



Memo No.# 1807-08

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Market Operations

Monday, October 20, 2008

To: PHLX Order Flow Providers

Subject: New handling instructions for Marketable Complex Orders

Effective Wednesday, October 22, 2008, the NASDAQ OMX-PHLX will begin automatically canceling Marketable Complex Orders when they are unable to trade at the cPBBO due to cNBBO violations, SPP violations, insufficient volume, etc.

At the end of each attempt to trade a Complex Order, if there is open Order volume which is marketable against the cPBBO, the system will evaluate as follows:

When the system deems an Order marketable against the cPBBO, it will initiate a cancel timer (configurable by exchange officials). The timer will initially be set at 5 seconds.

When the cancel timer expires, the following conditions can occur:

- 1) The Order was filled while the cancel timer was running
 - a. The timer event will be ignored and no further processing will be performed
- 2) An Auction is ongoing
 - a. The timer event will wait for the end of the auction and cancel all marketable Orders immediately (either side of the book)
 - b. All additional marketable Orders received during the auction period will join the existing auction and cancel timers. New timers *will not* start.
- 3) Nothing changed
 - a. Cancel all marketable Orders immediately (either side of the book)

Criteria for Automatic Cancellation

- 1) Strategy must be in free-trading.
- 2) Contingency Orders will not participate in this process. (Marketable AON Complex Orders *will not* be cancelled automatically.)

Cancel Message

The firm will receive an unsolicited cancel response with reason code "STALE ORDER" which is in the original spec document.

i.e. OrdRejReason(103)=8, Text(58)=STALE ORDER

Firm testing to ensure message handling will take place Monday and Tuesday (10/20 & 10/21). Please contact Herman Gottfried at (215) 496-5678.

If you have any questions regarding this notification you may contact Mike DiOrio at 215-496-6789

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