

MEMORANDUM

TO: Members, Member Organizations, Participants, Participant Organizations

FROM: Richard S. Rudolph, Vice President and Counsel
Legal Department

DATE: June 8, 2007

RE: SEC Approves Replacement of Floor Officials with Options Exchange
Officials

The Securities and Exchange Commission (“SEC” or “Commission”) has approved amendments to Exchange By-Laws and rules that relate to dispute resolution, requests for relief from the requirements of certain rules, trading halts and order and decorum, by transferring the responsibilities from Exchange Floor Officials to a new category of Exchange staff that would be known as an Options Exchange Official (“OEO”), as described more fully below. OEOs would replace, and assume all authority and responsibility currently handled by, Floor Officials. Thus, Floor Officials will cease to exist on the Exchange. **The new rules concerning Options Exchange Officials will be effective beginning Wednesday, June 13, 2007.**

Definition of OEO

Currently, Floor Officials, appointed by the respective floor committee chairs, are Exchange members. Under new Rule 1(pp), an OEO would be defined as an Exchange staff member or contract employee designated as such by the Exchange’s Chief Regulatory Officer (“CRO”). A list of individual OEOs will be displayed on the Exchange website, and will be maintained and updated each time a name is added to, or deleted from, the list of OEOs. The Exchange’s Referee is responsible for maintaining and updating such list. In the event no OEO is available to rule on a particular matter, the CRO or his/her designee will be required to rule on such matter. OEOs will be located on the Exchange’s options trading floor and report to the CRO.

The Referee may act in the capacity of and OEO respecting initial rulings concerning requests for relief from the requirements of Exchange rules, since such rulings are final and not appealable. The new rules specifically limit the Referee’s authority as an OEO in this regard because the Referee would of course be ineligible to rule on an appeal from his or her own ruling in matters that are appealable.

Nullification and Adjustment of Transactions

OEOs will replace Floor Officials respecting initial rulings on adjustment or nullification of transactions. One OEO may adjust or nullify a transaction if permitted or required under Exchange rules. Such rulings can be appealed to the Referee for review. The Referee may uphold, modify, or overturn the ruling. The decision of the Referee concerning these types of rulings is final and may not be appealed to the Exchange's Board of Governors.

Initial Requests for Relief

OEOs will replace Floor Officials respecting rulings on requests for relief from the requirements of certain Exchange Rules. For example, the new rules authorize OEOs to rule on requests for relief from Exchange rules relating to: (i) bid/ask differentials pursuant to Rule 1014(c) and OFPA F-6; (ii) disengagement of Exchange automatic execution systems pursuant to Rule 1080(e) and OFPA A-13; (iii) the determination that quotes in options on the Exchange or another market or markets are subject to relief from the firm quote requirement pursuant to Exchange Rule 1080(c)(i); and (iv) trading halts, openings and re-openings pursuant to Rules 1017, 1047 and 1047A and OFPAs A-12, A-14 and G-2.

Openings

Currently, the Exchange provides an automated opening system for options, however two Floor Officials may direct the manual opening of the affected series where necessary to ensure a fair and orderly market. For example a Floor Official may authorize the opening of a series at a price that falls outside of the Exchange's established parameters where necessary to ensure a fair and orderly market.

The new rules replace the two Floor Officials with a single OEO, who will have the same authority described above concerning openings. The purpose of this provision is to expedite the approval process for manual openings on the Exchange, thereby enabling the Exchange to open the particular series as quickly as possible.

Trading Halts, Rotations, and Re-Openings Following a Trading Halt

Currently, two Floor Officials, with the concurrence of a Market Surveillance officer, are currently authorized to rule on trading halts, rotations and re-openings following a trading halt. The new rules authorize one OEO to make such a ruling. Further, the Exchange has deleted the provisions from the rules requiring the concurrence of a Market Surveillance officer in rulings concerning trading halts and re-openings following a trading halt. Thus, one OEO could make a prompt ruling without unnecessary delay.

Order and Decorum

Currently, a Floor Official may impose on members, member organizations, participants, participant organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange. Under the new rules, OEOs will have this authority. Currently, two Floor Officials may refer such a matter to the Exchange's Business Conduct Committee ("BCC"). OEOs would have this authority, and one OEO could refer such a matter to the BCC.

Currently, two Floor Officials and an officer of the Exchange may exclude a member, participant, and any associated person of member organizations and participant organizations from the trading floor for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange that occurred on the trading floor or on the premises immediately adjacent to the trading floor if they pose an immediate threat to the safety of persons or property, are seriously disrupting Exchange operations, or are in possession of a firearm. The Exchange proposes to authorize one OEO and an officer of the Exchange to do so.

The Exchange believes that replacing Floor Officials with OEOs should result in a more neutral, efficient and streamlined process for the resolution of disputes on the Exchange, together with an expedited process through which the Exchange may rule on matters currently handled by Floor Officials, including the determination to nullify and adjust transactions; to halt and re-open options series for trading; to conduct manual openings where necessary in the interest of a fair and orderly market; to process requests for relief from the requirements of certain rules; and to more efficiently maintain order and decorum on the Exchange's options trading floor and surrounding areas.

Effective Date

As stated above, the new rules concerning Options Exchange Officials will be effective beginning **Wednesday, June 13, 2007**.

The text of the new rules is set forth below. Questions concerning the new rules may be addressed to Richard S. Rudolph, Vice President and Counsel, at (215) 496-5074. Other questions may be addressed to Ed Deitzel, Vice President, Floor Surveillance, at (215) 496-5298.

Text of New By-Laws and Rules

New Text Underlined: Deleted Text Bracketed

PHILADELPHIA STOCK EXCHANGE, INC. BY-LAWS

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Sec. 8-1.

Presiding [Floor] Options Exchange Officials [of the Exchange]

The Chairmen of the Options Committee and Foreign Currency Options Committee, or their designees, shall preside over the options trading floor and foreign currency options trading floor, respectively, of the Exchange. They shall maintain order on the respective trading floors and the premises immediately adjacent thereto. For breaches of order, they may exclude Members, participants and Member Organizations and participant organizations (as applicable) and employees from the respective trading floors and the immediately adjacent premises, or may impose fines consistent with Exchange rules, or both. They shall administer the provisions of these By-Laws and the Rules of the Exchange pertaining to the respective trading floors and the immediately adjacent premises of the Exchange, except there are no [Floor] Options Exchange Officials on XLE and the provisions of these By-Laws and the Rules of the Exchange pertaining to XLE shall be administered by the Exchange. They shall impose penalties as prescribed by the Options Committee or Foreign Currency Options Committee, as applicable, for breaches of their rules or regulations relating to order, decorum, health, safety and welfare on the respective trading floors, except that regarding XLE, appropriate Exchange staff may impose the penalties as authorized in the By-Laws and the Rules of the Exchange.

Delegation of powers

The Chairmen of the Committee on Options and the Committee on Foreign Currency Options may delegate to another member or subcommittee of such Committee, any of the powers and authority conferred upon them in this Section.

Nothing in this Section shall preclude Exchange staff from imposing fines for breaches of Exchange rules or regulations relating to order, decorum, health, safety and welfare on the respective trading floors. Further, nothing in this Section shall preclude Exchange officers from participating in the removal of Members, participants, Member Organizations and participant organizations and associated persons, along with the [Floor] Options Exchange Officials.

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Sec. 10-9.

Audit Committee

(a)-(c) No Change

(d) The Audit Committee shall recommend for appointment by the Board of Governors a qualified Exchange employee or independent contractor, the Referee, to review [Floor] Options Exchange Official rulings concerning the nullification and/or adjustment of transactions, and to act in the capacity of an [Floor] Options Exchange Official respecting initial rulings concerning requests for relief from the requirements of certain Exchange rules, Equity Floor Procedure Advices and Option Floor Procedure Advices. The Audit Committee shall determine that the Referee has sufficient expertise in the area of securities trading to act in the capacity of an [Floor] Options Exchange Official respecting initial rulings concerning requests for relief and to conduct reviews of [Floor] Options Exchange Official rulings, and possesses sufficient knowledge of Exchange rules and the relevant sections of the Securities Exchange Act of 1934, as amended, and the rules thereunder.

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RULES OF THE BOARD OF GOVERNORS

Definitions

Rule 1. ***** (a)-(oo) No Change

Options Exchange Official

(pp) For purposes of these rules, the term “Option Exchange Official” shall mean an Exchange staff member or contract employee designated as such by the Chief Regulatory Officer. A list of individual Options Exchange Officials shall be displayed on the Exchange website at www.phlx.com, under the “Exchange” icon. The Referee shall maintain the list of Options Exchange Officials and update the website each time a name is added to, or deleted from, the list of Options Exchange Officials. In the event no Options Exchange Official is available to rule on a particular matter, the Chief Regulatory Officer or his/her designee shall rule on such matter.

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Sanctions for Breach of Regulations

Rule 60. (a)(i) An [Floor] Options Exchange Official may impose on members, member organizations, participants, participant organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange or [two Floor] an Options Exchange Official[s] may refer

the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1 --960.12.

(ii) No Change

(b)(i) [Two Floor] An Options Exchange Official[s] and an officer of the Exchange may exclude a member, participant, and any associated person of member organizations and participant organizations from the trading floor for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange that occurred on the trading floor or on the premises immediately adjacent to the trading floor. Specifically, members shall be excluded if they pose an immediate threat to the safety of persons or property, are seriously disrupting Exchange operations, or are in possession of a firearm. Members so excluded are excluded for the remainder of the trading day. For purposes of this rule, "member" means any member (as defined in Rule 2), participant and any associated person of member and participant organizations.

(ii)-(iv) No Change

Commentary (a) ...

The procedure to be followed in cases where a pre-set fine of up to \$5,000.00 is summarily assessed is as follows:

.01 Notice of Fine. Notice of fine for breach of such regulations shall be given by the issuance of a written citation. Exchange Staff shall serve the written citations that are issued by the [Floor Official or Exchange Staff] Options Exchange Official. The cited party may accept or contest the written citation.

(.02)-(.07) No Change

Commentary (b)

The procedure to be followed when a member is to be excluded from the trading floor is as follows:

.01 Ruling. After [two Floor] an Options Exchange Official[s] and an officer of the Exchange determine that a member shall be excluded, a member of the Exchange's security staff shall escort the member off the trading floor. The member shall remain off the trading floor for the remainder of the trading day. Exchange staff shall thereafter memorialize the exclusion in the form of a written citation.

(.02)-(.03) No Change

**RULE 60 --REGULATION AND FINE SCHEDULE
(ORDER AND DECORUM CODE)**

In most cases, the PHLX will enforce compliance with Order and Decorum Code pursuant to Rule 60. While ordinarily a finding of a violation will result in the appropriate pre-set fine and/or sanction, [two] an Options Exchange [Floor] Official[s] or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

In the case of repeat violations of a regulation by the same individual, the amount of the fine is determined by the number of such violations which have occurred within the year immediately preceding the current violation.

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Disputes

Rule 124. (a) Disputes occurring on and relating to the trading floor, if not settled by agreement between the members interested, shall be settled, if practicable, by vote of the members knowing of the transaction in question; if not so settled, they shall be settled by an [Floor] Options Exchange Official summoned to the trading crowd designated by Market Surveillance to rule on the dispute.

In issuing decisions for the resolution of trading disputes, [Floor] an Options Exchange Official[s] shall institute the course of action deemed to be most fair to all parties under the circumstances at the time. An [Floor] Options Exchange Official may direct the execution of an order on the floor, or adjust the transaction terms or participants to an executed order on the floor. [However, two] An Options [Floor] Exchange Official[s] may nullify a transaction if the[y] Options Exchange Official determines the transaction to have been in violation of Rules 1014 (Obligations and Restrictions Applicable to Specialist and ROTs), 1015 (Quotation Guarantees), 1017 (Priority and Parity at Openings in Options), 1033 (Bids and Offers) or 1080 (AUTOM). This Rule 124(a) shall not apply to options transactions that are the result of an Obvious Error (as defined in Rule 1092). Options transactions that are the result of an Obvious Error shall be subject to the provisions and procedures set forth in Rule 1092.

(b) All rulings rendered by [Floor] an Options Exchange Official[s] or the Referee (as defined in Commentary .02 to this Rule) are effective immediately and must be complied with promptly. Failure to promptly comply with an initial [Floor] Options Exchange Official ruling or a Referee decision upon review of an [Floor] Options Exchange Official ruling concerning a trading dispute may result in referral to the Business Conduct Committee. Failure to promptly comply with other [Floor] Options Exchange Official rulings issued pursuant to Order and Decorum Regulations (Rule 60) or Floor Procedure Advices (Rule 970) and not concerning a trading dispute may result in an additional violation.

(c) Review –[Floor] Options Exchange Official rulings issued pursuant to Order and Decorum Regulations are reviewable pursuant to Rule 60. [Floor] Options Exchange Official rulings issued pursuant to Floor Procedure Advices are reviewable pursuant to

Rule 970. All other [Floor] Options Exchange Official rulings are reviewable pursuant to paragraph (d) of this Rule.

(d) Review of [Floor] Options Exchange Official Rulings (Trading Disputes) --All [Floor] Options Exchange Official rulings are reviewable by the Referee.

(i) Market Surveillance staff must be advised within 15 minutes of an [Floor] Options Exchange Official's ruling that a party to such ruling has determined to appeal from such ruling to the Referee. The Exchange may establish the procedures for the submission of a request for a review of an [Floor] Options Exchange Official ruling. [Floor] Options Exchange Official rulings concerning the nullification or adjustment of transactions may be sustained, overturned or modified by the Referee. In making a determination, the Referee may consider facts and circumstances not available to the ruling [Floor] Options Exchange Official as well as action taken by the parties in reliance on the [Floor] Options Exchange Official's ruling (e.g., cover, hedge and related trading activity).

(ii) All decisions made by the Referee in connection with initial rulings on requests for relief and with the review of an [Floor] Options Exchange Official ruling pursuant to this paragraph (d) shall be documented in writing and maintained by the Exchange in accordance with the record keeping requirements set forth in the Securities Exchange Act of 1934, as amended, and the rules thereunder.

(iii) A member or member organization seeking the Referee's review of an [Floor] Options Exchange Official ruling shall be assessed a fee of \$250.00 for each [Floor] Options Exchange Official ruling to be reviewed that is sustained and not overturned or modified by the Referee.

(iv) Decisions of the Referee concerning (A) the review of [Floor] Options Exchange Official rulings relating to the nullification or adjustment of transactions, and (B) initial requests for relief shall be final and may not be appealed to the Exchange's Board of Governors.

(v) As appropriate, the Chairman of the Options Committee, or of the Foreign Currency Options Committee, or their respective designees, shall refer a Referee that fails to make any ruling in accordance with Exchange rules to the Audit Committee for possible disciplinary action, including removal. An [Floor] Options Exchange Official that fails to make any ruling in accordance with Exchange rules may be subject to possible disciplinary action by the Exchange.

(vi) Failure to promptly comply with an [Floor] Options Exchange Official or Referee decision under this Rule may result in referral to the Business Conduct Committee.

Commentary:

.01 Exchange staff may determine that an [Floor] Options Exchange Official is ineligible to participate in a particular ruling where it appears that such [Floor] Options Exchange Official has a conflict of interest. For purposes of this Rule, and without limitation, a conflict of interest exists where an [Floor] Options Exchange Official: (a) is directly or indirectly affiliated with a party seeking an [Floor] Options Exchange Official ruling; (b) is a participant or is directly or indirectly affiliated with a participant in a transaction that is the subject of an [Floor] Options Exchange Official ruling; (c) is a debtor or creditor of a party seeking an [Floor] Options Exchange Official ruling; or (d) is an immediate family member of a party seeking an [Floor] Options Exchange Official ruling. Exchange staff may consider other circumstances, on a case-by-case basis, in determining the eligibility or ineligibility of a particular [Floor] Options Exchange Official to participate in a particular ruling due to a conflict of interest.

.02 The Referee.

(a) An Exchange employee or independent contractor, the Referee, shall be appointed by the Board of Governors on the recommendation of the Audit Committee to review [Floor] Options Exchange Official rulings concerning the nullification and adjustment of transactions in accordance with Rule 124(d), and to act in the capacity of an [Floor] Options Exchange Official respecting initial rulings concerning requests for relief from the requirements of Exchange Rules relating to:

(i)-(iv) No Change.

(b)-(g) No Change.

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Clearly Erroneous Executions

Rule 163. (a) – (b) No change.

(c) Review Procedures.

(1) No change.

(2) If a party affected by a determination made under this Rule so requests within the time permitted in Rule 124(d)(i), the Referee will review decisions made by the Equity Exchange Official under this Rule, including whether a clearly erroneous execution occurred and whether the correct adjustment was made, pursuant to Rule 124(d) as if the decision of the Equity Exchange Official was an [Floor] Options Exchange Official ruling.

(d) – (e) No change.

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Enhanced Specialist Participation Review

Rule 509. (a) No Change

(b) *****

4. the current complaint record, as evidenced by the frequency with which [floor] Option Exchange [o] Officials are called to the trading crowd, is not indicative of a specific weakness or pattern of weaknesses in need of improvement. In addition, written complaints from customer firms and written comments from market makers received by the Exchange will also be considered.

When conducting the review, the Subcommittee should evaluate the specialist's performance in those issues qualifying for the enhanced participation. The Subcommittee should also evaluate the specialist's performance in his other registered issues which have not been designated for enhancement participation. The Subcommittee may use any other data that it deems relevant in its review.

(c)-(e) No Change

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PHILADELPHIA STOCK EXCHANGE, INC. OPTIONS RULES

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Position Limits

Rule 1001. No Change

Commentary:

.01 - .02 No Change

.03 The Exchange will not approve any opening purchase or writing transaction or the carrying of any position that would exceed the limits established by this Rule except in highly unusual circumstances. An exemption will be granted to a member or member organization only under the following circumstances:

(i) the exemption request must be submitted in writing to an [floor] Options Exchange [o] Official and set forth the facts justifying the exemption;

(ii)-(iv) No Change

A position limit exemption requires the approval of [two floor] an Options Exchange [o]Official[s]. The exemption is effective at the time a decision is communicated;

retroactive exemptions will not be granted. The size and duration of an exemption will be determined on a case-by-case basis. An exemption usually will be granted only until the nearest expiration.

.04 Specialists --The Exchange may establish higher position limits for specialists' transactions than those applicable with respect to other accounts. Whenever a specialist reasonably anticipates that he may exceed such position limits in the performance of his function of assisting in the maintenance of a fair and orderly market, he must seek an exemption in writing in accordance with this commentary.

A position limit exemption requires the approval of [two floor] an Options Exchange Official[s]. The exemption is effective at the time a decision is communicated; retroactive exemptions will not be granted. The size and duration of an exemption will be determined on a case-by-case basis. An exemption usually will be granted only until the nearest expiration.

.05 (a)-(c) No change.

(d)

(1) – (4) No change.

(5) The Exchange may establish higher position limits for specialists' transactions other than those applicable with respect to other accounts. Whenever a specialist reasonably anticipates that he may exceed such position limits in the performance of his specialist functions, he must consult with and obtain the prior approval of an [Floor] Options Exchange Official.

.06 - .07 No Change

.08 Firm Facilitation Exemption

A member organization may be exempt from established position limits for equity option positions (including Exchange-Traded Fund Share option positions) held in its proprietary account where such position will facilitate an order for a customer of that member organization, provided that such position satisfies the following:

(a) No change.

(b) Approval Procedure: prior approval from [two Floor] an Options Exchange Official[s] and the submission of a complete Firm Facilitation Form, which must be kept current, are required. Approval may be granted on the basis of verbal representations, in which case the member organization shall submit to the Market Surveillance Department a completed form respecting such approval within two business days or the time specified when approval is granted. A member organization may request an exemption based on interest expressed by its customer, prior to obtaining an order. This exemption is not

available where either the customer or facilitation order are all or none or fill or kill orders.

(c)-(e) No Change

Exercise Limits

Rule 1002. No Change

Commentary:

.01 No Change

.02 The Exchange will not approve exercises exceeding the limits established pursuant to this Rule except in highly unusual circumstances. An exemption request must be in writing and set forth the facts justifying the exemption. An exemption requires the approval of [two floor] an Options Exchange [o] Official[s].

.03 - .04 No Change

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Series Of Options Open For Trading

Rule 1012. (a)-(d) No Change

Commentary:

.01 - .03 No Change

.04 Selective Quoting Facility. The Exchange shall identify each FCO series other than U.S. dollar-settled FCO as either an "update strike" or a "non-update strike". Update strikes, for which Exchange quotes must be made available for continuous dissemination to the public throughout the trading day include, at the minimum, option series defined as follows: (i) two in-the-money strikes and six out-of-the-money strike for both puts and calls around the underlying price for American and European style options for all expiration dates (except long-term), and (ii) any other European style or American style series where open interest is maintained as of the commencement of that day, if that series has traded within the previous five trade dates. In addition, update series may be activated intra-day at the initiative of the Exchange or in response to a request from either the respective Specialist or from an [FCO Floor] Options Exchange Official. Non-update strikes, for which continuous dissemination of Exchange quotes to the public is not required, include each FCO series which does not qualify as an update strike. Option series which maintain open interest but have not traded within the previous five trade days are considered non-update series, but must have one bid/ask quote disseminated at

the close of each trade day. However, the Foreign Currency Options Committee may determine to designate one or more of such series as update strikes, after notification to the trading community and with quarterly Committee review.

.05 - .07 No Change

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Obligations and Restrictions Applicable to Specialists and Registered Options Traders

Rule 1014. (a) No Change

(b) *ROT* (i) No change

(ii) (A) – (D) No change
(E)

(1) ***** (a) - (b) No Change

(c) Continuous Open Outcry Quoting Obligation: In response to any request for quote by a Floor Broker, specialist, [Floor] Options Exchange Official, or other ROT (including an SQT), non-SQT ROTs must provide a two-sided market complying with the quote spread parameter requirements contained in Rule 1014(c)(i) (in the case of equity options and U.S. dollar-settled FCOs) or Rule 1014(c)(ii) (in the case of physical delivery FCOs). Such non-SQT ROTs shall provide such quotations with a size of not less than 10 contracts.

(d) No Change

(2) ***** (a) - (b) No Change

(c) In Classes of Option Contracts to Which Assigned --Affirmative Obligations. With respect to classes of option contracts to which his assignment extends, a Specialist and an ROT, whenever the ROT (except an RSQT) enters the trading crowd in other than a floor brokerage capacity or is called upon by an [Floor] Options Exchange Official or a Floor Broker, to make a market, are expected to engage, to a reasonable degree under the existing circumstances, in dealing for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. Without limiting the foregoing, a Specialist and an ROT is expected to perform the following activities in the course of maintaining a fair and orderly market:

(i)-(ii) No Change

(d) In Classes of Option Contracts Other Than Those Which Appointed. With respect to classes of option contracts other than those to which his appointment extends, an ROT (other than an RSQT), whenever he enters the trading crowd in other than a floor brokerage capacity or is called upon by an [floor] Options Exchange [o]Official or a floor broker to make a market, shall undertake the obligations specified in paragraph (c) of this rule. Furthermore, an ROT should not:

(i) – (iii) No change.

(e) No change.

(f) The provisions of the foregoing paragraphs (d) and (e) of this rule shall not apply to:

(i) No change.

(ii) any transaction, other than a transaction for an account in which an ROT has an interest, made with the prior approval of an [Floor] Options Exchange Official to permit a member to contribute to the maintenance of a fair and orderly market in an option, or any purchase or sale to reverse any such transaction; or

(iii) No change.

(g) - (h) No Change

Commentary: .01 - .11 No Change

.12 The number of ROTs in a trading crowd who are establishing or increasing a position may temporarily be limited when, in the judgment of [two Floor] an Options Exchange Official[s], the interests of a fair and orderly market are served by such limitation.

.13 - .19 No change.

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Openings In Options

Rule 1017. (a)-(e) No Change

(f) If the condition described in paragraph (e)(i) or (e)(ii) of this Rule is present, [two Floor] an Options Exchange Official[s] may direct the manual opening of the affected series where necessary to ensure a fair and orderly market. Manual openings shall be conducted in accordance with the Commentary to this Rule 1017. If the condition described in paragraph (e)(iii) of this rule is present, the system will not open the series

but will continue to send an Imbalance Notice to Phlx XL participants every five seconds. The system will not open the series until the condition causing the delay is eliminated.

(g)(i) If any of the conditions described in paragraph (b) above (and not otherwise covered in paragraph (e) of this Rule) for an opening trade to occur are not met, the specialist may, with prior notification to Market Surveillance staff, open a series manually in the interest of a fair and orderly market, subject to the approval of [two Floor] an Options Exchange Official[s] within five minutes of the opening of the affected series. Manual openings shall be conducted in accordance with the Commentary to this Rule 1017.

(ii) No Change

(h)-(j) No Change

Commentary:

.01 *Pre-Opening* (i) No Change

(ii) The Specialist must accept and include in the opening for equity options all market orders which are placed on the book five minutes or more prior to the opening of the underlying security, must accept and include in the opening for index options all market orders which are placed on the book five minutes or more prior to the opening of underlying securities representing 100% of the current index value of all the securities underlying the index, and must include in the opening for U.S. dollar-settled FCO all market orders which are placed on the book prior to market opening, unless exempted by an [Floor] Options Exchange Official. Market orders have precedence over limit orders at an opening regardless of account type (i.e. customer, broker-dealer, ROT, specialist).

.02 No Change.

.03 *Opening Price*. (a) It is the responsibility of the specialist to determine the single price at which an option series opens on the Exchange. Unless a specific exemption is given by an [Floor] Options Exchange Official, the price of an opening transaction in an option series may only be determined at a price that is within an acceptable range (as determined by the Options Committee in the case of an equity option or an index option and as determined by the FCO Committee in the case of a U.S. dollar-settled FCO, and announced to the membership via regulatory circular) compared to the highest offer and the lowest bid (e.g., the upper boundary of the acceptable range may be 125% of the highest offer and the lower boundary may be 75% of the lower bid).

(b) (i) The opening price is the price at which the specialist determines that the greatest number of contracts will trade. If the opening price in a series determined by the specialist falls outside of the parameters described in Commentary .03(a) above, such

series may not open at such price unless an [Floor] Options Exchange Official authorizes the opening of the series at such price where necessary to ensure a fair and orderly market.

(ii)-(vi) No Change

(c) No Change

(d) The specialist will not open a series if one of the following conditions is met:

(i) The opening price is not within an acceptable range, as described in Commentary .03(a) above, unless a specific exemption is given by an [Floor] Options Exchange Official in the interest of a fair and orderly market;

(ii) No change.

(e) If one of the conditions described in sub-paragraphs (d)(i)-(ii) above is met, the specialist will request bids and offers from ROTs in the crowd and, in the case of Streaming Quote Options, SQTs and RSQTs that are assigned in the option. Such ROTs, RSQTs and/or SQTs shall respond to such a request immediately. The opening will be delayed until responses to the specialist's request have been received and the consequent opening price is deemed by an [Floor] Options Exchange Official to be compatible with a fair and orderly market.

(f) No change.

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Precedence Accorded To Orders Entrusted To Specialists

Rule 1019.

Commentary: (.01)-(.04) No Change

.05 If a specialist elects to take or supply for his own account the options named in an order entrusted to him by another member, or member organization, such member or member organization may request that the transaction be rejected after promptly notifying the specialist of such intentions. The transaction may only be rejected or busted upon the written [floor] Options Exchange [o]Official approval for good cause shown in relation to the specialist's responsibility to maintain a fair and orderly market.

Registration and Functions of Options Specialists

Rule 1020. (a)-(d) No Change

(e) No member (other than a specialist acting pursuant to paragraphs (c) or (d) above), limited partner, officer, employee, approved person or party approved, who is affiliated with a specialist or specialist member organization, shall, during the period of such affiliation, purchase or sell any option in which such specialist is registered for any account in which such person or party has a direct or indirect interest. Any such person or party may, however, reduce or liquidate an existing position in an option in which such specialist is registered provided that such orders are (i) identified as being for an account in which such person or party has a direct or indirect interest; (ii) approved for execution for an [Floor] Options Exchange Official; and (iii) executed by the specialist in a manner reasonably calculated to contribute to the maintenance of price continuity with reasonable depth. No order entered pursuant to this paragraph (e) shall be given priority over, or parity with, any order represented in the market at the same price.

(f)-(h) No Change

Guidelines for Exemptive Relief Under Rule 1020 for Approved Persons or Member Organizations Affiliated with a Specialist Member Organization.

(a)-(f) No Change

Commentary:

.01 *****

(a) – (c) No change.

(d) failing to re-offer or re-bid where necessary after effecting transactions described in (a), (b) or (c) above. Transactions of these types may, nevertheless, be effected with the approval of an [Floor] Options Exchange Official or in relatively inactive markets where they are an essential part of a proper course of dealings and where the amount of an option involved and the price change, if any, are normal in relation to the market.

.02 Transactions by a specialist for his own account in liquidating or decreasing his position in an option in which he is registered are to be effected in a reasonable and orderly manner in relation to the condition of the general market, the market in the particular option and the adequacy of the specialist's positions to the immediate and reasonably anticipated needs of the options market, and, in this connection, unless he has the prior approval of an [Floor] Options Exchange Official, he should avoid:

(a) – (c) No change.

.03 No Change

.04 A specialist should avoid participating as a dealer in opening or reopening an option in such a manner as to reverse the balance of public supply and demand as reflected by market and limited price orders at or near the price of the previous close or halt, unless the condition of the general market or the specialist's position in light of the reasonably anticipated needs of the market make it advisable to do so, or unless the specialist has obtained the prior approval of an [Floor] Options Exchange Official to do so. He may, however, buy or sell an option as a dealer to minimize the disparity between supply and demand at an opening or reopening.

.05 - .06 No Change

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Floor Reports Of Exchanges Options Transactions

Rule 1037.

Commentary:

.01 - .02 No change.

.03 In the event a report has not been sent by a specialist with respect to an option contract order which he executed or should have executed and the member or member organization leaving such order with the specialist for execution makes a request to the specialist for a report later than 9:30 A.M. on the business day following the day on which such order was executed or should have been executed, the specialist shall not, without his consent, be responsible for any loss sustained, except as deemed necessary by [two floor] an Options Exchange [o]Official[s] in the interest of maintaining just and equitable principles of trade.

* * * * *

Trading Rotations, Halts and Suspensions

Rule 1047. (a) No Change

(b) Trading on the Exchange in any class of option contracts shall be halted or suspended whenever [two Floor Officials, with the concurrence of a Market Surveillance officer,] an Options Exchange Official deems such action appropriate in the interests of a fair and orderly market and to protect investors. Among the factors that may be considered are that:

(i) – (iii) No change.

(iv) other unusual conditions or circumstances are present. Trading in a class of options that has been the subject of a halt or suspension may be resumed upon a determination by [two Floor Officials, with the concurrence of a Market Surveillance officer,] an Options Exchange Official that the conditions that led to the halt or suspension are no longer present and that the interest of a fair and orderly market are best served by a resumption of trading.

(c) [Two Floor Officials, with the concurrence of a Market Surveillance Officer] An Options Exchange Official shall have the authority, respecting a particular class or series of options, to delay the opening, to halt and reopen after a halt, to open where the underlying stock or Exchange-Traded Fund Share has not opened or current quotations are unavailable for any foreign currency, and to conduct a closing rotation on the trading day prior to expiration where the underlying stock or Exchange-Traded Fund Share did not open or was halted, whenever such action is deemed necessary in the interests of maintaining a fair and orderly market in such class or series of options and to protect investors.

Commentary:

.01 For purposes of this rule, a trading rotation is a series of very brief time periods during each of which bids, offers and transactions in only a single, specified option contract can be made. [Two Floor Officials, with the concurrence of a Market Surveillance officer,] An Options Exchange Official may direct that one or more trading rotations be employed on any business day to aid in producing a fair and orderly market and shall specify, for each rotation so employed, the particular option contracts to be included and the sequence of such option contracts in the rotation. Trading rotations, which shall be conducted by the specialist, shall be conducted in the following manner:

(a) No change.

(b) **Modified Rotations-** (i) No Change

(ii) [For purposes of this sub-paragraph (b)(ii), Floor Official approval requires the concurrence of a Market Regulation officer.] A reverse trading rotation must be employed in connection with openings and reopenings involving a heavy influx of orders, unless exempted by [two Floor] an Options Exchange Official[s].

A second rotation requires the approval of [two Floor] an Options Exchange Official[s]. In addition, a modified rotation may be employed in connection with delayed openings, halts or suspensions of options trading or other unusual market conditions, but in a different manner and sequence of trading than described above provided [two Floor] an Options Exchange Official[s] determines that such procedure should be implemented.

(iii) This Commentary .01(b) shall apply only to manual openings conducted in accordance with the Commentary to Rule 1017.

(c) Closing Rotations at Expiration --On the last trading day with respect to expiring stock option contracts a closing rotation in each series of expiring options shall be commenced at 4:00 p.m., or 4:15 p.m. for options on Exchange-Traded Fund Shares where the underlying Fund Shares themselves cease trading at 4:15 p.m., or after a closing price of the stock or Exchange-Traded Fund Share in its primary market is established, whichever is later. Except as otherwise provided by [two Floor] an Options Exchange Official[s, with the concurrence of a Market Surveillance officer], the specialist may determine which type of expiring options series should close first, and may alternate the close of put series and call series or may close all series of one type before closing any series of the other type, depending on current market conditions. In any instance where [two Floor Officials, with the concurrence of a Market Surveillance officer,] an Options Exchange Official determines to conduct a closing rotation on the trading day prior to expiration in any equity option for which the underlying did not trade, or for which trading was halted as of the normal close of trading in its primary market on that day, the rotation shall commence as immediately as practicable following the time at which the option normally ceases free trading, or at any earlier time.

(d) No Change

.02 In the event that trading in an underlying stock or Exchange-Traded Fund Share has not opened in the primary market for such stock or Exchange-Traded Fund Share within a reasonable time after the opening of business, or, in the event that current quotations for any underlying foreign currency are for any reason unavailable, the specialist shall report such delay or unavailability to the Market Surveillance staff and the appropriate steps will be taken to determine the cause for such delay or unavailability. The opening of trading in such option shall be delayed until the underlying stock has opened or until current quotations for the underlying foreign currency become available, as the case may be, unless [two Floor Officials, with the concurrence of a Market Surveillance officer,] an Options Exchange Official determines that the interests of a fair and orderly market are best served by opening trading in such options.

.03 Stock or Exchange-Traded Fund Share Options Trading after 4:00 p.m. With the prior approval of [two Floor Officials and the concurrence of a Market Regulation officer,] an Options Exchange Official a trading rotation in any class of stock option contracts may be effected even though employment of the rotation will result in the transaction on the Exchange after 4:00 p.m., or 4:15 p.m. for options on Exchange-Traded Fund Shares where the underlying Fund Shares themselves cease trading at 4:15 p.m., provided:

(a) – (b) No change.

(c) If prior to 4:00 p.m. a trading rotation is in progress and [two Floor Officials, with the concurrence of a Market Regulation officer,] an Options Exchange Official determines that a final trading rotation is needed to assure a fair and

orderly market, the rotation in progress shall be halted and such final rotation begun as promptly as possible after 4:00 p.m.

* * * * *

Crossing, Facilitation and Solicited Orders

Rule 1064. (a) - (d) No Change

Commentary:

.01 No Change

.02 *Firm Participation Guarantees* (i)-(iv) No Change

(v) Once the trading crowd has provided a quote, it will remain in effect until: (A) a reasonable amount of time has passed, or (B) there is a significant change in the price of the underlying security, or (C) the market given in response to the request has been improved. In the case of a dispute, the term "significant change" will be interpreted on a case-by-case basis by [two Floor] an Options Exchange Official[s] based upon the extent of the recent trading in the option and in the underlying security, and any other relevant factors.

(vi)-(x) No Change

.03 No change.

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Reporting Requirements Applicable to Short Sales in NASD/NM Securities

[/]This Rule is adopted in conjunction with the adoption of an addition to the Rules of Fair Practice of the NASD which imposes a bid test on short sales of stocks traded on the Nasdaq National Market subject to certain exemptions including, during a pilot period, an exemption for certain transactions of options market makers. This Rule will continue in effect only so long as the options market maker exemption from the NASD bid test remains in effect.[/]

Rule 1072. (a)-(b) No Change

(c) *****

(1) No change

(2) * * * * *

(i) No Change

(ii) A "designated Nasdaq/NM security" shall mean a Nasdaq/NM security which the Specialist or ROT has designated as qualifying for the exemption provided in this subparagraph (c)(2). Each ROT may designate the Nasdaq/NM securities underlying no more than 20 of the options or index options, which the ROT has been assigned as designated Nasdaq/NM securities. Each Specialist may designate all of the Nasdaq/NM securities underlying the options or index options which the Specialist has been allocated as designated Nasdaq/NM securities. Such designations shall be made in writing, and shall be filed with the Exchange's Market Surveillance Department. Except:

(A) With prior notification to an [Exchange Floor] Options Exchange Official, an ROT may facilitate an options order initiated from off-floor and contemporaneously hedge the resulting option position with a short sale in applicable Nasdaq/NM securities as if such securities are designated securities under subparagraph (c)(2)(ii). A report describing the transaction shall be filed with the Department of Market Surveillance in a time, form and manner prescribed by the Exchange, with written [Floor] Options Exchange Official approval indicated. The ROT must maintain a copy of the report as a record demonstrating that the sale was bid test exempt.

(B) No change.

(iii) No Change

(d) - (g) No Change

Commentary: No Change

* * * * *

FLEX Index and Equity Options

Rule 1079. *****

(a)-(b) No Change

(c) Who May Trade FLEX Options.

(1) Assigned ROTs and Assigned Specialists. An ROT or Specialist may apply on a form prescribed by the Exchange to be assigned in FLEX options. At least two members shall be assigned to each FLEX option. Only the Specialist in the non-FLEX option may be the assigned Specialist in that FLEX option. The provisions of Rule 1014(c) regarding market making obligations shall be applicable to assigned ROTs and

assigned Specialists, such that a market must be provided in any FLEX option when requested by an [Floor] Options Exchange Official.

(2)-(3) No change.

(d) – (f) No change.

Philadelphia Stock Exchange Automated Options Market (AUTOM) and Automatic Execution System

Rule 1080. (a)-(b) No Change

(c) AUTO-X.

The Exchange shall provide automatic executions for eligible customer and broker-dealer orders up to the Exchange's disseminated size as defined in Exchange Rule 1082 (except with respect to orders eligible for "Book Match" as described in Rule 1080(g)(ii) below).

(i) (A) Where the Chairperson of the Options Committee or his designee, in the case of equity or [equity] index options, or the Chairperson of the Foreign Currency Options Committee, in the case of foreign currency options (or if the Chairperson of the Options Committee or his designee or the Chairperson of the Foreign Currency Options Committee or his designee, as the case may be is unavailable, [two Floor] an Options Exchange Official[s]), determines that quotes in options on the Exchange or another market or markets are subject to relief from the firm quote requirement set forth in the SEC Quote Rule, as defined in Exchange Rule 1082(a)(iii) (the "Quote Rule"), customer market orders will receive an automatic execution at the NBBO based on the best bid or offer in markets whose quotes are not subject to relief from the firm quote requirement set forth in the Quote Rule. Such determination may be made by way of notification from another market that its quotes are not firm or are unreliable; administrative message from the Option Price Reporting Authority ("OPRA"); quotes received from another market designated as "not firm" using the appropriate indicator; and/or telephonic or electronic inquiry to, and verification from, another market that its quotes are not firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are excluded from the calculation of NBBO. The Exchange may determine to exclude quotes from its calculation of NBBO on a series-by-series basis or issue-by-issue basis, or may determine to exclude all options quotes from an exchange, where appropriate, under the conditions set forth above. The Exchange shall maintain a record of each instance in which another exchange's quotes are excluded from the Exchange's calculation of NBBO, and shall notify such other exchange that its quotes have been so excluded. Such documentation shall include: identification of the option(s) affected by such action; the date and time such action was taken and concluded; identification of the other exchange(s) whose quotes were excluded from the Exchange's calculation of NBBO; identification of the Chairperson of the Options Committee, his designee, the Chairperson

of the Foreign Currency Options Committee, his designee, or [two Floor] an Options Exchange Official[s] (as applicable) who approved such action; the reasons for which such action was taken; and identification of the specialist and the specialist unit. The Exchange will maintain these documents pursuant to the record retention requirements of the Securities Exchange Act of 1934 and the rule and regulations thereunder.

(B) Where the Chairperson of the Options Committee or his designee, in the case of equity or [equity] index options (or if the Chairperson of the Options Committee or his designee or the Chairperson of the Foreign Currency Options Committee or his designee, as the case may be, is unavailable, [two Floor] an Options Exchange Official[s]), will determine[s] that quotes in options on the Exchange or another market or markets previously subject to relief from the firm quote requirement set forth in the Quote Rule are no longer subject to such relief, such quotations will be included in the calculation of NBBO for such options. Such determination may be made by way of notification from another market that its quotes are firm; administrative message from the Option Price Reporting Authority ("OPRA"); and/or telephonic or electronic inquiry to, and verification from, another market that its quotes are firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are again included in the calculation of NBBO.

(ii)-(vi) No Change

(d) No Change

(e) Extraordinary Circumstances --In the event extraordinary circumstances with respect to a particular class of options exist, [two Floor] an Options Exchange Official[s] may determine to disengage AUTO-X with respect to that option, in accordance with Exchange procedures. Five minutes subsequent to the disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), the requesting specialist or his/her designee, [two Floor] an Options Exchange Official[s], and a designated surveillance staff person, shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged when either: (i) the specialist or his/her designee determines that the conditions supporting the extraordinary circumstances no longer exist, at which time the specialist or his/her designee shall inform the Market Surveillance staff that the extraordinary circumstances no longer exist and that the specialist is re-engaging AUTO-X; or (ii) when [two Floor] an Options Exchange Official[s] and the designated surveillance staff person determine that the conditions supporting the extraordinary circumstances no longer exist. In the event extraordinary conditions exist floor-wide, [two Exchange Floor] an Options Exchange Official[s] and the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/or her designee may determine to disengage the AUTO-X feature floor-wide. Five minutes subsequent to a floor-wide disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), [two Floor] an Options Exchange Official[s], the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/her designee and a

designated Market Surveillance staff person shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged when either: (1) the specialist determines that the conditions supporting the extraordinary circumstances no longer exist for their particular class of options at which time the specialist or his/her designee will inform Market Surveillance staff that the extraordinary circumstances no longer exist for their particular class of options and that the specialist is re-engaging AUTO-X; or (2) when [two Floor] an Options Exchange Official[s], the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/her designee and the designated Market Surveillance staff person determine that the extraordinary circumstances no longer exist. The NBBO Feature is always disengaged when AUTO-X is disengaged.

Extraordinary circumstances include market occurrences and system malfunctions that impact a specialist's ability to accurately price and disseminate option quotations in a timely manner. Such occurrences include fast market conditions such as volatility, order imbalances, volume surges or significant price variances in the underlying security; internal system malfunctions including the Exchange's Auto-Quote system; or malfunctions of external systems such as specialized quote feed, or delays in the dissemination of quotes from the Option Price Reporting Authority; or other similar occurrences.

The Exchange shall document any action taken to disengage AUTO-X pursuant to this Rule 1080(e), and shall notify all AUTOM Users of each instance in which AUTO-X is disengaged due to extraordinary circumstances. Such documentation shall include: identification of the option(s) affected by such action (except in a case of floor-wide disengagement); the date and time such action was taken and concluded; identification of the [Floor] Options Exchange Official[s] who approved such action, the reasons for which such action was taken; identification of the specialist and the specialist Unit (or in the case of floor-wide disengagement, identification of the Option Committee Chairperson or the Foreign Currency Options Committee Chairperson or his/her designee); and identification of the Market Surveillance staff person monitoring the situation. The Exchange will maintain these documents pursuant to the record retention requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder.

(i) No change.

(f) Specialist Obligations - (i)-(iv) No Change

(v) To ensure proper notification to AUTOM users, a specialist must promptly notify the Surveillance Post of any AUTOM-related [Floor] Options Exchange Official approval in order for such approval to be valid.

(g)-(l) No Change

Commentary: No Change

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Rule 1082.

Firm Quotations

(a)-(b) No Change

(c) The requirements of paragraph (b) or (d) of this Rule shall not apply to displayed quotations: (i) when the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for a subject security required to be made available pursuant to the SEC Quote Rule in a manner that accurately reflects the current market on the Exchange as determined by [two Floor Officials, with the concurrence of the Director of Surveillance, or his designee] an Options Exchange Official; (ii) during a trading rotation; (iii) if any of the circumstances provided in paragraph (c)(3) of the SEC Quote Rule exist; or (iv) on a case by case basis where it is determined that an exemption is warranted for an obvious error in the posting of the disseminated price or disseminated size due to reporter error or system malfunction. The Exchange shall immediately notify all specified persons of such a determination. Regular trading procedures shall be resumed when [two Floor] an Options Exchange Official[s] determines that the conditions supporting that declaration no longer exist. The Exchange shall immediately notify all specified persons of such a determination.

Any exemption granted pursuant to paragraph (c)(iv) shall be in writing and shall set forth the basis upon which the exemption is granted.

(d) No Change

Commentary: No Change

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Rule 1092.

Obvious Errors

The Exchange shall either nullify a transaction or adjust the execution price of a transaction that results in an Obvious Error as provided in this Rule.

(a) No Change

(b) Definition of Theoretical Price. For purposes of this Rule only, the Theoretical Price of an option is:

(i) If the series is traded on at least one other options exchange, the mid-point of the National Best Bid and Offer ("NBBO"), just prior to the transaction; or

(ii) If there are no quotes for comparison purposes, as determined by [two Floor] an Options Exchange Official[s] and designated personnel in the Exchange's Market Surveillance Department.

(c)-(d) No Change

(e) Obvious Error Procedure. Market Surveillance shall administer the application of this Rule as follows:

(i) No change.

(ii) Adjust or Bust. An [Floor] Options Exchange Official will determine whether there is an Obvious Error as defined in this Rule. If it is determined that an Obvious Error has occurred: (A) where each party to the transaction is either a specialist or ROT on the Exchange, the execution price of the transaction will be adjusted by [one Floor] an Options Exchange Official, unless both parties agree to nullify the transaction within ten minutes of being notified by Market Surveillance of the Obvious Error; or (B) where at least one party to the transaction in which an Obvious Error occurred is not a specialist or ROT on the Exchange, [two Floor] an Options Exchange Official[s] will nullify the transaction, unless both parties agree to adjust the price of the transaction within 30 minutes of being notified by Market Surveillance of the Obvious Error. Upon final Floor Official action, Market Surveillance, in conjunction with the AUTOM Help Desk, where appropriate, shall promptly notify both parties to the trade.

(f) Request for Review. If a party affected by a determination made under this Rule so requests within the time permitted, the Referee will review decisions made under this Rule in accordance with Exchange Rule 124(d). A request for review under this paragraph must be made within thirty minutes after a party receives verbal notification of a final determination by the [Floor] Options Exchange Official[(s)] under this Rule, except that if such notification is made after 3:30 p.m. Eastern Time, either party has until 9:30 a.m. Eastern Time on the next trading day to request a review. Such a request for review must be in writing or otherwise documented. The Referee shall review the facts and render a decision on the day of the transaction, or the next trade day in the case where a request is properly made after 3:30 p.m. on the day of the transaction or where the request is properly made the next trade day.

Commentary:

.01 No Change

.02 The price to which a transaction is adjusted under paragraph (c)(ii) of this Rule will be determined as follows: (i) the bid price from the exchange disseminating the National Best Bid for the series at the time of the transaction that was the result of an obvious error will be used with respect to an erroneous offer price entered on the Exchange, and (ii) the offer price from the exchange disseminating the National Best Offer for the series at the time of the transaction that was the result of an obvious error will be used with respect to

an erroneous bid price entered on the Exchange. If there are no quotes for comparison purposes, the adjustment price will be determined by [two Floor] an Options Exchange Official[s and Market Surveillance].

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Rules Applicable to Trading of Options on Indices

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Rule 1001A.

Position Limits

(a)-(e) No Change

Commentary:

.01 No Change

.02 Firm Facilitation Exemption

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(a) No change.

(b) Approval Procedure: prior approval from [two Floor] an Option Exchange Official[s] and the submission of a complete Firm Facilitation Form, which must be kept current, are required. Approval may be granted on the basis of verbal representations, in which case the member organization shall submit to the Market Surveillance Department a completed form respecting such approval within two business days or the time specified when approval is granted. A member organization may request an exemption based on interest expressed by its customer, prior to obtaining an order. This exemption is not available where either the customer or facilitation order are all or none or fill or kill orders.

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(c)-(e) No Change

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Rule 1047A.

Trading Rotations, Halts or Reopenings

(a) Openings:

(i) No Change

(ii) Market Index --With respect to openings conducted manually, the opening rotation for market index options shall be held at or as soon as practicable after the opening of business on the Exchange.

Respecting openings conducted manually, the specialist shall open first those series of an index option which have the nearest expiration. Thereafter, the specialist shall open the remaining series in a manner he deems appropriate under the circumstances. One and one-half hours after the rotation, trading shall become subject to paragraph (c) of this rule, unless [two Floor] an Options Exchange Official[s, with the concurrence of a Market Surveillance officer] determines it is in the public interest to halt trading at an earlier time.

(iii)-(v) No Change

(b) No Change

(c) Halts: Trading on the Exchange in any option may be halted with the approval of [two Floor Officials, with the concurrence of a Market Surveillance officer] an Options Exchange Official, whenever trading on the primary market in underlying securities representing more than 10% of the current index value is halted or suspended. Trading shall be halted whenever [two Floor] an Options Exchange Official[s, with the concurrence of a Market Surveillance officer,] deems such action appropriate in the interests of a fair and orderly market and to protect investors. Among the factors that may be considered are the following:

(i)-(iii) No Change

(d) Reopenings: Trading in any class or series of stock index options that has been subject of a halt by the Exchange may be resumed upon a determination by [two Floor Officials, with the concurrence of a Market Surveillance officer] an Options Exchange Official that

(i) the conditions which led to the halt are no longer present; or

(ii) underlying securities representing 50% or more of the current index value are not subject to halt or suspension in the primary market for the trading of such underlying securities. In addition, [two Floor Officials, with the concurrence of a Market Surveillance officer] an Options Exchange Official must conclude in his best judgment that the interests of a fair and orderly market are served by a resumption of trading. The definition of "open for trading" appears in subparagraph (a)(iii) above.

(e) No Change

(f) Index Options Trading after 4:00P.M.: With the prior approval of [two Floor Officials, with the concurrence of a Market Surveillance officer] an Options Exchange Official, a

trading rotation in any class of index option contracts may be effected even though employment of the rotation will result in the transaction on the Exchange after 4:00 P.M. provided:

(i) - (ii) No Change

(iii) If prior to 4:00 P.M., a trading rotation is in progress and [two Floor Officials, with the concurrence of a Market Surveillance officer] an Options Exchange Official, determines that a final trading rotation is needed to assure a fair and orderly market, the rotation in progress shall be halted and such final rotation begun as promptly as possible after 4:00 P.M. Any trading rotation commenced after 4:00 P.M. must be approved by [two Floor Officials, with the concurrence of a Market Surveillance officer] an Options Exchange Official.

(iv) No Change

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**PHILADELPHIA STOCK EXCHANGE, INC. OPTIONS FLOOR PROCEDURE
ADVICES AND ORDER AND DECORUM REGULATIONS**

* * * * *

A-2 Types of Orders to be Accepted onto the Specialist's Book

(i) Unless exempted by an [Floor] Options Exchange Official, a Specialist must accept all non-contingent limit orders tendered for placement on the "book", including orders for ROTs.

(ii) A Specialist may refuse to accept contingency orders, as defined in Rule 1066, except that a Specialist may only refuse to accept customer contingency orders with the prior approval of [two Floor] an Options Exchange Official[s].

(iii)-(iv) No Change.

A-3 Requesting Market Quotations

A Specialist may request an ROT in the crowd to state his current bid and offer (including size) for any series of options traded at the post. A Specialist may request that staff or an [Floor] Options Exchange Official call for additional ROTs to enter the trading crowd.

FINE SCHEDULE: No change.

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A-13 Auto Execution Engagement/Disengagement Responsibility

(a) It is the responsibility of the option Specialist to engage the Auto Execution (Auto-X) system for an assigned option within three (3) minutes of completing the opening or reopening rotation of that option.

Where extraordinary circumstances occur, a Specialist may be provided an exemption from receiving orders through Auto-X and may then disengage the system upon approval by [two Floor] an Options Exchange Official[s]. Five minutes subsequent to the disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), the requesting Specialist or his/her designee, [two Floor] an Options Exchange Official[s], and a designated surveillance staff person, shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged with either: (i) Specialist or his/her designee determines that the conditions supporting the extraordinary circumstances no longer exist, at which time the Specialist or his/her designee shall inform the Market Surveillance staff that the extraordinary circumstances no longer exist and that the Specialist is re-engaging AUTO-X; or (ii) when [two Floor] an Options Exchange Official[s] and the designated surveillance staff person determine that the conditions supporting the extraordinary circumstances no longer exist. In the event extraordinary circumstances exist floor-wide, [two] an Options Exchange [Floor] Official[s] and the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/or her designee may determine to disengage the AUTO-X feature floor-wide. Five minutes subsequent to a floor-wide disengagement of AUTO-X for extraordinary circumstances (and every 15 minutes thereafter as long as AUTO-X is disengaged), [two Floor] an Options Exchange Official[s], the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/her designee and a designated Market Surveillance staff person shall re-evaluate the circumstances to determine if the extraordinary circumstances still exist. AUTO-X will be re-engaged when either: (1) the Specialist determines that the conditions supporting the extraordinary circumstances no longer exist for their particular class of options at which time the Specialist or his/her designee will inform Market Surveillance staff that the extraordinary circumstances no longer exist for their particular class of options and that the Specialist is re-engaging AUTO-X; or (2) when [two Floor] an Options Exchange Official[s], the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/her designee and the designated Market Surveillance staff person determine that the extraordinary circumstances no longer exist. The NBBO feature is always disengaged when AUTO-X is disengaged.

The Exchange shall document any action taken to disengage AUTO-X pursuant to this Rule 1080(e), and shall notify all AUTOM Users of each instance in which AUTO-X is

disengaged due to extraordinary circumstances. Such documentation shall include: identification of the option(s) affected by such action (except in a case of floor-wide disengagement); the date and time such action was taken and concluded; identification of the [Floor] Options Exchange Official[s] who approved such action; the reasons for which such action was taken; identification of the Specialist and the Specialist Unit (or in the case of floor-wide disengagement, identification of the Options Committee Chairperson or Foreign Currency Options Committee Chairperson or his/her designee); and identification of the Market Surveillance staff person monitoring the situation. The Exchange will maintain these documents pursuant to the record retention requirement of the Securities Exchange Act of 1934 and the rules and regulations thereunder.

(b)(i) Where the Chairperson of the Options Committee or his designee, in the case of equity or [equity] index options, or the Chairperson of the Foreign Currency Options Committee, in the case of foreign currency options (or if the Chairman of the Options Committee or his designee or the Chairperson of the Foreign Currency Options Committee, or his designee, as the case may be, is unavailable, [two Floor] an Options Exchange Official[s]) determines that quotes in options on the Exchange or another market or markets are subject to relief from the firm quote requirement set forth in the SEC Quote Rule, as defined in Exchange Rule 1082(a)(iii) (the "Quote Rule"), customer market orders will receive an automatic execution at the NBBO based on the best bid or offer in markets whose quotes are not subject to relief from the firm quote requirement set forth in the Quote Rule. Such determination may be made by way of notification from another market that its quotes are not firm or are unreliable; administrative message from the Option Price Reporting Authority ("OPRA"); quotes received from another market designated as "not firm" using the appropriate indicator; and/or telephonic or electronic inquiry to, and verification from, another market that its quotes are not firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are excluded from the calculation of NBBO. The Exchange may determine to exclude quotes from its calculation of NBBO on a series-by-series basis or issue-by-issue basis, or may determine to exclude all options quotes from an exchange, where appropriate. The Exchange shall maintain a record of each instance in which another exchange's quotes are excluded from the Exchange's calculation of NBBO, and shall notify such other exchange that its quotes have been so excluded. Such documentation shall include: identification of the option(s) affected by such action; the date and time such action was taken and concluded; identification of the other exchange(s) whose quotes were excluded from the Exchange's calculation of NBBO; identification of the Chairman of the Options Committee, his designee, or [two Floor] an Options Exchange Official[s] (as applicable) who approved such action; the reasons for which such action was taken; and identification of the specialist and the specialist unit. The Exchange will maintain these documents pursuant to the record retention requirements of the Securities Exchange Act of 1934 and the rule and regulations thereunder.

(ii) Where the Chairperson of the Options Committee or his designee (or if the Chairperson of the Options Committee or his designee is unavailable, [two Floor] an Options Exchange Official[s]), determines that quotes in options on the Exchange or another market or markets previously subject to relief from the firm quote requirement

set forth in the Quote Rule are no longer subject to such relief, such quotations will be included in the calculation of NBBO for such options. Such determination may be made by way of notification from another market that its quotes are firm; administrative message from the Option Price Reporting Authority ("OPRA"); and/or telephonic or electronic inquiry to, and verification from, another market that its quotes are firm. AUTOM customers will be duly notified via electronic message from AUTOM that such quotes are again included in the calculation of NBBO.

* * * * *

B-1 Responsibility to Make Markets

An ROT shall not refuse a request by a Floor Broker, Specialist, or [Floor] Options Exchange Official to make a two sided market for any option series trading in the same crowd at which such ROT is trading.

FINE SCHEDULE: No Change.

* * * * *

B-5 Agency-Principal Restrictions

Except under extraordinary circumstances and with the prior approval of an [Floor] Options Exchange Official, a member may not act as an ROT and as a Floor Broker during the same trading session in options on the same underlying security. A member has acted as a Floor Broker if he has accepted an order even though such order was not executed. However, an ROT may close out positions held in his customer account in options on the same underlying security while he is acting as an ROT in those options.

FINE SCHEDULE: No Change.

* * * * *

C-5 ROTs Acting as Floor Brokers

Whenever an order is handled as agent by a Floor Broker who is also an ROT, the Floor Broker must advise at the time a market is sought from the crowd for the order that he is acting as a Floor Broker. Bids or offers made in person by an ROT will be assumed to be for his account unless otherwise specified.

An exemption to the above exists in the instance where a Floor Broker is representing an order in an issue in which the broker has previously that day represented himself as an agent, provided that the Floor Broker obtain the prior approval of an [Floor] Options Exchange Official. In such cases, a Floor Broker is not required to further advise the crowd of his role as agent in that issue for the remainder of that day.

FINE SCHEDULE: No Change.

* * * * *

D-1 Missed Orders

(a) When an order held on the book or in the crowd becomes due an execution but is erroneously missed being given the appropriate execution, proper notification that the order was "due" must be made to the responsible floor agent by 9:30 A.M. on the business day following the day the order first became due. Absent proper notification no claim will be qualified to require that the agent on the floor be held responsible for satisfying the missed order or for any associated monetary losses, except as deemed necessary by [two Floor] an Options Exchange Official[s] in the interest of maintaining just and equitable principles of trade.

(b)-(c) No Change.

FINE SCHEDULE: No Change.

* * * * *

F-2 Allocation, Time Stamping, Matching and Access to Matched Trades

(a)-(d) No Change.

(e) Member access to tickets comprising a matched trade is available to any participant of that trade, as well as the respective Specialist and any [Floor] Options Exchange Official acting in his capacity as an [Floor] Options Exchange Official. Requests to review trade matches must be made with the Specialist Unit.

FINE SCHEDULE: No Change.

* * * * *

F-6 Option Quote Parameters

Relief from the established bid/ask differentials may be granted upon the receipt of an approval of [two Floor] an Options Exchange Official[s].

FINE SCHEDULE: No Change.

* * * * *

F-10 Unusual Market Conditions

In the interest of maintaining a fair and orderly market under unusual market conditions for one or more classes of options, [two Floor] an Options Exchange Official[s, with the concurrence of the Director of Surveillance or his designee,] may determine that the level of trading activities or the existence of unusual market conditions is such that the Exchange is incapable of collecting, processing, and making available to quotation vendors the data for a subject security required to be made available pursuant to the SEC Quote Rule in a manner that accurately reflects the current market on the Exchange. The Exchange shall immediately notify all specified persons of such a determination. Regular trading procedures shall be resumed when [two Floor] an Options Exchange Official[s] determines that the conditions supporting that declaration no longer exist.

During the period for which such a determination has been made, displayed quotes for the respective options are not firm (as required by Rule 1082) and volume guarantees of Advice A-11 and Rule 1015 are not applicable, but the respective Specialists and trading crowds are required to use best efforts to update quotes and fill incoming orders in accordance with Advice A-11 and Rule 1015.

FINE SCHEDULE: No Change.

* * * * *

F-12 Responsibility for Assigning Participation

(a)-(c) No Change.

(d) Disputes as to participation on a trade shall be resolved by a majority vote of those persons present in the crowd during the relevant time or, if not so settled, then by an Options Exchange [Floor] Official.

FINE SCHEDULE: No Change.

* * * * *

F-17 FCO Trades to be Effected in the Pit (PHYSICAL DELIVERY FOREIGN CURRENCY OPTION ONLY)

Each bid and offer represented for execution on the Foreign Currency Option Floor shall be loudly and audibly voiced in the respective trading pit of that option. For the purposes of this Advice, the trading pit is defined as the common area immediately in front of the respective option post and, in the case of an active trading crowd, all common areas immediately adjacent thereto necessary to contain such crowd.

An Options Exchange [Floor] Official may extend for any trading segment the boundaries of a trading pit to include other common areas available on the floor for trading, except that booth spaces and the aisles between those spaces may not be included in any such extension boundaries.

Failure to adhere to the requirements provided herein may result in the issuance of a fine in accordance with the fine schedule below.

FINE SCHEDULE: No Change.

**F-18 FCO Expiration Months and Strike Prices - Selective Quoting Facility
(PHYSICAL DELIVERY FOREIGN CURRENCY OPTION ONLY)**

In accordance with the requirements of Exchange Rule 1012, the six mid-month expiration months normally available for trading in any FCO class on the Exchange will be the four quarterly option series of the March cycle and the next two available near-term months. Expirations for month-end and long-term options may also be added in accordance with the provisions of Rules 1012 and 1000 (.21). Strike prices may be added by the Exchange as needed in relation to the underlying spot and forward prices in accordance with Rule 1012.

PHLX FCO series open for trading in accordance with Exchange Rule 1012 are classified each day as either "update" or "non-update" series. Update series are those series for which the Exchange best bid/ask quotes, and updates to those quotes, are continuously transmitted to vendors for off-floor public dissemination throughout the trading day. Update series are set at the commencement of trading on each day and include, at minimum, at that time (i) the two in-the-money strikes and six out-of-the-money strikes for both puts and calls around the underlying price for American style options with expiration dates of the three nearest mid-month expirations and the three nearest month-end expirations, and (ii) any other American style or European style options where open interest is maintained as of the commencement of that trade day. In addition, update series may be activated intra-day at the initiative of the Exchange or in response to a request from either the respective Specialist or from an [FCO Floor] Options Exchange Official.

Non-update strikes, for which continuous dissemination of Exchange quotes to off-floor vendors is not required, include each FCO quote which does not qualify as an update series. Non-update FCO quotes are distinguished by triple zeroes (000-000) in the bid/ask column and the "I" identifier, which signals the series as an "inactive" series. Option series which maintain open interest but have not traded within the previous five trade days are considered non-update series, but must have one bid/ask quote disseminated at the close of each trade day..

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F-27 [Floor] Options Exchange Official Rulings[-Options]

[Floor] Options Exchange Officials are empowered to render rulings on the trading floor to resolve trading disputes occurring on and respecting activities on the trading floor. All rulings rendered by [Floor] Options Exchange Officials are effective immediately and must be complied with promptly. Failure to promptly comply with a ruling concerning a trading dispute may result in referral to the Business Conduct Committee. Failure to promptly comply with other rulings issued pursuant to Order and Decorum Regulations or Floor Procedure Advices and not concerning a trading dispute may result in an additional violation. [Floor] Options Exchange Officials need not render decisions in any instance where the request for a ruling was not made within a reasonable period of time. An Options Exchange [Floor] Official should not render a decision or authorize a citation where such [Floor] Options Exchange Official was involved in or affected by the dispute, as well as in any situation where the [Floor] Options Exchange Official is not able to objectively and fairly render a decision.

[Floor] Options Exchange Officials shall endeavor to be prompt in rendering decisions. However, in any instance where an [Floor] Options Exchange Official has determined that the benefits of further discovery as to the facts and circumstances of any matter under review outweigh the monetary risks of a delayed ruling[s], the [Floor] Options Exchange Official may determine to delay rendering the ruling until such time as that further discovery is completed. In issuing decisions for the resolution of trading disputes, [Floor] Options Exchange Officials shall institute the course of action deemed by the ruling [Floor] Options Exchange Official to be more fair to all parties under the circumstances at the time. An [Floor] Options Exchange Official may direct the execution of an order on the floor, or adjust the transaction terms or participants to an executed order on the floor. However, [two Floor] an Options Exchange Official[s] may nullify a transaction if they determine the transaction to have been in violation of Rules 1014 (Obligations and Restrictions Applicable to specialist and ROTs), 1015 (Quotation Guarantees), 1017 (Priority and Parity at Openings in Options), 1033 (Bids and Offers) or 1080 (AUTOM).

Exchange staff may determine that an [Floor] Options Exchange Official is ineligible to participate in a particular ruling where it appears that such [Floor] Options Exchange Official has a conflict of interest. For purposes of this Rule, and without limitation, a conflict of interest exists where an [Floor] Options Exchange Official: (a) is directly or indirectly affiliated with a party seeking an [Floor] Options Exchange Official ruling; (b) is a participant or is directly or indirectly affiliated with a participant in a transaction that is the subject of an [Floor] Options Exchange Official ruling; (c) is a debtor or creditor of a party seeking an [Floor] Options Exchange Official ruling; or (d) is an immediate family member of a party seeking an Options Exchange [Floor] Official ruling. Exchange staff may consider other circumstances, on a case-by-case basis, in determining the eligibility or ineligibility of a particular [Floor] Options Exchange Official to participate in a particular ruling due to a conflict of interest.

All [Floor] Options Exchange Official rulings concerning the adjustment and nullification of transactions are reviewable by the Referee (as defined in Rule 124).

(i) Market Surveillance staff must be advised within 15 minutes of an [Floor] Options Exchange Official's ruling that a party to such ruling has determined to appeal from such ruling to the Referee. The Exchange may establish the procedures for the submission of a request for a review of an [Floor] Options Exchange Official ruling. [Floor] Options Exchange Official rulings concerning the nullification or adjustment of transactions may be sustained, overturned or modified by the Referee. In making a determination, the Referee may consider facts and circumstances not available to the ruling [Floor] Options Exchange Official as well as action taken by the parties in reliance on the [Floor] Options Exchange Official's ruling (e.g., cover, hedge and related trading activity).

(ii) All decisions made by the Referee in connection with initial rulings on requests for relief and with the review of an [Floor] Options Exchange Official ruling pursuant to Rule 124(d) shall be documented in writing and maintained by the Exchange in accordance with the record keeping requirements set forth in the Securities Exchange Act of 1934, as amended, and the rules thereunder.

(iii) A member or member organization seeking the Referee's review of an [Floor] Options Exchange Official ruling shall be assessed a fee of \$250.00 for each [Floor] Options Exchange Official ruling to be reviewed that is sustained and not overturned or modified by the Referee.

(iv) Decisions of the Referee concerning (A) the review of [Floor] Options Exchange Official rulings relating to the nullification or adjustment of transactions, and (B) initial requests for relief shall be final and may not be appealed to the Exchange's Board of Governors.

(v) As appropriate, the Chairman of the Options Committee[,] and the Foreign Currency Options Committee, [or of the Floor Procedure Committee,] or their respective designees, shall refer a Referee that fails to make any ruling in accordance with Exchange rules to the Audit Committee for possible disciplinary action, including removal. An [Floor] Options Exchange Official that fails to make any ruling in accordance with Exchange rules may be subject to possible disciplinary action by the Exchange.

(vi) Failure to promptly comply with an [Floor] Options Exchange Official or Referee decision under this Rule may result in referral to the Business Conduct Committee.

FINE SCHEDULE: No change.

* * * * *

G-2 Trading Rotations, Halts or Reopenings

(a) No Change.

(b) No Change.

(c) Halts: Trading on the Exchange in any option may be halted with the approval of [two Floor] an Options Exchange Official[s, with the concurrence of a Market Surveillance officer,] whenever trading on the primary market in underlying securities representing more than 10% of the current index value is halted or suspended. Trading shall be halted whenever [two Floor] an Options Exchange Official[s, with the concurrence of a Market Surveillance officer,] deems such action appropriate in the interests of a fair and orderly market and to protect investors. Among the factors that may be considered are the following:

(i)-(iii) No Change.

(d) Reopenings: Trading in any class or series of stock index options that has been the subject of a halt by the Exchange, may be resumed upon a determination by [two Floor] an Options Exchange Official[s, with the concurrence of a Market Surveillance officer,] that

(i)-(ii) No Change.

(e) No Change.

(f) Index Options Trading after 4:00P.M. - With the prior approval of [two Floor] an Options Exchange Official[s, with the concurrence of a Market Surveillance officer,] a trading rotation in any class of index option contracts may be effected even though employment of the rotation will result in the transaction on the Exchange after 4:00 P.M. provided:

(i)-(ii) No Change.

(iii) If prior to 4:00 P.M., a trading rotation is in progress and [two Floor] an Options Exchange Official[s, with the concurrence of a Market Surveillance officer,] determines that a final trading rotation is needed to assure a fair and orderly market, the rotation in progress shall be halted and such final rotation begun as promptly as possible after 4:00 P.M. Any trading rotation commenced after 4:00 P.M. must be approved by [two Floor] an Options Exchange Official[s, with the concurrence of a Market Surveillance officer].

(iv) No Change.

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**RULE 60—REGULATION AND FINE SCHEDULE
(ORDER AND DECORUM CODE)**

Sanctions for Breach of Regulations

(a)(i) An [Floor] Options Exchange Official may impose on members, member organizations, participants, participant organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange, [or two Floor Officials] and may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1 -- 960.12.

(ii) Exchange Staff may impose on members, member organizations, participants, participant organizations and their associated persons, fines for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange, or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

(b)(i) [Two Floor] An Options Exchange Official[s] and an officer of the Exchange may exclude a member, participant, and any associated person of member organizations and participant organizations ("member") from the trading floor for breaches of regulations that relate to administration of order, decorum, health, safety and welfare on the Exchange that occurred on the trading floor or on the premises immediately adjacent to the trading floor. Specifically, members shall be excluded if they pose an immediate threat to the safety of persons or property, are seriously disrupting Exchange operations, or are in possession of a firearm. Members so excluded are excluded for the remainder of the trading day.

(ii) – (iv) No change.

Commentary (a) _____

The procedure to be followed in cases where a pre-set fine of up to \$5,000.00 is summarily assessed is as follows:

.01 Notice of Fine. Notice of fine for breach of such regulations shall be given by the issuance of a written citation. Exchange Staff shall serve the written citations that are issued by the [Floor] Options Exchange Official [or Exchange Staff]. The cited party may accept or contest the written citation.

.02 - .07 No change.

Commentary (b) _____

The procedure to be followed when a member is to be excluded from the trading floor is as follows:

.01 Ruling. After [two Floor] an Options Exchange Official[s] and an officer of the Exchange determine that a member shall be excluded, a member of the Exchange's security staff shall escort the member off the trading floor. The member shall remain off the trading floor for the remainder of the trading day. Exchange staff shall thereafter memorialize the exclusion in the form of a written citation.

(.02)-(.03) No Change

RULE 60 --REGULATION AND FINE SCHEDULE

(ORDER AND DECORUM CODE)

In most cases, the PHLX will enforce compliance with Order and Decorum Code pursuant to Rule 60. While ordinarily a finding of a violation will result in the appropriate pre-set fine and/or sanction, [two] an Options Exchange [Floor] Official[s] or Exchange Staff may refer the matter to the Business Conduct Committee where it shall proceed in accordance with Rules 960.1-960.12.

In the case of repeat violations of a regulation by the same individual, the amount of the fine is determined by the number of such violations which have occurred within the year immediately preceding the current violation.