(a) General. Transactions of a Specialist and a Registered Options Trader (ROT) should constitute a course of dealings reasonably calculated to contribute to the maintenance of a fair and orderly market, and those members should not enter into transactions or make bids or offers that are inconsistent with such a course of dealings.

(b) ROT. (i) An ROT is a regular member or a foreign currency options participant of the Exchange located on the trading floor who has received permission from the Exchange to trade in options for his own account. For purposes of this Rule 1014, the term "ROT" shall include a Streaming Quote Trader, and a Remote Streaming Quote Trader, as defined below.

Each ROT electing to engage in Exchange options transactions shall be assigned by the Exchange one or more classes of options, and Exchange options transactions initiated by such ROT on the Floor for any account in which he had an interest shall to the extent prescribed by the Exchange be in such assigned classes.

(ii) (A) Streaming Quote Trader ("SQT"). An SQT is an ROT who has received permission from the Exchange to generate and submit option quotations electronically through AUTOM in eligible options to which such SQT is assigned. An SQT may only submit such quotations while such SQT is physically present on the floor of the Exchange.

(B) Remote Streaming Quote Trader ("RSQT"). An RSQT is an ROT that is a member or member organization with no physical trading floor presence who has received permission from the Exchange to generate and submit option quotations electronically through AUTOM in eligible options to which such RSQT has been assigned. Notwithstanding the provisions of subparagraph (b)(i) above, an RSQT may only submit such quotations electronically from off the floor of the Exchange. No person who is either directly or indirectly affiliated with an RSQT shall submit quotations as a specialist, SQT, RSQT or non-SQT ROT in options in which such affiliated RSQT is assigned. An RSQT may only trade in a market making capacity in classes of options in which he is assigned.

(C) Non-SQT ROT. A non-SQT ROT is an ROT who is neither an SQT nor an RSQT.

(D) Market Making Obligations Applicable in Streaming Quote Options. In addition to the other requirements for ROTs set forth in this Rule 1014, an SQT and an RSQT shall be responsible to quote continuous, two-sided markets in not less than 60% of the series in each Streaming Quote Option (as defined in Rule 1080(k)) in which such SQT or RSQT is assigned, provided that a Directed SQT or RSQT (as defined in Rule 1080(l)(i)(C)) shall be responsible to quote continuous, two-sided markets in not less than 100% of the series in each Streaming Quote Option in which they receive Directed Orders (as defined in Rule 1080(l)(i)(A)). The specialist shall be responsible to quote continuous, two-sided markets in not less than 100% of the series in each Streaming Quote Option in which such specialist is assigned.

(1) During a six month period commencing on the date of the initial deployment of Phlx XL (the "initial six-month period"), any SQT or RSQT assigned in a Streaming Quote Option (and the specialist assigned in such Streaming Quote Option) may submit electronic quotations with a size of fewer than 10 contracts for a period of sixty days after such option begins trading as a Streaming Quote Option. Beginning on the sixty-first day after such option begins trading as a Streaming Quote Option, SQTs, RSQTs and the specialist assigned in such Streaming Quote Option shall submit electronic quotations with a size of not less than 10 contracts.
(2) During a six month period commencing on the first day following the expiration of the initial six-month period, any SQT or RSQT assigned in a Streaming Quote Option (and the specialist assigned in such Streaming Quote Option) may submit electronic quotations with a size of fewer than 10 contracts for a period of thirty days after such option begins trading as a Streaming Quote Option. Beginning on the thirty-first day after such option begins trading as a Streaming Quote Option, SQTs, RSQTs and the specialist assigned in such Streaming Quote Option shall submit electronic quotations with a size of not less than 10 contracts.

(3) Thereafter, any SQT or RSQT assigned in a Streaming Quote Option that is newly deployed on Phlx XL (and the specialist assigned in such Streaming Quote Option) shall submit electronic quotations with a size of not less than 10 contracts beginning on the date on which such Streaming Quote Option begins trading on Phlx XL.

(E) Non-SQT ROTs Trading Streaming Quote Options. These requirements are applicable on a per option basis depending upon the percentage of volume a non-SQT ROT transacts electronically (i.e., by way of placing limit orders on the limit order book that are executed electronically and allocated automatically in accordance with Rule 1014(g)(vii)) versus in open outcry. With respect to making this determination, the Exchange will monitor the non-SQT ROT's trading activity every calendar quarter to determine whether they exceed the thresholds established in this sub-paragraph (C). If a non-SQT ROT exceeds the threshold established below, the obligations contained in sub-paragraph (C)(2) will be effective the next calendar quarter.

For a period of 90 days commencing immediately after an option begins trading as a Streaming Quote Option, the provisions of sub-paragraph (C)(1) below shall govern trading in that Streaming Quote Option.

(1) Non-SQT ROT Trades Less Than 20% Contract Volume Electronically:

If a non-SQT ROT does not transact more than 20% (i.e., trades 20% or less) of his/her contract volume electronically in an appointed Streaming Quote Option during any calendar quarter, the following provisions shall apply to such non-SQT ROT with respect to that Streaming Quote Option:

(a) Quote Spread Parameters: If a non-SQT ROT quotes electronically, such non-SQT ROT will not be required to comply with the quote spread parameter requirements of Exchange Rule 1014(c)(i) in that Streaming Quote Option. This subparagraph (C)(1)(a) shall be in effect in each Streaming Quote Option for a period of one year commencing with the date the option begins trading as a Streaming Quote Option.

(b) No Continuous Electronic Quoting Obligation: The non-SQT ROT will not be obligated to quote electronically in any designated percentage of series within that Streaming Quote Option.

(c) Continuous Open Outcry Quoting Obligation: In response to any request for quote by a Floor Broker, specialist, Floor 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). During a six month period commencing on the date of the initial deployment of Phlx XL (the "initial six-month period"), for a period of sixty days commencing immediately after an option begins trading as a Streaming Quote Option, such non-SQT ROTs may provide such quotations with a size of fewer than 10 contracts. Beginning on the sixty-first day after such option begins trading as a Streaming Quote Option, such quotations shall be for a size of at least 10 contracts. During a six month period commencing on the first day following the expiration of the initial six-month period, such non-SQT ROTs may provide such quotations with a size of fewer than 10 contracts for a period of thirty days after such option begins trading as a Streaming Quote Option. Thereafter, such non-SQT ROTs shall provide such quotations with a size of not less than 10 contracts for a period of thirty days after such option begins trading as a Streaming Quote Option.
contracts beginning on the date on which such Streaming Quote Option begins trading on Phlx XL.

(d) In-Person Trading Requirement. Any volume transacted electronically will not count towards the non-SQT ROT's in-person requirement contained in Commentary .01 to this Rule 1014.

(2) Non-SQT ROT Trades More Than 20% Contract Volume Electronically:

If a non-SQT ROT transacts more than 20% of his/her contract volume in a Streaming Quote Option electronically (i.e., by way of placing limit orders on the limit order book that are executed electronically and allocated automatically in accordance with Rule 1014(g)(vii)) versus in open outcry during any calendar quarter, commencing the next calendar quarter such non-SQT ROT will be subject to the following quoting obligations in such Streaming Quote Option for as long as such non-SQT ROT trades such Streaming Quote Option:

(a) Quote Spread Parameters: Such non-SQT ROT must comply with the quote spread parameter requirements contained in Rule 1014(c)(i).

(b) Continuous Quoting Obligation: A non-SQT ROT trading a Streaming Quote Option shall be required to submit continuous two-sided electronic quotations in a designated percentage of series within the Streaming Quote Option, in accordance with the schedule below. During a six month period commencing on the date of the initial deployment of Phlx XL (the "initial six-month period"), for a period of sixty days commencing immediately after an option begins trading as a Streaming Quote Option, such non-SQT ROT may submit electronic quotations with a size of fewer than 10 contracts. Beginning on the sixty-first day after such option begins trading as a Streaming Quote Option, such electronic quotations shall be for a size of at least 10 contracts. During a six month period commencing on the first day following the expiration of the initial six-month period, such non-SQT ROT may submit electronic quotations with a size of fewer than 10 contracts for a period of thirty days after such option begins trading as a Streaming Quote Option. Beginning on the thirty-first day after such option begins trading as a Streaming Quote Option, such electronic quotations shall be for a size of at least 10 contracts. Thereafter, such non-SQT ROT shall submit electronic quotations with a size of not less than 10 contracts beginning on the date on which such Streaming Quote Option begins trading on Phlx XL.

<table>
<thead>
<tr>
<th>% of Overall Streaming Quote Option</th>
<th>Electronic Quoting</th>
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<tbody>
<tr>
<td>% of Series</td>
<td>%</td>
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Volume Transacted on the Exchange (% of Series)
During the Previous Quarter that was Transacted Electronically
For example, if 83% of the total volume on the Exchange in a particular Streaming Quote Option is transacted electronically (i.e., through AUTO-X, Book Match or Book Sweep), non-SQT ROTs in such Streaming Quote Option shall be required to maintain continuous quotations in 60% of the series. The Exchange will monitor on a calendar quarter basis the percentage of contracts transacted electronically on the Exchange in each particular Streaming Quote Option for the purpose of adjusting the applicable electronic quoting percentage during the next succeeding calendar quarter.

(c) Continuous Open Outcry Quoting Obligation: In response to any request for quote by a Floor Broker, specialist, Floor Official, SQT or other non-SQT ROT, non-SQT ROTs must provide a two-sided market complying with the quote spread parameter requirements contained in Rule 1014(c)(i). During a six month period commencing on the date of the initial deployment of Phlx XL (the "initial six-month period"), for a period of sixty days commencing immediately after an option begins trading as a Streaming Quote Option, such non-SQT ROTs may provide such quotations with a size of fewer than 10 contracts. Beginning on the sixty-first day after such option begins trading as a Streaming Quote Option, such quotations shall be for a size of at least 10 contracts. During a six month period commencing on the first day following the expiration of the initial six-month period, such non-SQT ROT may provide such quotations with a size of fewer than 10 contracts for a period of thirty days after such option begins trading as a Streaming Quote Option. Beginning on the thirty-first day after such option begins trading as a Streaming Quote Option, such quotations shall be for a size of at least 10 contracts. Thereafter, such non-SQT ROTs shall provide such quotations with a size of not less than 10 contracts beginning on the date on which such Streaming Quote Option begins trading on Phlx XL.

(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 a Floor 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) Options on Equities (including Exchange-Traded Fund Shares).

(A)(1) Quote Spread Parameters (Bid/Ask Differentials) --Bidding and/or offering so as to create differences of no more than $.25 between the bid and the offer for each option contract for which the prevailing bid is less than $2; no more than of $.40 where the prevailing bid is $2 or more but less than $5; no more than $.50 where the prevailing bid is $5 or more but less than $10; no more than $.80 where the prevailing bid is $10 or more but less than $20; and no more than $1 where the prevailing bid is $20 or more, provided that the bid/ask differentials stated above shall not apply to in-the-money series where the market for the underlying security is wider than the differentials set forth above. For such series, the bid/ask differentials may be as wide as the
quotation for the underlying security on the primary market, or its decimal equivalent rounded up to the nearest minimum increment. The Exchange may establish differences other than the above for one or more series or classes of options.

(2) Streaming Quote Options trading on Phlx XL may be quoted electronically with a difference not to exceed $5 between the bid and offer regardless of the price of the bid. The $5 bid/ask differentials only apply to Streaming Quote Options trading on Phlx XL and only following the opening rotation in each security (i.e., the bid/ask differentials specified in sub-paragraph (c)(i)(A)(1) above shall apply during opening rotation). Quotations provided in open outcry in Streaming Quote Options may not be made with $5 bid/ask differentials and instead must comply with the legal bid/ask differential requirements described in sub-paragraph (c)(i)(A)(1) above and not in this sub-paragraph (c)(i)(A)(2).

(B) Maximum Option Price Change --Bidding no more than $1 lower and/or offering no more than $1 higher than the last preceding transaction price for the particular option contract. However, this standard shall not ordinarily apply if the price per share of the underlying stock or Exchange-Traded Fund Share has changed by more than $1 since the last preceding transaction for the particular option contract.

(ii) Options on Foreign Currencies --Quote Spread Parameters (Bid/Ask Differentials) --During all trading segments the following quote spread parameters will prevail, except in the case of long-term options: in the case of option contracts on the British pound, bidding and/or offering so as to create differences of no more than $.0015 between the bid and the offer for each option contract for which the bid is $.0250 or less; no more than $.0025 where the bid is more than $.0250 but does not exceed $.0750; and no more than $.0035 where the bid is more than $.0750.

In the case of option contracts on the German mark and Swiss franc, bidding and/or offering so as to create differences of no more than $.0004 between the bid and the offer for each option contract for which the bid is $.0040 or less; no more than $.0006 where the bid is more than $.0040 but does not exceed $.0160; and no more than $.0008 where the bid is more than $.0160.

In the case of option contracts on the Australian dollar and Euro, bidding and/or offering so as to create differences of no more than $.0005 between the bid and the offer for each option contract for which the bid is $.0050 or less; no more than $.0010 where the bid is more than $.0050 but does not exceed $.0200; and no more than $.0015 where the bid is more than $.0200.

In the case of option contracts on the Canadian dollar, bidding and/or offering so as to create differences of no more than $.0005 between the bid and the offer for each option contract for which the bid is $.0050 or less; no more than $.0010 where the bid is more than $.0050 but does not exceed $.0200; and no more than $.0015 where the bid is more than $.0200.

In the case of option contracts on the French franc, bidding and/or offering so as to create differences of no more than $.00014 between the bid and the offer for each option contract for which the bid is $.00250 or less; no more than $.00024 where the bid is more than $.00250 but does not exceed $.00750; and no more than $.00035 where the bid is more than $.00750.

In the case of option contracts on the Japanese yen, bidding and/or offering so as to create differences of no more than $.000006 between the bid and the offer for each option contract for which the bid is $.000040 or less; no more than $.000009 where the bid is more than $.000040 but does not exceed $.00160; and no more than $.000012 where the bid is more than $.000160.

In the case of German mark/Japanese yen options, bidding and/or offering so as to create differences of no more than .12 Japanese yen between the bid and the offer for each option contract for which the bid is .40 Japanese yen or less; no more than .16 Japanese yen where the bid is more than .40 Japanese yen but does not exceed 1.60 Japanese yen; and no more than
.20 Japanese yen where the bid is more than 1.60 Japanese yen.

In the case of British pound/German mark options, bidding and/or offering so as to create
differences of no more than .0030 German marks between the bid and the offer for each option
contract for which the bid is .0250 German marks or less; no more than .0050 German marks
where the bid is more than .0250 German marks but does not exceed .0750 German marks; and
no more than .0070 German marks where the bid is more than .0750 German marks.

In the case of British pound/Japanese yen options, bidding and/or offering so as to create
differences of no more than .0030 Japanese yen between the bid and the offer for each option
contract for which the bid is .0250 Japanese yen or less; no more than .0050 Japanese yen
where the bid is more than .0250 Japanese yen but does not exceed .0750 Japanese yen; and
no more than .0070 Japanese yen where the bid is more than .0750 Japanese yen.

In the case of long-term option contracts on the British pound, bidding and/or offering so as to
create differences of no more than $.0100 between the bid and the offer for each option contract
for which the bid is $.1500 or less; and no more than $.0150 where the bid is more than $.1500.

In the case of long-term option contracts on the German mark and Swiss franc, bidding and/or
offering so as to create differences of no more than $.0030 between the bid and the offer for each
option contract for which the bid is $.0500 or less; and no more than $.0050 where the bid is
more than $.0500.

In the case of long-term option contracts on the French franc, bidding and/or offering so as to
create differences of no more than $.0010 between the bid and the offer for each option contract
for which the bid is $.01500 or less; and no more than $.00150 where the bid is more than
$.01500.

In the case of long-term option contracts on the Japanese yen, bidding and/or offering so as to
create differences of no more than $.000040 between the bid and the offer for each option contract
for which the bid is $.000500 or less; and no more than $.000070 where the bid is more than
$.000500.

The bid/ask differentials (quotation parameters) for 3D foreign currency options contracts shall be
determined by reference to the underlying foreign currency.

The Exchange may establish, however, differences other than the above for one or more series
of classes of foreign currency options. The bid/ask differentials as stated above shall apply to all
but the two longest term series of Euro options open for trading in each class. For those series
only, the bid/ask differentials shall be twice those stated above. In addition, the Exchange has
established separate bid/ask differentials for customized options including the Italian lira, the
Spanish peseta and the Mexican peso pursuant to Rule 1069(j).

(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 a floor 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) Individually or as a group, intentionally or unintentionally, dominate the market in option
contracts of a particular class; or

(ii) Effect purchases or sales on the floor of the Exchange except in a reasonable and orderly
manner.

(iii) Be conspicuous in the general market or in the market in a particular option.
(e) Except in accordance with paragraphs (c) and (d), no ROT shall:

(i) initiate an Exchange options transaction while on the Floor for any account in which he has an interest and execute as Floor Broker an off-floor order in options on the same underlying interest during the same trading session, or

(ii) retain priority over an off-floor order while establishing or increasing a position for an account in which he has an interest while on the Floor of the Exchange.

(iii) Execute a proprietary options transaction in an Exchange listed option on an OTC/UTP security if during the preceding sixty minutes the registered options trader had been physically present at the respective equity trading post where such OTC/UTP security is traded on the Exchange's equities floor provided that PHLX reported equity share volume in such OTC/UTP security represented in excess of ten percent of the total reported volume for said OTC/UTP security during the previous calendar quarter.

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

(i) any transaction by a registered specialist in an option in which he is so registered; or

(ii) any transaction, other than a transaction for an account in which an ROT has an interest, made with the prior approval of a Floor 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) any transaction to offset a transaction made in error.

(g) Equity Option and Index Option Priority and Parity

(i) Exchange Rules 119 and 120 direct members in the establishment of priority of orders on the floor. An account type is either a controlled account or a customer account. A controlled account includes any account controlled by or under common control with a broker-dealer. Customer accounts are all other accounts. Equity option and index option orders of controlled accounts are required to yield priority to customer orders when competing at the same price, as described below. Orders of controlled accounts are not required to yield priority to other controlled account orders, except as provided in sub-paragraph (2) below.

For the purpose of paragraph (g) of this Rule, "Initiating Order" means an incoming contra-side order.

(1) Respecting non-Streaming Quote Options, "Remainder of the Order" means the portion of an Initiating Order that remains following the allocation of contracts to customers that are on parity in accordance with this Rule 1014(g)(i). The Remainder of the Order shall be allocated pursuant to this Rule 1014.

Orders of controlled accounts, other than ROTs and Specialists market making in person, must be (1) verbally communicated as for a controlled account when placed on the floor and when represented to the trading crowd and (2) recorded as for a controlled account by appropriately circling the "yield" field on the floor ticket of any such order (except market maker tickets) or, in case of trades involving a Floor Broker, by making the appropriate notation the Options Floor Broker Management System.

Several programs described below provide an Enhanced Specialist Participation to specialists, which refers to the portion of an options trade available for allocation to the specialist on parity, including a 30% (which may actually result in a 40% or 60%) Enhanced Specialist Participation,
New Unit/New Option Enhanced Specialist Participation, and New Product Enhanced Specialist Participation.

The Enhanced Specialist Participation is a percentage of the Remainder of the Order to which the specialist is entitled, depending upon whether (g)(ii), (iii), or (iv) applies.

(2) Respecting Streaming Quote Options, an Initiating Order executed manually by the specialist shall be allocated as follows: first, to customer orders, and next to off-floor broker-dealer limit orders (as defined in Rule 1080(b)(i)(C)) resting on the limit order book. This provision shall not apply to electronically executed contracts, the allocation of which is described in Rule 1014(g)(vii). "Remainder of the Order" means the portion of an Initiating Order that remains following the allocation of contracts to customers and to off-floor broker-dealers in accordance with this sub-paragraph (2).

(B) ROT Access --Respecting non-Streaming Quote Options, pursuant to Rule 1080(b)(i)(B) and Commentary .04 thereto, a Phlx ROT or specialist may enter a limit order through an electronic interface with AUTOM and must announce, loudly and audibly in the crowd, that he has entered such a limit order. If such a limit order results in the improvement of the prevailing bid and/or offer disseminated by the Exchange ("price improving order"), such ROT or specialist is referred to, in this rule, as a Price Improving ROT/Specialist.

Matching --The other crowd participants, including ROTs and/or the specialist, may match such price improving order via electronic interface with AUTOM and by loudly and audibly announcing their intention to do so, and indicating their size, at any time. If Auto-Quote or Specialized Quote Feed matches the price associated with a price improving order, the specialist and crowd participants shall be deemed to be matching the price improving order under this paragraph.

Further Improvement --the other crowd participants may improve the price improving order by entering an order via an electronic interface with AUTOM.

Trade Allocation --Among the Price Improving ROT/Specialist and matching crowd participants trades shall be allocated as follows:

(1) Special Allocation: a Price Improving ROT/Specialist shall be entitled to receive the largest number of contracts among all crowd participants that have matched such price improving order, subject to size, as follows:

(a) When a price improving order is matched by one single crowd participant via electronic interface with AUTOM, the Price Improving ROT/Specialist shall be entitled to receive 60% of an incoming order, and the matching crowd participant shall be entitled to receive 40% of an initiating incoming order.

(b) When a price improving order is matched via electronic interface with AUTOM by two or more crowd participants, the Price Improving ROT/Specialist shall be entitled to receive 40% of an incoming order. If one of the matching crowd participants is the specialist, the specialist shall be entitled to receive 30% of an incoming order, and any other ROT(s) that matched the Price Improving ROT's order shall be entitled to receive 30% of an incoming order, in the aggregate.

(c) When a Price Improving ROT/Specialist's price improving order is matched via electronic interface with AUTOM by two or more other ROTs in the crowd, the Price Improving ROT/Specialist shall be entitled to receive 40% of an incoming order, and any other ROT(s) that matched the Price Improving ROT's order shall be entitled to receive 60% of an incoming order, in the aggregate.

(d) Any partial contracts shall be rounded up in favor of the Price Improving ROT/Specialist.
(2) The Special Allocation set forth in (a)-(c) above shall remain in effect until:

(a) the price improving order has been executed up to the minimum number of contracts required under Rule 1080, Commentary .04;

(b) the Price Improving ROT/Specialist cancels the price improving order;

(c) the original price improving order is superseded by a new price improving order, unless that new price improving order is cancelled before at least one contract executes at that price (in which case the original price improving order remains subject to special allocation until one of these three conditions occur).

(3) Once the Special Allocation is no longer in effect, all contracts remaining to be executed at the originally improved price (including those remaining of the price improving order) shall be considered on parity and allocated in accordance with Exchange Rules 1014(g)(ii)-(iv). Thus, if the specialist is among the crowd participants remaining on parity, the specialist shall be entitled to receive an Enhanced Specialist Participation in eligible options. The Special Allocation may apply to part of an incoming order (up to the minimum number permitted by Rule 1080, Commentary .04 i.e., 20 contracts), with the rest of an incoming order subject to allocation under Rules 1014(g)(ii)-(iv).

(4) In no event shall a Price Improving ROT or crowd participant that matches a price improving order be required to participate in a trade above such Price Improving ROT or crowd participant's stated size.

(5) Notwithstanding the first sentence of Rule 1014(g)(i), neither Rule 119(a)-(d) and (f), nor Rule 120 (insofar as it incorporates those provisions by reference) shall apply to the allocation of trades executed against price-improving orders and orders matching such price improving orders entered into AUTOM via electronic interface. The Special Allocation set forth above shall apply only to Phlx Price Improving ROT or specialist price improving orders and orders matching such price improving orders entered into AUTOM via electronic interface. No other rule relating to the allocation of contracts shall apply to such orders entered into AUTOM via electronic interface, until the Special Allocation ends, which is determined above. The person responsible for allocation of orders under this rule shall use best efforts to ensure that Price Improving ROTs or specialists that enter price improving orders via electronic interface with AUTOM, and crowd participants that match such price improving orders via electronic interface with AUTOM, are allocated contracts in accordance with this Rule.

(ii) Enhanced Specialist Participation --In equity and index options classes, when the registered specialist is on parity with a controlled account as defined in subparagraph (i) above, in accordance with Exchange Rules 119 and 120 and the number of contracts to be bought or sold is greater than five, the specialist is entitled to receive an enhanced participation of 30% of the Remainder of the Order ("Enhanced Specialist Participation"), except in the following circumstances: (1) where there is one controlled account on parity, the specialist is entitled to receive 60% of the Remainder of the Order; or (2) where there are two controlled accounts on parity, in which case, the specialist is entitled to receive 40% of the Remainder of the Order. Enhanced Specialist Participation will be effective for: (a) all newly listed issues, (b) all index options and (c) such issues selected by the specialist and approved by the Allocation, Evaluation and Securities Committee pursuant to section (A) below.

(A) The Allocation, Evaluation and Securities Committee shall divide each specialist's equity option registered issues into trading volume quartiles based upon the most recent quarterly customer contract volume. Each specialist may then select 50% of the equity option issues in each quartile to receive Enhanced Specialist Participation, rounded so that no more than 50% of the total number of such specialists' registered equity option issues are selected. The Allocation, Evaluation and Securities Committee shall approve all specialist selections.
(B) Pursuant to Exchange Rule 509, the Allocation, Evaluation and Securities Committee shall reduce the level of Enhanced Specialist Participation authorized under this Rule to a parity level of participation in accordance with Rules 119 and 120 with respect to any options class if the specialist in such class is determined to be performing below any minimum standards or not satisfying any conditions that the Exchange may establish with respect to any options class subject to Enhanced Specialist Participation. The Committee may reinstate Enhanced Specialist Participation for a particular options class if it determines that the specialist in such class is performing at or above all established minimum standards and is satisfying all established conditions.

(C) New specialist units trading new options classes shall be entitled to receive an Enhanced Specialist Participation in accordance with subparagraph (iii) of this Rule. Once the specialist unit is no longer eligible to receive an Enhanced Specialist Participation in accordance with subparagraph (iii), the unit is automatically entitled to an Enhanced Specialist Participation in accordance with this subparagraph (ii).

(iii) New Unit/New Option Enhanced Specialist Participation --To encourage the establishment of new specialist units to trade equity and index option classes that heretofore have never been listed on the Exchange ("New Options Classes"), when such units are on parity with controlled accounts in such classes, the new specialist units will be entitled, for a period of six months following commencement of trading in New Option Classes, to the following Enhanced Specialist Participation in any such parity trade: (1) Fifty percent (50%) where there is one controlled account on parity and (2) Forty percent (40%) where there are two or more controlled accounts on parity. The Allocation, Evaluation and Securities Committee may extend such Enhanced Specialist Participation for each applicable option beyond the initial six month period for an additional six month period upon petition by the specialist unit and a determination by the Committee that such extension is consistent with the promotion of just and equitable principles of trade and the public interest. Additionally, the Committee after granting such extension may at any time terminate such Enhanced Specialist Participation for any particular options class if the Committee determines that such action is consistent with the promotion of just and equitable principles of trade and the public interest.

(A) a new specialist unit is any specialist unit approved by the Exchange on or after June 16, 1993. An existing specialist unit may create a new specialist unit if it forms a new broker-dealer and such new broker-dealer is approved as a specialist unit on or after June 16, 1993.

(B) a New Option Class is any option class that was listed on the Exchange on or after June 16, 1993.

(C) a new specialist unit may receive the Enhanced Specialist Participation in a New Options Class at the time that the New Options Class commences trading.

(D) a new specialist unit will be entitled to receive the Enhanced Specialist Participation for any additional New Options Classes so long as such options classes commence trading at a time when the unit is still entitled to receive the Enhanced Specialist Participation on the first New Options Class it commenced trading.

(iv) New Product Enhanced Specialist Participation. --When a specialist unit develops and trades a new product, such specialist is entitled to receive an Enhanced Specialist Participation in that option such that when the specialist is parity with three or more controlled accounts in the crowd, the specialist is entitled to receive 40% of the contracts and the controlled accounts are entitled to receive the remaining 60%; when the specialist is on parity with less than three controlled accounts in the crowd, the specialist is entitled to receive 60% of the contracts and the controlled accounts are entitled to receive the remaining 40%. In order for the Enhanced Specialist Participation to apply, the specialist unit must both develop and trade a new product. If one
specialist unit develops a new product idea and another specialist is allocated specialist privileges in the product, the specialist unit trading the product would not be entitled to receive an Enhanced Specialist Participation. The Options Committee will determine whether a specialist "developed" a new product.

(v) Allocation of the Remainder of the Order Among Specialist and ROTs on Parity. After the application of Rule1014(g)(i) to an Initiating Order, the Remainder of the Order shall be allocated by the Allocating Participant (as defined in Rule1014(g)(vi)) as follows:

(A) Entitlement. ROTs and specialists on parity are entitled to their Defined Participation (as described below), subject to: (1) any Waiver, as described below; and (2) rounding, as described below.

(B) Size. The term "stated size" in respect of an order or electronic quotation shall mean:

(1) in the case of orders handled manually by the specialist:

(a) (i) if a crowd participant (including the specialist) has actually stated a size ("Actual Size"), such crowd participant's stated size shall be his or her Actual Size;

(ii) if the specialist, an SQT or RSQT is disseminating an electronic quotation at the Exchange's disseminated price in a particular series at the time of the execution of an Initiating Order in such series, such specialist, SQT or RSQT's disseminated size at the Exchange's disseminated price shall be his or her Actual Size, and such specialist, SQT and/or RSQT shall be deemed a "crowd participant" for purposes of this Rule 1014(g)(v);

(b) unless the specialist has an Actual Size, the stated size of the specialist shall be the amount (if any) by which the disseminated size exceeds the sum of (x) the aggregate size of limit orders included in the disseminated size and (y) the aggregate sizes of all ROTs who have Actual Sizes;

(c) the stated size of an ROT who does not have an Actual Size is zero.

(2) in the case of floor brokered orders, each crowd participant's stated size shall be his or her Actual Size.

(C) Defined Participation. Defined Participation is the portion of the Remainder of the Order to which a crowd participant is entitled. Defined Participation is determined as follows:

(1) in the case of a specialist entitled to an Enhanced Specialist Participation, the Enhanced Specialist Participation, up to the specialist's stated size, as set forth in sub-paragraphs (g)(ii), (iii), or (iv) of this Rule, as applicable. The specialist may decline to receive the Enhanced Specialist Participation, in which case the specialist shall be entitled to participate as one crowd participant, up to the specialist's stated size.

(2) except as provided in (1) above, the Defined Participation of the specialist and ROTs on parity is determined as follows:

(a) where all participants have equal stated sizes, their Defined Participations shall be equal;

(b) where participants have unequal stated sizes, the Defined Participations shall equal their Base Participations (as defined below) plus their Supplemental Participations (as defined below):

(i) the "Base Participations" of all of the participants shall equal the stated size of the smallest participant; to the extent that there remains any excess to be allocated after all participants have been allocated their Base Participations, the smallest participant shall have no Supplemental Participation, and the other participants shall have "Supplemental Participations" as determined
under (ii) and (iii) below;

(ii) if the remaining stated sizes (i.e., after taking into account Base Participations) of all participants having Supplemental Participations is equal, then their Supplemental Participations shall be equal; otherwise the initial Supplemental Participations of such participants shall equal the remaining stated size of the smallest such participant; to the extent that there remains any excess to be allocated after all participants have been allocated their initial Supplemental Participations, the smallest participant shall have no further Supplemental Participation, and the other participants shall have further "Supplemental Participations" as determined under (iii) below; and

(iii) if the remaining stated sizes (i.e., after taking into account Base Participations and prior Supplemental Participations) of all participants having further Supplemental Participations is equal, then their further Supplemental Participations shall be equal; otherwise the next Supplemental Participations of such participants shall equal the remaining stated size of the smallest such participant; to the extent that there remains any excess to be allocated after all participants have been allocated the next Supplemental Participations, the smallest participant shall have no further Supplemental Participation, and the other participants shall have successive further Supplemental Participations determined in the same manner as provided in this clause (iii).

The process described in clause (iii) shall be followed to determine successive further Supplemental Participations until the sum of the Defined Participations equals the amount of the Remainder of the Order.

(iv) (a) If the sum of the Base Participations pursuant to sub-paragraph (i) above exceeds the number of contracts remaining to be allocated, such contracts shall be divided equally among crowd participants who are entitled to receive Base Participations, subject to rounding.

(b) If the sum of the Supplemental Participations pursuant to sub-paragraph (ii) above exceeds the number of contracts remaining to be allocated, such contracts shall be divided equally among crowd participants who are entitled to receive Supplemental Participations, subject to rounding.

(c) If the sum of the further Supplemental Participations pursuant to sub-paragraph (iii) above exceeds the number of contracts remaining to be allocated, such contracts shall be divided equally among crowd participants who are entitled to receive further Supplemental Participations, subject to rounding.

(3) Participation in additional contracts in excess of the Exchange's disseminated size among willing crowd participants shall be allocated under the applicable provisions of this Rule 1014. Notwithstanding the limitation set forth in sub-paragraph (C)(1) that limits the specialist's entitlement to his/her stated size, for all contracts executed in excess of the disseminated size, the specialist shall be entitled to receive the Enhanced Specialist Participation as set forth in sub-paragraphs (g)(ii), (iii), or (iv) of this Rule, as applicable, but not to exceed the specialist's Actual Size (if the specialist has an Actual Size) in such excess contracts.

(D) Waiver. (1) An ROT (other than an RSQT) or specialist may, in his or her sole discretion, offer to waive, in whole or in part, any part of a trade to which they were entitled to be allocated (an "Offer to Waive").

(a) Any Offer to Waive shall be made by stating it in a loud and audible voice to the other members of the trading crowd and the Allocating Participant.

(b) If the Allocating Participant has determined that the other crowd participant(s) then on parity is willing to take the number of contracts that are subject to the Offer to Waive, the Allocating Participant may (but shall not be required to), accept such Offer to Waive by (i) allocating the
Remainder of the Order in accordance with this Rule 1014(g)(v), taking into account the Offer to Waive; or (ii) otherwise indicating, following the execution of the Remainder of the Order, that such Offer to Waive will be accepted (in which case, it shall be referred to as a "Waiver"). No Offer to Waive shall be an effective Waiver until the Allocating Participant has allocated the order or otherwise indicated that it is accepted.

(c) (i) In the case of an option which is not subject to an Enhanced Specialist Participation, as set forth in sub-paragraphs (g)(ii)-(iv) of this Rule, if the specialist or an ROT effects a Waiver in the manner provided above, the number of contracts to which such specialist or ROT is entitled under this Rule 1014(g)(v) shall be reduced by the number of contracts waived, and the entitlements of the other participants on parity shall be determined by redistributing the waived number of contracts to willing participants (including the specialist) in accordance with this Rule 1014(g)(v).

(ii) In the case of an option which is subject to an Enhanced Specialist Participation, as set forth in sub-paragraphs (g)(ii)-(iv) of this Rule, and one or more ROTs effect Waivers of their entire entitlements ("Total Waivers"), the number of ROTs with whom the specialist is deemed to be on parity for purposes of determining the Enhanced Specialist Participation shall be reduced by the number of ROTs effecting Total Waivers and the following additional rules shall apply:

(A) in the event that one or more ROTs on parity with the specialist effect a Total Waiver of their respective entitlements such that the specialist is on parity with three or more ROTs, the number of contracts to be allocated to each crowd participant shall be determined as provided in sub-paragraph (c)(i) above, provided that the maximum number of contracts to be allocated to the specialist shall be that which the specialist would be entitled to receive under Rule 1014(g)(ii)-(iv), as if the specialist had been on parity with three ROTs.

(B) in the event that one or more ROTs on parity with the specialist effect a Total Waiver of their respective entitlements such that the specialist is on parity with two ROTs, the number of contracts to be allocated to each crowd participant shall be determined as provided in sub-paragraph (c)(i) above, provided that the maximum number of contracts to be allocated to the specialist shall be that which the specialist would be entitled to receive under Rule 1014(g)(ii)-(iv) as if the specialist had been on parity with two ROTs.

(C) In the event that one or more ROTs on parity with the specialist effect a Total Waiver of their respective entitlements such that the specialist is on parity with one ROT, the number of contracts to be allocated to each crowd participant shall be determined as provided in sub-paragraph (c)(i) above, provided that the maximum number of contracts to be allocated to the specialist shall be that which the specialist would be entitled to receive under Rule 1014(g)(ii)-(iv) as if the specialist had been on parity with one ROT. In no event shall any non-waiving ROT be required to participate in fewer contracts than he/she would have received absent the Waiver(s).

(iii) Partial Waiver. In the case of an option which is subject to an Enhanced Specialist Participation, in the event that one or more ROTs effect a Waiver of a portion of their respective entitlements, but not a Total Waiver, in the manner provided above (a "Partial Waiver"), the number of contracts to be allocated to each crowd participant shall be determined as provided in sub-paragraph (c)(i) above, provided that the specialist shall not be entitled to receive a number of contracts that is greater than 40% of the Remainder of the Order except in the situation referred to in the following sentence, unless all remaining crowd participants on parity have waived their entitlements or have been satisfied. In the case of the specialist being on parity with only one ROT, the specialist shall not be entitled to receive a number of contracts that is greater than 60% of the Remainder of the Order unless all remaining crowd participants on parity have waived their entitlements or have been satisfied.

In no event shall any non-waiving ROT be required participate in fewer contracts than he/she would have received absent the Partial Waiver(s).
(iv) In no event shall two or more crowd participants enter into any agreement regarding the number of contracts to be waived by any crowd participant (i.e., subject to the provisions of subparagraph (D)(1)(b) above, any decision by a crowd participant to waive all or a portion of such crowd participant's entitlement must be an individual decision, and not the subject of an agreement among crowd participants).

(E) Rounding. In situations where the allocation of contracts pursuant to this Rule result in fractional amounts of contracts to be allocated to crowd participants, the number of contracts to be allocated shall be rounded in a fair and equitable manner.

(F) Just and Equitable Principles of Trade. (1) It shall be considered conduct inconsistent with just and equitable principles of trade for a member: (a) to allocate initiating orders other than in accordance with this Rule 1014; (b) to enter into any agreement with another member concerning allocation of trades; or (c) to harass, intimidate or coerce any member to enter into any Waiver, or to make or refrain from making any complaint or appeal.

(2) A pattern or practice of waiving all or a portion of a crowd participant's entitlement, with the result that such crowd participant receives no allocation or a lesser allocation than he or she would otherwise have been entitled to, may be considered conduct inconsistent with just and equitable principles of trade.

(G) Notwithstanding the first sentence of Rule 1014(g)(i), neither Rule 119(b) and (c) concerning precedence based on the size of bids on parity, nor Rule 120 (insofar as it incorporates those provisions by reference) shall apply to the allocation of orders covered by this Rule 1014(g)(v).

(vi) In order to facilitate timely tape reporting of executed trades, it is the duty of the persons identified below to allocate, match and time stamp manually executed trades as well as to submit the matched trade to the appropriate person at the respective specialist post immediately upon execution:

(a) in a trade involving a floor broker, the floor broker shall so do, provided that a floor broker may delegate this responsibility to the specialist (or an assistant to the specialist under the specialist's direct supervision) if the specialist agrees to accept such responsibility, and, in the event of such delegation, the specialist (or an assistant to the specialist under the specialist's direct supervision) shall do so:

(b) in all other cases where the specialist is a participant (i.e., where there is no floor broker), the specialist (or an assistant to the specialist under the specialist's direct supervision) shall do so;

(c) in any other case (i.e., where there is no floor broker and no specialist is involved), the largest on-floor participant shall do so (for example, where several Registered Options Traders are involved); and

(d) if there is only one seller and one buyer (no floor broker and no specialist is involved), the seller shall do so (for example, where only two Registered Options Traders are involved), unless either the seller or the buyer is an RSQT, in which case the on-floor participant in the transaction shall do so.

The person responsible for trade allocation (the "Allocating Participant") shall, for each trade allocated by such Allocating Participant, circle his or her badge identification number on the trade tickets, identifying himself or herself as the Allocating Participant in the particular trade. If the Allocating Participant is not a participant in the trade to be allocated, he/she shall identify himself/herself by initiating the trade tickets. In the case of a trade in which a Floor Broker is the Allocating Participant, such Floor Broker shall allocate the trade using the Options Floor Broker Management System.
(vii) Allocation of Automatically Executed Trades in Streaming Quote Options. Solely with respect to Streaming Quote Options approved by the Exchange to be traded on Phlx XL pursuant to Exchange Rule 1080(k), after public customer market and marketable limit orders have been executed, trades automatically executed in such options shall be allocated automatically in the following manner:

(A) If the specialist, an SQT, RSQT or a non-SQT ROT that has placed a limit order on the limit order book (“Phlx XL Participant”) is quoting alone at the disseminated price and their quote is not matched by another Phlx XL participant prior to execution, such Phlx XL Participant shall be entitled to receive a number of contracts up to the size associated with his/her quotation.

(B) Parity. Quotations entered electronically by the specialist, an RSQT or an SQT that do not cause an order resting on the limit order book to become due for execution may be matched at any time by quotations entered electronically by the specialist and/or other SQTs and RSQTs, and by ROT limit orders entered via electronic interface and shall be deemed to be on parity, subject to the requirement that orders of controlled accounts must yield priority to customer orders as set forth in Rule 1014(g)(i)(A).

(1) (a) orders for 5 contracts or fewer shall be allocated first to the specialist, provided, however, that on a quarterly basis, the Exchange will evaluate what percentage of the volume executed on the Exchange is comprised of orders for 5 contracts or fewer allocated to specialists, and will reduce the size of the orders included in this provision if such percentage is over 25%. In order to be entitled to receive the 5 contract or fewer order preference set forth in this sub-paragraph (B)(1)(a), the specialist must be quoting at the Exchange’s disseminated price, and shall not be entitled to receive a number of contracts that is greater than the size that is associated with its quote. If the specialist is not quoting at the Exchange’s disseminated price at the time of execution, orders for 5 contracts or fewer shall be allocated to Phlx XL Participants on parity as set forth in paragraph (b) below.

(b) Respecting orders for greater than 5 contracts (regardless of whether the specialist is quoting at the Exchange’s disseminated price), or orders for 5 contracts or fewer when the specialist is not quoting at the Exchange’s disseminated price, inbound electronic orders shall be allocated pursuant to the following allocation algorithm:

\[
\text{Incoming Order Size} = \frac{\text{Equal percentage based on the number of Phlx XL participants quoting or with limit orders at BBO}}{\text{size of Phlx XL participant quotes/limit orders}} + \frac{\text{Pro rata percentage based on size of Phlx XL participants}}{\text{participant}}
\]
Where:

Component A: The percentage to be used for Component A shall be an equal percentage, derived by dividing 100 by the number of Phlx XL participants quoting at the BBO.

Component B: Size Pro Rata Allocation. The percentage to be used for Component B of the allocation algorithm formula is that percentage that the size of each Phlx XL Participant's quote at the best price represents relative to the total number of contracts in the disseminated quote.

Final Weighting: The final weighting formula for equity options, which shall be determined by a three-member special committee of the Board of Governors, chaired by the Chairman of the Board, and including the Chairman of the Options Committee and one on-floor Governor (the "Special Committee"), and apply uniformly across all equity options, shall be a weighted average of the percentages derived for Components A and B multiplied by the size of the incoming order. Initially, the weighting of components A and B shall be equal, represented mathematically by the formula: (Component A Percentage + Component B Percentage)/2) * incoming order size.

The final weighting formula for index options and options on Exchange Traded Fund Shares (as defined in Rule 1000(b)(42.) shall be established by the Special Committee and may vary by product. Changes made to the percentage weightings of Components A and B shall be announced to the membership via Regulatory Circular at least one day before implementation of the change.

(c) Enhanced Specialist Participation: For options subject to the Enhanced Specialist Participation as set forth in Rules 1014(g)(ii) - (iv), the specialist shall be entitled to receive a number of contracts (not to exceed the size of the specialist's quote) that is the greater of the amount he would be entitled to receive pursuant to Rules 1014(g)(ii) - (iv), or the amount he would otherwise receive pursuant to the operation of the algorithm described above.

(d) Broker-dealer Orders: If any contracts remain to be allocated after the Phlx XL Participants have received their respective allocations, off-floor broker-dealers (as defined in Rule 1080(b)(i)(C)) that have placed limit orders on the limit order book which represent the Exchange's disseminated price shall be entitled to receive a number of contracts that is the proportion of the aggregate size associated with off-floor broker-dealer limit orders on the limit order book at the disseminated price represented by the size of the limit order they have placed on the limit order book. Such off-floor broker-dealers shall not be entitled to receive a number of contracts that is greater than the size that is associated with each such limit order.

(e) No Phlx XL Participant shall be entitled to receive a number of contracts that is greater than the size that is associated with their quotation or limit order.

(2) No Split-Price Executions in Streaming Quote Options. If the size associated with a market order or an electronic quotation to be executed in a Streaming Quote Option is received for a greater number of contracts than the Exchange's disseminated size, the portion of such an order or quotation executed automatically at the Exchange's disseminated size shall be allocated automatically in accordance with Rule 1014(g)(vii). Contracts remaining in such an order shall be represented by the specialist and handled in accordance with Exchange rules.

(3) Notwithstanding the first sentence of Rule 1014(g)(i), neither Rule 119(a)-(d) and (f), nor Rule 120 (insofar as it incorporates those provisions by reference) shall apply to the allocation of automatically executed trades in Streaming Quote Options.

(viii) For a one year pilot period, beginning on the date of approval of this Rule by the Securities and Exchange Commission, Directed Orders (as defined in Rule 1080(l)(i)(A)) that are executed
electronically shall be automatically allocated as follows:

(A) First, to customer limit orders resting on the limit order book at the execution price.

(B) Thereafter, contracts remaining in the Directed Order, if any, shall be allocated automatically as follows:

(1) The Directed Specialist (where applicable), shall be allocated a number of contracts that is the greater of:

(a) the proportion of the aggregate size at the NBBO associated with such Directed Specialist's quote, SQT and RSQT quotes, and non-SQT ROT limit orders entered on the book via electronic interface at the disseminated price represented by the size of the Directed Specialist's quote;

(b) the Enhanced Specialist Participation as described in Rules 1014(g)(ii) - (iv); or

(c) 40% of the remaining contracts.

(d) Thereafter, SQTs and RSQTs quoting at the disseminated price, and non-SQT ROTs that have placed limit orders on the limit order book via electronic interface at the Exchange's disseminated price shall be allocated contracts according to the following formula:

\[
\text{Equal percentage based on the Number of SQTs, RSQTs and Non-SQT ROTs quoting or with limit orders at BBO (Component A) + Pro rata on the size of SQTs, RSQTs and Non-SQT quotes (Component B) Remaining Order Size}
\]

Where:

Component A: The percentage to be used for Component A shall be an equal percentage, derived by dividing 100 by the number of SQTs, RSQTs and non-SQTs quoting or with limit orders at the BBO.

Component B: Size Pro Rata Allocation. The percentage to be used for Component B of the allocation algorithm formula is that percentage that the size of each SQT, RSQT or non-SQT ROT's quote or limit order at the best price represents relative to the total number of contracts in the disseminated quote.

Final Weighting: The final weighting formula shall be determined by a three-member special committee of the Board of Governors, chaired by the Chairman of the Board, and including the Chairman of the Options Committee and one on-floor Governor (the "Special Committee"), and shall be a weighted average of the percentages derived for Components A and B multiplied by the size of the incoming order.

(2) (a) A Directed RSQT or SQT (where applicable) shall be allocated a number of contracts that
is the greater of the proportion of the aggregate size at the NBBO associated with such Directed SQT or RSQT's quote, the specialist's quote, other SQT and RSQT quotes, and non-SQT ROT limit orders entered on the book via electronic interface at the disseminated price represented by the size of the Directed RSQT or SQT's quote at the NBBO, or

(b) 40% of the remaining contracts.

(c) Thereafter, the specialist, SQTs and RSQTs (excluding the Directed SQT or RSQT) quoting at the disseminated price, and non-SQT ROTs that have placed limit orders on the limit order book via electronic interface at the Exchange's disseminated price, shall be allocated a number of contracts according to the following formula:

\[
\text{Equal percentage based on the Number of SQTs, } + \text{ Pro rata percentage based on RSQTs, specialist and Non-SQT ROTs quoting or with limit orders at BBO} \quad \text{size of SQTs, RSQT, Non-SQT quotes and with limit orders at BBO} \quad \text{Remaining Order} \\
\text{(Component A) limit orders} \quad \text{Remaining Order} \\
\text{(Component B) Size}
\]

Where:

Component A: The percentage to be used for Component A shall be an equal percentage, derived by dividing 100 by the number of SQTs, RSQTs (other than the Directed SQT or RSQT) specialist and non-SQTs quoting or with limit orders at the BBO.

Component B: Size Pro Rata Allocation. The percentage to be used for Component B of the allocation algorithm formula is that percentage that the size of each SQT, RSQT RSQTs (other than the Directed SQT or RSQT), specialist or non-SQT ROT's quote or limit order at the best price represents relative to the total number of contracts in the disseminated quote.

Final Weighting: The final weighting formula shall be determined by a three-member special committee of the Board of Governors, chaired by the Chairman of the Board, and including the Chairman of the Options Committee and one on-floor Governor (the "Special Committee"), and shall be a weighted average of the percentages derived for Components A and B multiplied by the size of the incoming order.

(3) If any contracts remain to be allocated after the specialist, SQTs, RSQTs and non-SQT ROTs with limit orders on the limit order book have received their respective allocations, off-floor broker-dealers (as defined in Rule 1080(b)(i)(C)) that have placed limit orders on the limit order book which represent the Exchange's disseminated price shall be entitled to receive a number of contracts that is the proportion of the aggregate size associated with off-floor broker-dealer limit orders on the limit order book at the disseminated price represented by the size of the limit order they have placed on the limit order book.

(C) If the Directed Order is for a size that is greater than the Exchange's disseminated size, remaining contracts shall be allocated manually in accordance with Exchange Rule 1014(g)(v).
(D) A Directed Specialist, RSQT, or SQT shall not be entitled to receive a number of contracts that is greater than the size associated with their quotation. Non-SQT ROTs and off-floor broker-dealers shall not be entitled to receive a number of contracts that is greater than the size associated with their limit order.

(h) Options on Foreign Currencies. Bids/Offers in foreign currency options, regardless of account type (i.e., ROT, member, customer) or size of bid/offer, or whether opening or closing, are all treated the same for purposes of determining time priority pursuant to Rule 119, except that:

(i) all bids/offers of customer accounts for under 100 contracts have time priority over all other bids/offers; and

(ii) any bid/offer for the account of a member which relies on the exemption under Section 11(a)(1)(G) of the Securities Exchange Act of 1934 must yield time priority to any bid/offer for the account of a customer.

Once a bid/offer has established priority, no bid/offer may gain parity at that price during that trade session until at least 10% of the size of the previous bid/offer or 100 contracts, whichever is greater, subsequently trades in that series. Priority is retained if the 10% or 100 contract threshold is not reached regardless of subsequent better bids/offers if the bids/offers then return to the level of the bid/offer with priority, provided that the person with priority did not relinquish his standing by withdrawing his bid/offer or leaving the crowd. If bids/offers on parity have priority over other subsequently voiced bids/offers in the crowd, the 10% or 100 contract threshold shall be calculated on the basis of the combined sizes of the bids/offers on parity.

For purposes of paragraph (h), account types are defined as follows: an ROT account is a market functions account as defined in Section 220.12 of Regulation T of the Board of Governors of the Federal Reserve Board; member account is any account of a non-market making member/participant or an associated person of such a member/participant or for which such a member/participant or any of its associated persons maintains discretionary control; and customer accounts are all accounts other than ROT, member or specialist accounts. Yielding requirements of this rule are not applicable to specialist account.

When the specialist registered in the cash/spot German mark foreign currency option is on parity with one or more trading crowd participants and the trade involves 500 or more contracts, the contracts shall be allocated as follows: (1) the specialist shall receive 250 of the first 500 contracts with the remaining 250 contracts allocated on a pro rata basis among the other trading crowd participants on the parity; and (2) all contracts in excess of 500 shall be allocated on a pro rata basis among the specialist and the other trading crowd participants on parity. This enhanced split will not apply where a customer bid/offer for under 100 contracts has time priority. The Foreign Currency Options Committee will conduct a review of the enhanced split after one year and then every six months thereafter.

Two-for-one Enhanced Specialist Participation. In foreign currency option classes, when the registered specialist is on parity with one or more trading crowd participants, in accordance with Exchange Rules 119 and 120, the specialist will be counted as two crowd participants in determining the number of contracts in which the specialist is entitled to participate with respect to the first 500 contracts ("Enhanced Specialist Participation"), except in the following circumstances: (1) where there is one other trading crowd participant on parity, in which case the specialist is entitled to 60% of the initiating order; or (2) where there are two other trading crowd participants on parity, in which case the specialist is entitled to 40% of the initiating order. This enhanced split will not apply in situations where there is a customer bid/offer for under 100 contracts because the customer is deemed to have time priority pursuant to Rule 1014(h)(i). For customer bids/offers of 100 contracts or more, no such customer order on parity will receive a smaller participation than any other crowd participant including the specialist. All contracts in
excess of 500 to each trade shall be allocated on a pro rata basis among the specialists and
other trading crowd participants on parity. The Enhanced Specialist Participation provided for in
this subparagraph shall be in effect for a pilot period until October 1, 1999.

● ● ● Commentary: ...

.01 An ROT electing to engage in Exchange Options transactions is designated as a
specialist on the Exchange for all purposes under the Securities Exchange Act of 1934 and
the rules and regulations thereunder with respect to options transactions initiated and
effected by him on the floor in his capacity as an ROT. For purposes of this commentary,
the term "transactions initiated and effected on the floor" shall not include transactions
initiated by an ROT off the floor, but which are considered "on-floor" pursuant to
Commentaries .07 and .08 of Rule 1014. Similarly, an RSQT electing to engage in
Exchange Options transactions is designated as a specialist on the Exchange for all
purposes under the Securities Exchange Act of 1934 and the rules and regulations
thereunder with respect to options transactions initiated and effected by him in his capacity
as an ROT.

However, in order for an ROT (other than an RSQT) to receive specialist margin treatment
for off-floor orders in any calendar quarter, the ROT must execute the greater of 1,000
contracts or 80% of his total contracts that quarter in person (not through the use of orders)
and 75% of his total contracts that quarter in assigned options. The off-floor orders for which
an ROT receives specialist margin treatment shall be subject to the obligations of Rule
1014(a) and, in general, be effected for the purpose of hedging, reducing risk of, or
rebalancing positions of the ROT. An ROT is responsible for evidencing compliance with
these provisions. The Options Committee may exempt one or more classes of options from
this calculation.

.02 The Exchange has determined that the limitations of paragraph (c)(i)(B) of this Rule
should not be carried over from one day to the next and, therefore, are not applicable to the
opening of stock or Exchange-Traded Fund Share option contracts on the Exchange.

.03 The Exchange has determined for purposes of paragraph (c) of this Rule that, except for
unusual circumstances, at least 50% of the trading activity in any quarter (measured in
terms of contract volume) of an ROT (other than an RSQT) shall ordinarily be in classes of
options to which he is assigned. Temporarily undertaking the obligations of paragraph (c) at
the request of a member of the Committee on Options in non assigned classes of options
shall not be deemed trading in non assigned option contracts.

The Exchange may, in computing the percentage specified herein, assign a weighting factor
based upon relative inactivity to one or more classes or series of option contracts.

.04 The obligations of an ROT with respect to those classes of options to which he is
assigned shall take precedence over his other ROT activities.

.05 (a) Assignment in non-Streaming Quote Options. With respect to options that are not
eligible to be traded by SQTs and RSQTs ("non-Streaming Quote Options"), the Exchange
will assign an ROT to act in one or more classes of option contracts. In making such
assignments, the Exchange shall give attention to (i) the preference of applicants; (ii)
assuring that financial resources available to an ROT enable him to satisfy the obligations
set forth in Rule 1014 with respect to each class of option contracts to which he is assigned;
(iii) the applicant's expertise in options trading; and (iv) the applicant's prior market
performance. The Exchange may suspend or terminate any assignment of an ROT under
this Rule and may make additional assignments whenever, in the Exchange's judgment, the
interests of a fair and orderly market are best served by such action.
(b) Assignment in Streaming Quote Options. The Options Allocation, Evaluation and Securities Committee ("OAESC") or its designee shall assign SQTs and RSQTs in one or more Streaming Quote Options in accordance with Rule 507. An SQT or RSQT may be assigned to (and thus submit quotes electronically in) any option traded on Phlx XL for which they are approved by the OAESC.

(c) Non-Electronic Orders. In the event that a Floor Broker or specialist presents a non-electronic order in a Streaming Quote Option in which an RSQT is assigned, and/or in which an SQT assigned in such Streaming Quote Option is not a crowd participant, such SQT and/or RSQT may not participate in trades stemming from such a non-electronic order unless such non-electronic order is executed at the price quoted by the non-crowd participant SQT and/or RSQT at the time of execution. The specialist and/or SQTs participating in a trading crowd may, in response to a verbal request for a market by a floor broker, state a bid or offer that is different than their electronically submitted bid or offer, provided that such stated bid or offer is not inferior to such electronically submitted bid or offer, except when such stated bid or offer is made in response to a floor broker's solicitation of a single bid or offer as set forth in Rule 1033(a)(ii). For purposes of this Rule, an SQT or non-SQT ROT shall be deemed to be participating in a crowd if such SQT is, at the time an order is represented in the crowd, physically located in a specific "Crowd Area." A Crowd Area shall consist of a specific physical location marked with specific, visible physical boundaries on the options floor, as determined by the Options Committee. An SQT or non-SQT ROT who is physically present in such Crowd Area may engage in options transactions in assigned issues as a crowd participant in such a Crowd Area, provided that such SQT or non-SQT ROT fulfills the requirements set forth in this Rule 1014. An SQT or non-SQT ROT shall be deemed to be participating in a single Crowd Area.

.06 An RSQT shall be required to maintain information barriers that are reasonably designed to prevent the misuse of material, non-public information with any affiliates that may conduct a brokerage business in options assigned to the RSQT or act as a specialist or market maker in any security underlying options assigned to the RSQT, and otherwise comply with the requirements of Rule 1020 regarding restrictions on the flow of privileged information between the affiliate and the specialist organization.

.07 The term "on the Floor" means the Trading Floor of the Exchange; the rooms, lobbies, and other premises immediately adjacent thereto made available by the Exchange for use by members generally; other rooms, lobbies and premises made available by the Exchange primarily for use by members generally; and the telephone and other facilities in any such place.

The provisions of this Rule do not apply to transactions initiated by an ROT for an account in which he has an interest unless such transactions are either initiated by an ROT while on the Floor or unless such transactions although originated off the Floor are deemed on-Floor transactions under the provisions of these Rules.

.08 An off-Floor order for an account in which a member has an interest is to be treated as an on-Floor order if it is executed by the member who initiated it.

In addition to transactions originated on the Floor by an ROT for an account in which he has an interest, the following transactions are considered on-Floor trading:

(a) Any transaction for an account in which an ROT has an interest if such transaction is initiated off the Floor by such ROT after he has been on the Floor during the same day.

(b) Any transaction for a member organization for an account in which it has an interest:
(i) which results from an order entered off the Floor following a conversation relating thereto with a member on the Floor who is a partner of or stockholder in such member organization; or

(ii) which results from an order entered off the Floor following the unsolicited submission from the Floor to the office of a quotation in a stock or Exchange-Traded Fund Share and the size of the market by a member on the Floor who is a partner of or stockholder in such member organization; or

(iii) which results from an order entered off the Floor which is executed by a member on the Floor who is a partner of or stockholder in such member organization and who had handled the order on a "not-held" basis; provided, however, that the following are not on-Floor orders and such restrictions shall not apply to an order:

(A) to sell an option for an account in which the member organization is directly or indirectly interested if in facilitating the sale of a large block of stock or Exchange-Traded Fund Shares, the member organization acquired its position because the demand on the Floor was not sufficient to absorb the block at a particular price or prices; or

(B) to purchase or sell an option for an account in which the member organization is directly or indirectly interested if the member or his member organization was invited to participate on the opposite side of a block transaction by another member, member organization or a partner or stockholder therein because the market on the Floor could not readily absorb the block at a particular price or prices; or

(C) to purchase or sell an option for an account in which the member organization is directly or indirectly interested if the transaction is on the opposite side of a block order being executed by the member organization for the account of its customer and the transaction is made to facilitate the execution of such order; or

(iv) which results from an order entered off the Floor which is executed by a member on the Floor who is a partner of or stockholder in such member organization and who has changed the terms of the order.

(c) Any transaction for the account of an RSQT.

.09 Orders given out by an ROT to commission brokers --An on-Floor order given by an ROT to a commission broker, for an account in which the ROT has an interest, is subject to all the Rules restricting ROTs. When an ROT gives out such an order on the Floor to another member, the order must be so marked to indicate that it is for an account in which the ROT has an interest, unless it is exempt from this Rule, in order that the other member may know whether it may be entitled to priority or parity.

.10 RESERVED

.11 Pair-offs before opening --An ROT cannot acquire a "long" option by pairing off with a sell order before the opening, unless all off-Floor bids at that price are filled.

.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 Officials, the interests of a fair and orderly market are served by such limitation.

.13 Within each quarter an ROT must execute in person, and not through the use of orders, a specified number of contracts, such number to be determined from time to time by the Committee on Options.
.14 An ROT may not initiate orders from off the floor as a market maker in reliance upon the market maker exemption contained in Section 11(a)(1) of the Securities Exchange Act of 1934.

.15 The Options Committee has adopted the following policy concerning bids or offers in any series of options:

An opening transaction in an options series may not occur at a price which is more than the difference of the preceding session's closing sale and the present session's opening sale in the underlying security, in relation to the closing quotation (bid or offer), in the options series, without prior approval of one floor official.

This policy is a guideline only. Compliance with it shall not relieve a specialist from the obligations and restrictions set forth in paragraph (a) and the first sentence of paragraph (c) of this rule.

.16 The Foreign Currency Options floor trading hours are constituted by various trading sessions as defined by the Board of Governors. Each trading session is considered separate and distinct from each other for the purposes of the prohibition contained in Rule 1014 paragraph (e).

.17 In the interest of fair and orderly markets, the Options Committee may adopt policies affecting the location of members in the trading crowd on a crowd-by-crowd basis.

.18 An ROT who wishes to place a limit order on the limit order book must submit such a limit order electronically.

Amendments.

January 23, 1976; November 24, 1976; June 2, 1977; November 28, 1977; June 27, 1978; August 31, 1978; November 3, 1978; June 18, 1979; November 9, 1979; May 6, 1980; September 10, 1981; February 10, 1982; August 18, 1982; October 14, 1982; April 4, 1984; April 13, 1984; August 8, 1984; February 14, 1985; April 19, 1985; August 21, 1985; January 6, 1986; February 3, 1986; April 30, 1986; September 2, 1986; November 13, 1986; May 18, 1987; March 10, 1988; January 16, 1990; March 4, 1991; April 10, 1991; November 7, 1991; February 10, 1992; September 10, 1992; January 11, 1993; Nov. 24, 1993; effective Dec. 6, 1993 (93-42); March 8, 1994 (93-10); May 25, 1994 (93-29); July 12, 1994 (94-05); August 26, 1994 (94-12); November 1, 1994 (94-18); November 30, 1994 (94-57); December 29, 1994 (94-42); March 1, 1995 (94-59); May 24, 1995 (95-02); August 18, 1995 (95-54); August 23, 1995 (95-14); September 20, 1995 (95-21); November 30, 1995 (95-47); August 5, 1996 (96-29); June 20, 1997 (97-16); August 11, 1997 (97-36); December 4, 1997 (97-48); December 17, 1997 (97-22); October 15, 1998 (97-55); January 15, 1999 (99-01); July 1, 1999 (98-56); August 12, 1999 (99-25); April 18, 2000 (99-39); October 6, 2000 (00-05); February 2, 2001 (00-107); November 18, 2001 (01-38); July 29, 2002 (02-05); November 1, 2002 (02-04); April 29, 2003 (01-28); July 31, 2003 (03-56); January 16, 2004 (03-73); July 27, 2004 (03-59); November 23, 2004 (04-74); December 3, 2004 (04-57); February 2, 2005 (04-90); January 28, 2005 (04-73); May 27, 2005 (04-91).

Renumbered.

June 2, 1977.

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