

MEMORANDUM

To: Members, Member Organizations, Participants and Participant
Organizations

From: Angela Dunn
Legal Department

Date: June 1, 2007

Re: Proposed Rule Changes to Order and Decorum Regulations

The Securities and Exchange Commission has approved a proposed rule change to amend certain Order and Decorum Regulations. A copy of the proposed rule change, SR-Phlx-2006-61, is available at www.phlx.com and attached as Exhibit A to this memorandum.

Please note that among other things, the proposed rule change sets forth regulations relating to trash, litter and vandalism on the trading floor, specifically prohibits the use of profanity on the trading floor and also amends the current dress code.

If you have any questions regarding this proposal please contact Edward Deitzel, Vice President On-Floor Surveillance, at (215) 496-5298 or Angela Dunn, Legal Department, at (215) 496-5692.

Exhibit A

New text underlined; deleted text bracketed.

Options Order and Decorum Regulations

Regulation 2 - Food, Liquids and Beverages, Trash, Litter and Vandalism

(a) Food, Liquids and Beverages

Food, liquids and beverages [are prohibited on the trading floor and the lower level areas adjacent to the trading floor except for the lunchrooms] while allowed on the trading floor, should be kept and consumed in a way that does not unreasonably interfere with others. All drinks should be in cans or covered containers. Food and drink may not be consumed while in transit on the trading floor.

[Any provision of this rule may be waived for a specified period of time by the chairperson of the appropriate floor standing committee or his designee.]

1st Occurrence	[Official Warning] <u>\$100.00</u>
2nd Occurrence	[\$100.00] <u>\$200.00</u>
3rd Occurrence	[\$200.00] <u>\$300.00</u>
4th Occurrence and Thereafter	Sanction is discretionary with Business Conduct Committee

(b) Trash and Litter

All debris resulting from the consumption of food and drink, and other non-business trash, must be properly disposed of. Throwing or dropping objects on the trading floor, including food or drink, is strictly prohibited. All trading posts/booths must be free of debris, trash or litter at the end of each trading day.

The following fine schedule will apply to a violation of this section:

<u>1st Occurrence</u>	<u>\$250.00</u>
<u>2nd Occurrence</u>	<u>\$500.00</u>
<u>3rd Occurrence</u>	<u>\$1000.00</u>
<u>4th Occurrence and Thereafter</u>	<u>Sanction is discretionary with Business Conduct Committee</u>

(c) Vandalism

The abuse, destruction, or theft (“Vandalism”) of any property on the Exchange’s premises, whether or not owned by the Exchange, is a serious offense and will be dealt with appropriately, including prompt disciplinary action.

The following fine schedule will apply to a violation of this section:

1st Occurrence	\$250.00
2nd Occurrence	\$500.00
3rd Occurrence	\$1000.00
4th Occurrence and Thereafter	Sanction is discretionary with Business Conduct Committee

Each Floor Manager, Post Supervisor, or Firm Representative will be responsible for monitoring staff compliance with this Regulation. A violation of this Regulation may result in fines to the members, member organizations, participants, participant organizations and their associated persons.

Regulation 4 - Order

(a) Members, participants and their associated persons shall not conduct themselves in a disorderly manner on the trading floor or on the premises immediately adjacent to the trading floor. Further, members, participants and their associated persons shall not conduct themselves in an indecorous manner that is disruptive to the conduct of business on the trading floor, including but not limited to the use of profanity.

The fines to be imposed for such violations shall be as follows:

1st Occurrence	\$250.00
2nd Occurrence	\$500.00
3rd Occurrence	\$1000.00
4th Occurrence and [t]Thereafter	Sanction is discretionary with Business Conduct Committee

(b) - (d) No Change

(e) Each Floor Manager, Post Supervisor, or Firm Representative will be responsible for monitoring staff compliance with this Regulation. A violation of this Regulation may result in fines to the members, member organizations, participants, participant organizations and their associated persons.

Regulation 5 - [Guests] Visitors

Non-member [guests] visitors will be permitted on the trading floor at the discretion of [the respective floor committee (Options or FCO)] an Exchange official or Options Exchange Official. All [guests] visitors must be signed in by a member or Exchange official and accompanied at all times by a member, associated person of a member or an Exchange official.

1 st Occurrence	Official Warning
2 nd Occurrence	\$50.00
3 rd Occurrence	\$100.00

4 th Occurrence	\$200.00
5 th <u>Occurrence</u> and Thereafter	Sanction is discretionary with Business Conduct Committee

Each Floor Manager, Post Supervisor, or Firm Representative will be responsible for monitoring staff compliance with this Regulation. A violation of this Regulation may result in fines to the members, member organizations, participants, participant organizations and their associated persons.

Regulation 6 - Dress

[All members have a choice of wearing their suit jacket or a color coded firm jacket. All clerks are required to wear a color coded firm jacket. No hats of any type may be worn except for visors. Any type of clothing that draws excessive attention and detracts from a professional atmosphere, including words or pictures on clothing, is prohibited.

The appropriate floor standing committee shall determine whether males must wear dress shirts with collars and neckties or bowties. If required, neckties must be properly knotted and clip-on bowties must be connected to both sides of the collar. The following are not permitted: Bluejeans, dungarees, golf, polo or T-shirts, shorts, sweats, sandals, any shoes or garments that are dirty frayed, faded or torn. This rule shall be in effect on regular business days for any floor open for trading.

Any provision of this rule may be waived for a specific period of time by the chairperson of the appropriate floor standing committee or his designee.

1st Occurrence	Official Warning
2nd Occurrence	\$ 50.00
3rd Occurrence	\$100.00
4th Occurrence	\$200.00
5th and Thereafter	Sanction is discretionary with Business Conduct Committee]

The Dress Code must be complied with at the point of entry to the trading floor. The Dress Code is in effect on the trading floor before, during and after trading hours.

Acceptable Business Casual Dress (Men):

- Casual slacks (i.e. khakis, dockers, corduroy fabric).
- Ties are optional, but must be neat, clean, and properly tied. If a tie is torn or frayed, you will be asked to remove it.
- Traditional collared shirts, polo shirts, golf shirts (shirts may be long or short sleeved). Shirts must be neat and clean. All shirts must be tucked in. Shirts must be buttoned at least to the second button from the top.

• Dress shoes, casual shoes, loafers, athletic shoes and boots (note: pant legs may not be tucked into boots). All shoes must be neat and clean.

• Traditional business attire is always acceptable. Blazers may be worn in lieu of trading jackets.

• Trading jackets or blazers must be worn at all times on the trading floor. Identification badges must be properly displayed at chest level.

• Sweaters worn over a collared shirt, turtlenecks worn under a collared shirt.

Acceptable Business Casual Dress (Women):

• Dresses or casual slacks (i.e. khakis, dockers, corduroy fabric).

• Shirts, sweaters, shells, turtlenecks, blouses, polo shirts, golf shirts (long or short sleeved).

• Dress shoes, casual shoes, loafers, athletic shoes and boots (note: pant legs may not be tucked into boots). All shoes must be neat and clean.

Inappropriate Casual Dress (Men & Women):

• Denim clothing of any kind (i.e. pants, skirts, dresses, shirts, vests, blouses).

• Sweat shirts, sweat pants, other sweat apparel of any kind and sport jerseys.

• Shorts, gym shorts, skorts, culottes, beach wear, workout attire or miniskirts.

• T-shirts of any kind.

• Stirrup pants or other excessively tight or revealing clothing (i.e. bike shorts, leggings, sheer blouses, stretch pants).

• Tank tops, halter tops, tube tops, tops with spaghetti straps, backless tops, crop tops (note: no bare midriffs).

• Clothing with any inappropriate, or oversized logos (cartoon logos, oversized sports logos or inappropriately suggestive logos).

• Slippers, sandals of any kind or open toed shoes.

• Military fatigues, cargo pants, surgical scrubs, bib overalls.

• Clothing which is torn, soiled or in need of repair.

• Clothing and/or accessories which disrupt business operations or which draw excessive attention to an employee.

- Hats or headgear unless worn for religious purposes.

Each Floor Manager, Post Supervisor, or Firm Representative will be responsible for monitoring staff compliance with this Regulation. A violation of this Regulation may result in fines to the members, member organizations, participants, participant organizations and their associated persons.

The following is the fine schedule for dress code violations:

<u>1st Occurrence</u>	<u>\$100.00</u>
<u>2nd Occurrence</u>	<u>\$250.00</u>
<u>3rd Occurrence</u>	<u>\$500.00</u>
<u>4th Occurrence and Thereafter</u>	<u>Sanction is discretionary with Business Conduct Committee</u>