis, then both the minimum one million publicly held trading units and 400 public holders requirement would not apply. The Exchange believes that, where there is such a weekly redemption right, the same justification exists for an exemption from the requirement to have one million units issued at the time of listing as applies to the 400 holder requirement. The rule text is attached.

Questions regarding the rule change may be directed to John Dayton at (435) 783-6415. Questions regarding Index-Linked Securities may be directed to Lori Mann at (215) 496-5472. Questions regarding XLE functionality may be directed to the XLE Help Desk at (215) 496-5311 or 1-877-678-PHLX.

Underlining indicates additions

Rule 803(n) – Index-Linked Securities

Index-linked securities are securities that provide for the payment at maturity of a cash amount based on the performance of an underlying index or indexes. Such securities may or may not provide for the repayment of the original principal investment amount. The Exchange may submit a rule filing pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934 to permit the listing and trading of index-linked securities that do not otherwise meet the standards set forth below in paragraphs (1) through (11). The Exchange will consider for listing and trading pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934, index-linked securities provided

- (1) Both the issue and the issuer of such security meet the criteria set forth in (f). The minimum public distribution and minimum public shareholders requirement will not be applicable to an issue traded in thousand dollar denominations. In addition, the minimum public shareholders requirement and the minimum public distribution requirement will not apply if the securities are redeemable at the option of the holders thereof on at least a weekly basis.
- (2) – (11) – No change.