

MEMORANDUM

TO: Members, Member Organizations, Participants, Participant Organizations

FROM: Richard S. Rudolph
Vice President and Counsel

DATE: August 15, 2007

RE: Rule 507, Commentary .02
Increase in Maximum Number of Quoters (“MNQ”)

The Exchange has filed, **for immediate effectiveness**, to adopt amendments to Commentary .02 of Rule 507, Application for Approval as an SQT or RSQT and Assignment in Options, to increase the maximum number of participants that may be assigned in a particular equity option at any one time.

In January, 2007, as one part of a larger overall program established to mitigate electronic option quote traffic on the Exchange, the Exchange adopted Commentary .02 to Rule 507, “Maximum Number of Quoters in Equity Options.” The rule limits the number of participants that may be assigned to a particular equity option at any one time based upon each option’s monthly national volume.

Initially, the Exchange set the MNQ at a very conservative level to ensure there was ample capacity to support multiple participants quoting the same equity option. After careful analysis, staff has concluded that the Exchange has the capacity to increase the MNQ as described below. Commentary .02 to Rule 507 currently sets forth tiered MNQ levels providing for 20 participants for the top 5% most actively traded options; 15 participants for next 10% most actively traded options, and 10 market participants for all other options. The ranking is based upon the preceding month’s national volumes.

The new rule increases the MNQ levels by two (2) participants in each tier. Specifically, the new MNQ levels provide for increases from 20 to 22 participants per option for the top 5% most actively traded options; from 15 to 17 participants per option for the next 10% most actively traded options, and from 10 to 12 participants per option for all other options.

The text of the new rule is set forth below. Questions may be directed to Richard S. Rudolph, Vice President and Counsel, at (215) 496-5074, or to Walt Smith, Vice President, Listings and Projects, at (215) 496-5532.

Rule Text

Brackets indicate deletions; underlining indicates new text

Application for Approval as an SQT or RSQT and Assignment in Options

Rule 507. (a) – (f) No change.

Commentary:

.01 RESERVED

.02 Maximum Number of Quoters (“MNQ”) in Equity Options. The term “MNQ” refers to the maximum number of participants that may be assigned in a particular equity option at any one time. The MNQ levels for options trading on the Exchange are as follows, based on the preceding month's national volumes:

- (a) 2[0] 2 for the 5% most actively traded options;
- (b) 1[5] 7 for the next 10% most actively traded options;
- (c) 1[0] 2 for all other options.

.03 - .05 No change.