

MEMORANDUM

TO: All Members, Member Organizations and Foreign Currency Options Participants

FROM: Walt Smith, Vice President

DATE: July 17, 2007

RE: Physically-settled foreign currency option (“FCO”) contracts delisting notice

Effective January 1, 2008 the Exchange will delist all FCO contracts, provided that any FCO contracts with open interest as of that date will continue to be listed until the positions are closed or the contracts expire. The Exchange is no longer opening new series of FCO. Also, effective immediately, the Exchange is restricting the permissible expiration dates for customized physical delivery FCO contracts to December 31, 2007 or earlier.

Although the Exchange is delisting the physically-settled FCOs it remains committed to the continued development of its securities industry-leading currency options program. Recently, the Exchange launched two U.S. dollar-settled foreign currency options known as “World Currency Options” (“WCO”) contracts on the Euro (XDE) and on the British Pound (XDB). Open interest in these two WCO contracts exceeds 64,900 contracts. Phlx expects to list and trade WCO contracts on the Swiss Franc, Canadian Dollar, Japanese Yen and Australian Dollar later this month.

More importantly, the Exchange will continue to work to enhance the WCO contracts. In the coming weeks, the Phlx expects to file with the Securities and Exchange Commission a proposed rule change to permit the listing and trading of customized WCO as well as to permit the trading of WCO contracts in narrower increments.

If you have any questions regarding the information contained in this memorandum or any other Exchange matter, please feel free to contact me at 215-496-5532.