

MEMORANDUM

TO: All Floor Brokers and Floor Brokerage Operations

FROM: On-Floor Surveillance

DATE: October 27, 2008

RE: Electronic Audit Requirements of NASDAQ OMX PHLX Rule 1063

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On-Floor Surveillance reminds Floor Brokers and their employees of the specific requirements of NASDAQ OMX PHLX Rule 1063, as well as, stresses the importance of creating an accurate audit trail throughout the order process from receipt through clearing and execution.

In order to create an electronic audit trail for equity, equity index, and U.S. dollar-settled foreign currency options orders represented by Floor Brokers on the Exchange's Options Floor, a Floor Broker or such Floor Broker's employees shall, contemporaneously upon receipt of an order and prior to the representation of such an order in the trading crowd, record all option orders represented by such Floor Broker onto the electronic Options Floor Broker Management System (as described in Rule 1080, Commentary .06)

- The following required information is to be recorded onto the FBMS:
  - Order type (Customer, Firm, BD)
  - Options symbol
  - Buy, Sell, Cross, Cancel
  - Call, Put, Complex (Spread, Straddle) or Contingency order
  - Number of contracts
  - Limit price, market order, if complex then net debit or credit
  - Opening or Closing transaction
  - OCC Clearing number of BD submitting order
- Upon the execution of an order, the Floor Broker shall enter the execution time.
- Floor Brokers or their employees shall enter clearing information no later than five minutes after the execution of a trade.

In the event of a malfunction related to the FBMS, Floor Brokers shall record the required information onto trade tickets and shall not represent an order for execution which has not been time stamped with the time of entry on the trading floor. Such trade tickets shall be stamped upon the execution of such orders. Floor Brokers or their employees shall enter the required information that is recorded on such trade tickets into AUTOM for inclusion in the electronic audit trail.

Questions regarding this memo can be addressed to Floor Surveillance at 215.496.5295

