

MEMORANDUM

To: Members, Member Organizations, Participants and Participant Organizations.  
From: Richard Ross, Director of Training  
Date: Monday, August 6<sup>th</sup> 2007  
RE: Mandatory Training for Floor Members

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The Exchange is required to conduct mandatory annual training that addresses compliance with federal securities laws and Exchange rules in place to prevent and deter unlawful trading by floor members. **This training is specifically required for all floor members** and some members of the Exchange's regulatory staff.

Training will take place in the Training Room on the 8<sup>th</sup> Floor. The topics that will be covered are Rules 1092 and 124.

**Attendance is mandatory and space at each session will be limited.** Space will be allocated on a first-come, first served basis.

<u>Session 1</u>	Thursday, August 16, 2007 8:30 AM
<u>Session 2</u>	Thursday, August 16, 2007 1:00 PM
<u>Session 3</u>	Monday, August 20, 2007 4:20 PM
<u>Session 4</u>	Tuesday, September 04, 2007 1:00 PM
<u>Session 5</u>	Tuesday, September 04, 2007 4:20 PM
<u>Session 6</u>	Thursday, September 06, 2007 8:30 AM

Please take a moment to reserve space at the session of your choice by completing the attached reservation form and returning it to the Options Correction Post.

**\*\* New Tardiness Policy \*\***

**In order to promote more effective Training, a Tardiness Policy has been implemented for both Members and Staff. We make every effort to keep sessions brief and topical. Please arrive at your scheduled session on time; the door will be closed five minutes after each session begins. Those arriving late may attend the balance of the session, but will not receive credit.**

## **Rule 970. Floor Procedure Advices: Violations, Penalties, and Procedures**

(a) In lieu of commencing a "disciplinary proceeding" as that term is used in Exchange Rules 960.1-960.12, the Exchange may, subject to requirements set forth in this Rule, impose a fine, not to exceed \$2,500, on any member, member organization, or any partner, officer, director or person employed by or associated with any member or member organization, for any violation of a Floor Procedure Advice of the Exchange, which violation the Exchange shall have determined is minor in nature. Any fine imposed pursuant to this Rule and not contested shall not be publicly reported to the members except as may be required by Rule 19d-1 under the Securities Exchange Act of 1934, and as may be required by any other regulatory authority.

(b) In any action taken by the Exchange pursuant to this Rule, the person against whom a fine is imposed shall be served with a written statement, signed by an authorized official of the Exchange on behalf of the Business Conduct Committee, setting forth (i) the Floor Procedure Advice(s) alleged to have been violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine becomes due and payable to the Exchange or when such determination must be contested, as provided in paragraph (d) hereunder, such date to be not less than seven business days after the date of service of the written statement.

(c) If the person against whom a fine is imposed pursuant to this Rule pays the fine, such payment shall be deemed to be a waiver by such person of his right to a disciplinary proceeding under Exchange Rules 960.1-960.12 and any review of the matter by the Business Conduct Committee, an Exchange Hearing Panel, the Disciplinary Review Committee, or the Exchange Board of Governors.

(d) Any person against whom a fine is imposed pursuant to this Rule may contest the Exchange's determination by filing with the Department of the Exchange taking the action not later than the date by which such determination must be contested a written response meeting the requirements of an "Answer" as provided in Rule 960.4, at which point the matter shall be referred to the Business Conduct Committee for its consideration and determination.

(e) The Committee may then (a) decide that the matter be dismissed and the notice of alleged violation be rescinded; (b) decide that the notice, as issued, is valid, whereupon the alleged violator could either pay the fine or contest the matter before a Hearing Panel; (c) decide that the notice, as issued, should be modified to specify either a higher or lower fine than the one on the notice as issued, whereupon the alleged violator could either pay the new fine or contest the matter before a Hearing Panel; or (d) decide that the matter merits formal disciplinary action and authorize issuance of a Complaint, pursuant to Exchange Rule 960.2.

(f) If a disciplinary proceeding thereafter results, and the Hearing Panel determines that he has violated the Advice(s) as alleged, the Hearing Panel shall (a) be free to impose any disciplinary sanction provided for in Exchange Rules 960.1-960.12 and (b) determine whether the violation is minor in nature. If determined to be minor in nature, the violation(s) giving rise to the penalty shall not be publicly reported by the Exchange to the members, except as may be required pursuant to Rule 19d-1 of the Securities Exchange Act of 1934 (Exchange Act), or as may be required by any other regulatory authority; if determined not to be minor in nature, the decision of the Hearing Panel and any penalty imposed shall be publicly reported to the members, in addition to any filing required by Rule 19d-1 of the Exchange Act, or any other regulatory authority, once such decision becomes "final" under Exchange Rules 960.1-960.12.

• • • **Commentary:[emsp ]** -----

.01 For purposes of imposing fines under the Options Floor Procedure Advices ("OFPAs"), when the number of violations under Exchange Rules is determined based upon an exception-based surveillance program the Exchange may aggregate, or "batch," individual violations of order handling OFPAs, and consider such "batched" violations as a single Occurrence only in

accordance with the guidelines set forth in the Exchange's Numerical Criteria for Bringing Cases for Violations of Phlx Order Handling Rules. In the alternative, the Exchange may refer the matter to the Business Conduct Committee for possible disciplinary action when (i) the Exchange determines that there exists a pattern or practice of violative conduct without exceptional circumstances, or (ii) any single instance of violative conduct without exceptional circumstances is deemed to be so egregious that referral to the Business Conduct Committee for possible disciplinary action is appropriate.

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**Adopted.**

June 4, 1986.

**Amended.**

August 18, 1989.

March 15, 2002 (01-114).

January 16, 2004 (03-73).

June 16, 2006 (05-65).

July 24, 2007 (07-66).

**F-30 Training**

All members and persons employed by or associated with such member or a member organization, and PAUs shall successfully complete mandatory training, as required by the Exchange. Training topics include, but are not limited to, training related to that person's function at the Exchange, changes in existing automated systems or any new technology that is utilized by the Exchange, compliance with Exchange rules and federal securities laws, and issues related to conduct, health and safety on the trading floor. In addition, floor members shall complete mandatory training programs, on at least a semi-annual basis, that address compliance with the federal securities laws and the Exchange's rules in place to prevent and deter unlawful trading by floor members.

Failure to attend the scheduled mandatory training described above may result in the issuance of a fine in accordance with the fine schedule below.

FINE SCHEDULE (Implemented on a three year running calendar basis)

1st Occurrence	\$500.00
2nd Occurrence	\$1,000.00
3rd Occurrence	\$2,000.00
4th Occurrence and Thereafter	Sanction is discretionary with Business Conduct Committee

**Amended.**

August 25, 1999 (99-29).

October 12, 2001 (01-77).

September 28, 2006 (06-43).

July 24, 2007 (07-16).