

MEMORANDUM

TO: Members, Member Organizations, Participants, Participant Organizations

FROM: Richard S. Rudolph
Vice President and Counsel

DATE: November 28, 2007

RE: Reminder
Split Price Priority Rule

As a reminder, Rule 1014(g)(i)(B), Priority on Split-Price Transactions in Open Outcry, currently affords priority in open outcry to a member that purchases (sells) 50 or more option contracts of a particular series at a particular price or prices, at the next lower (higher) price, up to the equivalent number of option contracts of the same series that he purchased (sold) at the higher (lower) price or prices. The rule applies to transactions that are effected in open outcry.

The text of the rule is set forth below. **The rule currently applies to all options traded on the Exchange, including index options.** Questions may be directed to Rick Rudolph in the Legal Department at (215) 496-5074.

Rule 1014(g)(i)(B) states:

“Purchase or sale priority for orders of 100 contracts or more. If a member purchases (sells) 50 or more option contracts of a particular series at a particular price or prices, he shall, at the next lower (higher) price have priority in purchasing (selling) up to the equivalent number of option contracts of the same series that he purchased (sold) at the higher (lower) price or prices, but only if his bid (offer) is made promptly and the purchase (sale) so effected represents the opposite side of a transaction with the same order or offer (bid) as the earlier purchase or purchases (sale or sales).

When the market has a bid/ask differential of one minimum trading increment and the bid and/or offer represent the quotation of an out-of-crowd SQT or an RSQT, such member shall have priority over such SQT and/or RSQT with respect to both the bid and the offer.

The Options Committee may increase the “minimum qualifying order size” above 100 contracts for all products under its jurisdiction. Announcements regarding changes to the minimum qualifying order size shall be made via an Exchange circular. This paragraph shall only apply to transactions that are effected in open outcry.”