

MEMORANDUM

TO: Members and Member Organizations
Participants and Participant Organizations

FROM: Legal Department

DATE: January 3, 2007

RE: Committee Decisions Regarding U.S. Dollar-Settled FCO

On December 21, 2006, the SEC approved SR-Phlx-2006-34, as amended, which proposes the listing and trading of U.S. dollar-settled options on the British pound and the Euro (together, the “Currencies”).¹ The purpose of this memorandum is to inform members and member organizations, participants and participant organizations of certain determinations made by the Foreign Currency Options (“FCO”) Committee and the Special Committee of the Board of Governors pursuant to the amended rules.

On January 3, 2007 the FCO Committee voted to designate the area currently marked with tape on the floor around the posts where the British pound and the Euro will trade as the Crowd Areas for the British Pound U.S. dollar-settled option and for the Euro U.S. dollar-settled option, respectively, for purposes of Rule 1014 Commentary .05, and that the crowd area for any additional U.S. dollar-settled FCO that may be listed will similarly be the area already marked by tape on the floor around the post where such FCO is traded. The Committee also determined that the “acceptable range” for the price of an opening transaction in U.S. dollar-settled FCOs for purposes of Rule 1014, Commentary .15, and Rule 1017, Subsection (e)(2) and Commentary .03, be at or between the lowest bid and the highest offer.

By unanimous written consent the ad hoc Special Committee of the Board of Governors regarding U.S. dollar-settled FCO, established by the Board of Governors at its meeting on December 14, 2006, determined that the final weighting formula for trade allocation in U.S. dollar-settled FCOs for purposes of Rule 1014(g)(vii)(B)(i)(b), and for purposes of Rules 1014(g)(viii)(B)(1)(d) and (2)(c), be 100% size pro rata (Component B).

Questions on this memorandum may be directed to Carla Behnfeldt, Legal Department, at (215) 496-5208.

¹ See Securities and Exchange Commission Release No. 34-54989, available on the Exchange’s website.