

MEMORANDUM

TO: Specialists, Streaming Quote Traders (“SQTs”), Remote Streaming Quote Traders (“RSQTs”), Directed Streaming Quote Traders (“DSQT”), and Directed Remote Streaming Quote Traders (“RDSQT”).

FROM: Options Surveillance

DATE: February 21, 2007

SUBJECT: OPTIONS QUOTING REQUIREMENTS AND QUARTERLY OPTIONS

On Wednesday, February 21, 2007, the Philadelphia Stock Exchange (“PHLX”) commenced trading of Quarterly Options. Quarterly Options are additional strikes and expirations in already existing underlyings. As such, these additional strikes will be added to the total number of option series for each of those underlyings and included in the calculations for compliance with PHLX Rule 1014 (b)(ii)(D) as noted below. As in all options, any series with an expiration of nine months or greater will not be included in the compliance calculation for SQTs, DSQTs, RSQTs and DRSQTs.

In accordance to Rule 1014 (b)(ii)(D) “Obligations and Restrictions Applicable to Specialists and Registered Options Traders” states, in relevant part, that,

D) Market Making Obligations Applicable in Streaming Quote Options.

- (1) In addition to the other requirements for ROTs set forth in this Rule 1014, except as provided in sub-paragraph (4) below, an SQT and an RSQT shall be responsible to quote continuous, two-sided markets in not less than 60% of the series in each Streaming Quote Option in which such SQT or RSQT is assigned, provided that, on any given day, a Directed SQT (“DSQT”) or a Directed RSQT (“DRSQT”) shall be responsible to quote continuous, two-sided markets in not less than 99% of the series listed on the Exchange in at least 60% of the options in which such DSQT or DRSQT is assigned. Whenever a DSQT or DRSQT enters a quotation in an option in which such DSQT or DRSQT is assigned, such DSQT or DRSQT must maintain continuous quotations for not less than 99% of the series of the option listed on the Exchange until the close of that trading day.
- (2) The specialist shall be responsible to quote continuous, two-sided markets in not less than 99% of the series in each Streaming Quote Option in which such specialist is assigned.
- (3) SQTs, RSQTs and the specialist assigned in such Streaming Quote Option shall submit electronic quotations with a size of not less than 10 contracts.

(4) Notwithstanding the foregoing, for a six-month period beginning on the date of approval of this sub-paragraph by the Securities and Exchange Commission, SQTs, DSQTs, RSQTs and DRSQTs shall be deemed not to be assigned in any option series until the time to expiration for such series is less than nine months. Accordingly, the market making obligations set forth in this rule shall not apply to SQTs, DSQTs, RSQTs and DRSQTs respecting series with an expiration of nine months or greater.

Any questions regarding this memorandum should be directed to Michael Blackson, Senior Manager, On-Floor Surveillance at (215) 496-5295, Dawn Kelly Reim, Director, On-Floor Surveillance at (215) 496-5161 or Edward Deitzel, Vice President, Options Surveillance at (215) 496-5298.