

Memo

Memo# 1918-08

To: All market makers
 From: Options Review Department
 CC: Stephen Pettibone
 Date: 11/12/2008
 Re: Quote spread parameters

Attention Members,

Options Review Department would like to remind you about the responsibilities of SQTs and RSQTs concerning required quoting parameters. Enclosed are the summary and the PHLX Rule 1014 Obligations and Restrictions Applicable to Specialists and Registered Options Traders.

According to PHLX Rule 1014 SQTs and RSQTs should maintain their quote spread for each symbol equal or below maximum allowed listed below.

PHLX OPENING QUOTE SPREAD RULE FOR ALL SYMBOLS EXCEPT NDX, RUT:

OPENING QUOTE RANGE	MAX SPREAD
Less than \$2.00	.25
\$2.00 to less than \$5.00	.40
\$5.00 to less than \$10.00	.50
\$10.00 to less than \$20.00	.80
\$20.00 and greater	1.00

PHLX QUOTE SPREAD RULE FOR NDX, RUT:

OPENING QUOTE RANGE	MAX SPREAD
Less than \$2.00	.75
\$2.00 to less than \$5.00	1.00
\$5.00 to less than \$10.00	1.50
\$10.00 to less than \$20.00	3.00
\$20.00 to less than \$40.00	6.00
\$40.00 to less than \$80.00	12.00
\$80.00 to less than \$200.00	18.00
\$200.00 and greater	22.00

PHLX QUOTE SPREAD RULE FOR **ALL SYMBOLS** EXCEPT NDX AND RUT:

INTRADAY QUOTE RANGE	MAX SPREAD
Any price	5.00

PHLX QUOTE SPREAD RULE FOR **NDX AND RUT**:

INTRADAY QUOTE RANGE	MAX SPREAD
Less than \$20.00	5.00
\$20.00 to less than \$40.00	6.00
\$40.00 to less than \$80.00	12.00
\$80.00 to less than \$200.00	18.00
\$200.00 and greater	22.00

Citation of applicable rule:

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

(A)(1) *Quote Spread Parameters (Bid/Ask Differentials)*—

(a) Options on equities and index options bidding and/or offering so as to create differences of no more than \$.25 between the bid and the offer for each option contract for which the prevailing bid is less than \$2; no more than \$.40 where the prevailing bid is \$2 or more but less than \$5; no more than \$.50 where the prevailing bid is \$5 or more but less than \$10; no more than \$.80 where the prevailing bid is \$10 or more but less than \$20; and no more than \$1 where the prevailing bid is \$20 or more, provided that, in the case of equity options, the bid/ask differentials stated above shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. For such series, the bid/ask differentials may be as wide as the quotation for the underlying security on the primary market, or its decimal equivalent rounded up to the nearest minimum increment. The Exchange may establish differences other than the above for one or more series or classes of options.

(2) *Streaming Quote Options*.—

(a) Streaming Quote Options on equities (including Exchange-Traded Fund Shares), and on index options trading on Phlx XL may be quoted electronically with a difference not to exceed \$5 between the bid and offer regardless of the price of the bid. The \$5 bid/ask differentials 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 \$5 bid/ask differentials 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).

Thank you,

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