

MEMORANDUM

TO: Members and Member Organizations

FROM: John Dayton

DATE: April 10, 2007

RE: Entry of Two-Sided Orders with 2-Day Settlements on XLE

The Securities and Exchange Commission has noticed an effective rule change filed by the Exchange that deals with the entry of two-sided orders on XLE (“Crosses”), either through a ‘front-end’ written to XLE’s API or through the Phlx provided Cross entry terminal. Specifically, the entry of Crosses with 2-day settlement conditions will be available using Seller’s Option instead of the current method using Next Day. **This change will be effective on Monday, April 16, 2007.** This rule change does not change any other aspects of Crosses with 2-day settlement conditions. The rule text regarding this change is below.

Questions regarding the proposed rule change may be directed to John Dayton at (215) 496-5162. Questions regarding XLE functionality may be directed to the XLE Help Desk at (215) 496-5311 or 1-877-678-PHLX.

Rule Text

Underling indicates additions; brackets indicate deletions

Rule 162.

Orders Deemed Regular Way

(a) No Change

(b) XLE Participants may mark a two-sided order not for regular way settlement with one of the following conditions:

(1) No Change

(2) Next Day. Next day means a transaction for delivery on the next business day following the day of execution. [Next day settlement may also include deliveries within the time specified in the order which time may include the second full business day following the day of execution.]

(3) Seller's Option. Seller's option means a transaction for delivery within the time specified in the order, which time shall not be less than ~~two~~[four] (2[4]) full business days nor more than 60 days following the day of execution; except that the Exchange may provide otherwise in specific issues of stocks or classes of stocks. When securities have been sold "seller's option," delivery shall be due on the day of the expiration of the option (unless such day is other than a business day, when delivery shall be due on the succeeding business day), but may be made at the option of the seller on any business day prior thereto upon one day's written notice. Such notice must be given by the seller before 4:00 p.m. and may not be given until the third full business day following the day of execution.