

Exhibit 5

Brackets indicate deletions; underlining indicates new text

Obligations and Restrictions Applicable to Specialists and Registered Options Traders

Rule 1014. (a) No change.

(b) **** (i) No change.

(ii) (A) – (C) No change.

(D) Market Making Obligations [Applicable in Streaming Quote Options.]

(1) In addition to the other requirements for ROTs set forth in this Rule 1014, except as provided in sub-paragraph (4) below, 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, on any given day, a Directed SQT ("DSQT") or a Directed RSQT ("DRSQT") (as defined in Rule 1080(l)(i)(C)) shall be responsible to quote continuous, two-sided markets in not less than 99% of the series listed on the Exchange in at least 60% of the options in which such DSQT or DRSQT is assigned. Whenever a DSQT or DRSQT enters a quotation in an option in which such DSQT or DRSQT is assigned, such DSQT or DRSQT must maintain continuous quotations for not less than 99% of the series of the option listed on the Exchange until the close of that trading day.

(2) The specialist shall be responsible to quote continuous, two-sided markets in not less than 99% of the series in each [Streaming Quote O]option in which such specialist is assigned.

(3) SQTs, RSQTs and the specialist assigned in such [Streaming Quote O]option shall submit electronic quotations with a size of not less than 10 contracts.

(4) No change.

(E) Non-SQT ROTs [Trading Streaming Quote Options] Obligations. 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 O]option during any calendar quarter, the following provisions shall apply to such non-SQT ROT with respect to that [Streaming Quote O]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] A non-SQT ROT will not be obligated to quote electronically in any designated percentage of series [within that Streaming Quote Option].

([c] b) [*Continuous Open Outcry Quoting Obligation:* In response to any request for quote by a Floor Broker, specialist, 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] c) [*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 an [Streaming Quote O]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 O]option:

(a) No change.

(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] options in which he is assigned, in accordance with the schedule below. Such non-SQT ROT shall submit electronic quotations with a size of not less than 10 contracts.

% of Overall [Streaming Quote Option] Volume Transacted on the Exchange During the Previous Quarter that was Transacted Electronically	Electronic Quoting % (% of Series)
---	---

50% or Below	20%
51-75%	40%
Above 75%	60%

For example, if 83% of the total volume on the Exchange in a particular [Streaming Quote O] option is transacted electronically (i.e., through AUTO-X, Book Match or Book Sweep), non-SQT ROTs in such [Streaming Quote O] 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 O] option for the purpose of adjusting the applicable electronic quoting percentage during the next succeeding calendar quarter.

(c) *****

(i) *Options on Equities (including Exchange-Traded Fund Shares), Index Options, and U.S. dollar-settled Foreign Currency Options.*

(A)(1) No change.

(2) [*Streaming Quote Options.*—] Electronic Quotations

(a) [Streaming Quote O] Options on equities (including Exchange-Traded Fund Shares), and on index 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 O] electronic quotations in 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) [Streaming Quote O] Options on U.S. dollar-settled FCO, other than U.S. dollar-settled FCO on the Japanese yen, trading on Phlx XL may be quoted electronically with a difference not to exceed \$.0500 (expressed as 5.00) between the bid and offer regardless of the price of the bid. [Streaming Quote] Options on U.S. dollar-settled FCO on the Japanese yen trading on Phlx XL may be quoted electronically with a difference not to exceed \$.000500 (expressed as 5.00) between the bid and offer regardless of the price of the bid. The bid/ask differentials set forth in this sub-paragraph (c)(i)(A)(2)(b) only apply to [Streaming Quote O] electronic quotations in 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 bid/ask differentials set forth in this subparagraph (c)(i)(A)(2) (b) 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).

(B) No change.

(ii) No change.

(d) – (f) No change.

(g)*****

(i) (A) No change.

(B) 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] Exchange 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] on the Exchange's web site. This paragraph shall only apply to transactions that are effected in open outcry.

(ii) Enhanced Specialist Participation --In equity option, index option and U.S. dollar-settled foreign currency 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 U.S. dollar-settled foreign currency options and (c) such issues selected by the specialist and approved by the [Allocation, Evaluation and Securities Committee] Exchange pursuant to section (A) below.

(A) The [Allocation, Evaluation and Securities Committee] Exchange 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] Exchange shall approve all specialist selections.

(B)[Pursuant to Exchange Rule 509,] [t]The [Allocation, Evaluation and Securities Committee] Exchange 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] Exchange 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) No change.

(iii) New Unit/New Option Enhanced Specialist Participation --To encourage the establishment of new specialist units to trade equity option, index option and U.S. dollar-settled foreign currency 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 a 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] Exchange may extend such Enhanced Specialist Participation for each applicable option beyond the initial six month period for one additional six month period upon petition by the specialist unit and a determination by the [Committee] Exchange that such extension is consistent with the promotion of just and equitable principles of trade and the public interest. Additionally, the [Committee] Exchange after granting such extension may at any time terminate such Enhanced Specialist Participation for any particular options class if the [Committee] Exchange determines that such action is consistent with the promotion of just and equitable principles of trade and the public interest.

(A) – (D) No change.

(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] Exchange will determine whether a specialist "developed" a new product.

(v) – (vi) No change.

(vii)*****

(A) No change.

(B)*****

(1)(a) No change.

(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:

Equal percentage based + on the number of Phlx XL Participants quoting or with limit orders at BBO (Component A)	Pro rata percentage based on size of Phlx XL x Incoming Order participant quotes/limit orders (Component B)
--	--

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,] President of the Exchange, and [including the Chairman of the Options Committee and one] two Governors (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: $(\text{Component A Percentage} + \text{Component B Percentage})/2 * \text{incoming order size}$.

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. The final weighting formula for options on U.S. dollar-settled foreign currency options shall be established by a three-member special committee of the Board of Governors, chaired by the [Chairman of the Board,] President of the Exchange, and [including the Chairman of the Foreign Currency Options Committee and one] two Governors. The final weighting formula may vary by product. Changes made to the percentage weightings of Components A and B shall be announced to the membership [via Regulatory Circular] on the Exchange's web site at least one day before implementation of the change.

(c) – (e) No change.

(2) – (3) No change.

(viii)*****

(A) No change.

(B)*****

(1)(a) – (c) No change.

(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:

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

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,] President of the Exchange, and [including the Chairman of the Options Committee (in the case of equity options and index options) or the Chairman of the Foreign Currency Options Committee (in the case of foreign currency options) and one] two Governors (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) 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:

<p>Equal percentage based + on the Number of SQTs, RSQTs, specialist and Non-SQT ROTs quoting or with limit orders at BBO (Component A)</p>	<p>Pro rata percentage based on size of SQT, RSQT, specialist and Non-SQT quotes and x limit orders (Component B)</p>	<p>Remaining Order Size</p>
---	---	---------------------------------

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,] President of the Exchange, and [including the Chairman of the Options Committee (in the case of equity options and index options) or the Chairman of the Foreign Currency Options Committee (in the case of foreign currency options) and one] two Governors (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) No change.

(C) – (D) No change.

(h) No change.

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] Exchange may exempt one or more classes of options from this calculation.

.02 No change.

.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] Exchange 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) RESERVED

(b) The [Options Allocation, Evaluation and Securities Committee ("OAESC") or its designee] Exchange shall assign SQTs and RSQTs in one or more [Streaming Quote O]ptions 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] Exchange.

(c) Non-Electronic Orders.

(i) – (iii) No change.

(iv) 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 in the case of an equity or equity index option, or the Foreign Currency Options Committee in the case of a U.S. dollar-settled foreign currency option] Exchange. 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 -12. No change.

.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] Exchange.

.14 No change.

.15 The price of an opening transaction in an option series must be within an acceptable range (as determined by the [Options Committee in the case of equity options and index options or the Foreign Currency Options Committee in the case of U.S. dollar-settled foreign currency options] Exchange and announced to Exchange members and member organizations [by way of Exchange circular] on the Exchange's web site) compared to the highest offer and the lowest bid (e.g., the upper boundary of the acceptable range may be 125% of the highest quote offer and the lower boundary may be 75% of the lowest quote bid).

.16 No change.

.17 In the interest of fair and orderly markets, the [Options Committee (in the case of equity and index options) and the Foreign Currency Options Committee (in the case of U.S. dollar-settled foreign currency options)] Exchange may adopt policies affecting the location of members in the trading crowd on a crowd-by-crowd basis.

.18 - .19 No change.

* * * * *

Openings In Options

Rule 1017. (a) For a period of time before the scheduled opening in the underlying security or, in the case of index options, before the Exchange receives the opening price in the underlying index (and not less than one hour before the scheduled opening of trading on the Exchange as determined by the [Options Committee] Exchange with notice to the membership on the Exchange's web site [via Exchange circular]), Phlx XL will accept orders and quotes in equity options and index options during the "Pre-Opening Phase." Phlx XL will accept orders and quotes in U.S. dollar-settled FCO beginning no later than one hour before market opening. The Phlx XL system will disseminate to specialists, SQTs, RSQTs, and non-SQT ROTs who are required to submit continuous two-sided electronic quotations pursuant to Rule 1014(b)(ii)(E) (collectively, for purposes of this Rule 1017, "Phlx XL participants") information about resting orders on the book that remain from the previous trading session and orders submitted prior to the opening.

(b) Respecting options that are traded on Phlx XL, [T] the system will calculate an Anticipated Opening Price ("AOP") and Anticipated Opening Size ("AOS") in equity options when a quote or trade has been disseminated by the market for the underlying security, or, in the case of index options, securities, and under the conditions set forth below. The specialist assigned in the particular option must enter opening quotes not later than one minute following the dissemination of a quote or trade by the market for the underlying security or, in the case of index options, following the receipt of the opening price in the underlying index. The system will calculate an AOP and AOS in U.S. dollar-settled FCO under the conditions specified below. The specialist assigned in the particular U.S. dollar-settled FCO must enter opening quotes not later than 30 seconds after the announced market opening. An AOP may only be calculated if

(i) the Exchange has received market orders, or the book is crossed (highest bid is higher than the lowest offer) or locked (highest bid equals the lowest offer); and

(ii) either (A) the specialist's quote has been submitted; (B) the quotes of at least two Phlx XL participants have been submitted within two minutes of the opening trade or quote on the market for the underlying security in the case of equity options or, in the case of index options, within two minutes of the receipt of the opening price in the underlying index (or such shorter time as determined by the [Options Committee] Exchange and disseminated to membership on the Exchange's web site [via Exchange Circular]), or within two minutes of market opening in the case of U.S. dollar-settled FCO (or such shorter time as determined by the [FCO Committee] Exchange and disseminated to membership on the Exchange's web site [via Exchange circular]); or (C) if neither the specialist's quote nor the quotes of two Phlx XL participants have been submitted within two minutes of the opening trade or quote on the market for the underlying security in the case of equity options or, in the case of index options, within two minutes of the receipt of the opening price in

the underlying index (or such shorter time as determined by the [Options Committee] Exchange and disseminated to membership on the Exchange's web site [via Exchange circular], or within two minutes of market opening in the case of U.S. dollar-settled FCO (or such shorter time as determined by the [FCO Committee] Exchange and disseminated to membership on the Exchange's web site [via Exchange circular], one Phlx XL participant has submitted their quote.

(iii) When the conditions described in sub-paragraph (b)(i) and in sub-paragraph (b)(ii)(A), (B) or (C) above are satisfied, the system will open the series for trading within a time period not to exceed 5 seconds (as determined by the Exchange and disseminated to membership via Exchange circular) following: (A) respecting equity options, the dissemination of an opening quote or trade in the market for the underlying security; or (B) respecting index options, following the receipt of the opening price in the underlying index.

A Phlx XL participant that submits a quote pursuant to this Rule 1017(b) in any series when the specialist's quote has not been submitted shall be required to submit continuous, two-sided quotes in such series until such time as the specialist submits his/her quote, after which the Phlx XL participant that submitted such quote shall be obligated to submit quotations pursuant to Rule 1014(b)(ii)(D).

In situations where an AOP may be calculated and there is an order/quote imbalance, the system will immediately send an imbalance notice indicating the imbalance side (buy or sell) and the AOP and AOS (an "Imbalance Notice") to Phlx XL participants provided that, in the case of equity options, the market for the underlying security has disseminated the opening quote or trade or, in the case of index options, provided that the Exchange has received the opening price for the underlying index. Phlx XL participants that have not submitted opening quotes will then submit their opening quotes, and Phlx XL participants that have submitted opening quotes may submit revised opening quotes; thereafter the system will disseminate an updated Imbalance Notice every five seconds (or such shorter period as determined by the [Options Committee] Exchange and disseminated to membership on the Exchange's web site [via Exchange circular]) until the series is open. If no imbalance exists, no Imbalance Notice will be sent, and the system will establish an opening price as described in paragraph (c) below.

(c)(i) Respecting options that are traded on Phlx XL, [T]the opening price of a series is the price at which the maximum quantity of contracts will be traded. Should two or more prices satisfy the maximum quantity criteria, the opening price will be the price at which the greatest number of customer orders will be traded. Should there continue to be two or more prices that satisfy the maximum quantity criteria, the opening price shall be the price at which the maximum number of Phlx XL participants will trade. Thereafter, should there continue to be two or more prices that satisfy the maximum quantity criteria, the opening price will be the price that is closest to the closing price from the previous trading session. Should there continue to be two or more prices that satisfy the maximum quantity criteria, the opening price will be the mid-point of the highest possible price and lowest possible price that satisfy the maximum quantity criteria (rounded as needed to the

side of the market with the greatest number of Phlx XL participants). The system will give priority to market orders first (including limit orders that are treated as market orders as described in paragraph (i) below), then to resting limit orders at the opening price. One or more series of a given option may not open because of the conditions cited in paragraph (e) of this Rule.

(ii) Contingency Orders, Hedge Orders, and Synthetic Option Orders, as defined in Rule 1066, are not considered in the determination of the opening price, and do not participate in the opening trade.

(iii) Orders Represented by Floor Brokers. To be considered in the determination of the opening price and to participate in the opening trade, orders represented by Floor Brokers must be entered onto the book electronically.

(iv) Inbound orders and quotes will not be included in the calculation of the opening price for a brief period established by the system while the system is in the process of completing the opening trade. During such brief period, such inbound orders and quotes will be entered into the Phlx XL system in order of their arrival.

(d) Respecting options traded on Phlx XL, [A] as the opening price is determined by series, the system will disseminate through OPRA the opening trade price, if any, and then the quote after the series is open. The system will process and open the series for a given option in random order. If there are no orders in a particular series of equity options when the underlying security opens, of index options following the receipt of the opening price in the underlying index, or of foreign currency options at the market opening, the Exchange will disseminate quotations at the best bid and offer in such series submitted by Phlx XL participants assigned in the particular option.

(e) Respecting options traded on Phlx XL, [T] the system will not open a series if one of the following conditions is met:

(i) there is no quote from the specialist or Phlx XL participants, as described in Rule 1017 (b)(ii)(B) and (C) above;

(ii) the opening price is not within the acceptable range (as determined by the [Options Committee, or by the FCO Committee in the case of U.S. dollar-settled FCO] Exchange, and announced to Exchange members and member organizations [by way of Exchange circular] on the Exchange's website) compared to the highest offer and the lowest bid (e.g., the upper boundary of the acceptable range may be 125% of the highest quote offer and the lower boundary may be 75% of the lowest quote bid); or

(iii) the opening trade would leave a market order imbalance (i.e., there are more market orders to buy or to sell for the particular series than can be satisfied by the limit orders, market orders and quotes on the other side of the market).

(f) Respecting options traded on Phlx XL, i[If the condition described in paragraph (e)(i) or (e)(ii) of this Rule is present, an Options Exchange Official 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) Respecting options traded on Phlx XL : (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] regulatory staff, open a series manually in the interest of a fair and orderly market, subject to the approval of an Options Exchange Official 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) Respecting options overlying an index, the system will automatically open such options when the Exchange has received the opening price in the underlying index.

(h) Respecting options traded on either Phlx XL or Phlx XL II, [T] the procedure described in this Rule may be used to reopen an option after a trading halt.

(i) Respecting options traded on either Phlx XL or Phlx XL II, [I] in connection with an opening, a limit order to buy which is at a higher price than the price at which the option is to be opened and a limit order to sell which is at a lower price than the price at which the option is to be opened, shall be treated as market orders.

(j) [The Exchange will deploy the automated opening system on an issue-by-issue basis. The Exchange anticipates that at least 10 issues will be deployed on the system within 4 weeks from the date of approval of the rules relating to the system by the Securities and Exchange Commission, and that the system will be deployed for all options traded on the Exchange within 12 weeks of such approval.

(k) For purposes of this Rule, "market for the underlying security" shall be either the primary listing market, the primary volume market (defined as the market with the most liquidity in that underlying security for the previous two calendar months), or the first market to open the underlying security, as determined by the Exchange on an issue-by-issue basis and announced to the membership on the Exchange's web site.

(k) Respecting options traded on Phlx XL II, the automated opening process can only begin when either (A) the specialist's quote has been submitted; (B) the quotes of at least two Phlx XL II participants have been submitted within two minutes (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site) of the opening trade or quote on the market for the underlying security in the case of equity options or, in the case of index options, within two minutes of the receipt of the

opening price in the underlying index (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site), or within two minutes of market opening in the case of U.S. dollar-settled FCO (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site); or (C) if neither the specialist's quote nor the quotes of two Phlx XL II participants have been submitted within two minutes (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site) of the opening trade or quote on the market for the underlying security in the case of equity options or, in the case of index options, within two minutes of the receipt of the opening price in the underlying index (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site), or within two minutes of market opening in the case of U.S. dollar-settled FCO (or such shorter time as determined by the Exchange and disseminated to membership on the Exchange's web site), one Phlx XL II participant has submitted their quote.

The specialist assigned in a particular equity option must enter opening quotes not later than one minute following the dissemination of a quote or trade by the market for the underlying security or, in the case of index options, following the receipt of the opening price in the underlying index. The specialist assigned in a particular U.S. dollar-settled FCO must enter opening quotes not later than 30 seconds after the announced market opening.

A Phlx XL II participant that submits a quote pursuant to this Rule 1017 in any series when the specialist's quote has not been submitted shall be required to submit continuous, two-sided quotes in such series until such time as the specialist submits his/her quote, after which the Phlx XL II participant that submitted such quote shall be obligated to submit quotations pursuant to Rule 1014(b)(ii)(D).

(l) Opening Process

(i) If there are no opening quotes or orders that lock or cross each other, the system will open by disseminating the Exchange's best bid and offer among quotes and orders that exist in the Phlx XL II system at that time (because if no quotes or orders lock/cross each other, nothing matches and there is no trade).

(ii) If there are opening quotes or orders that lock or cross each other, the Phlx XL II system will take the lowest bid and the highest offer among quotations received that have a bid/ask differential that is compliant with Rule 1014(c)(i)(A)(1)(a) to determine the lowest quote bid and highest quote offer. To calculate the opening price, the Phlx XL II system will take into consideration all valid Phlx quotes, sweeps (defined below) and orders, together with other exchanges' markets for the series and identify the price at which the maximum number of contracts can trade. If that price is within the lowest quote bid and highest quote offer and leaves no imbalance, the Exchange will open at that price, executing marketable trading interest, as long as the opening price includes only Phlx interest.

(A) An “imbalance” occurs where there is unexecutable trading interest at a certain price.

(B) When two or more prices within the range of the lowest quote bid and highest quote offer for the affected series would satisfy the maximum quantity criterion, the Phlx XL II system takes the highest and lowest of those prices and takes the mid-point for the opening price; if such mid-point is not expressed as a permitted minimum price variation, it will be rounded to the minimum price variation that is closest to the closing price for the affected series from the immediately prior trading session to determine the opening price. If there is no closing price from the immediately prior trading session, the Phlx XL II system will round up to the minimum price variation to determine the opening price.

(C) If the opening price included interest other than solely Phlx interest, the system will initiate a “Route Timer,” not to exceed one second. If no new interest is received during the Route Timer, the Phlx XL II system will route to other markets disseminating prices better than Phlx’s opening price, execute marketable interest at the opening price on Phlx, and route to other markets disseminating prices equal to the Phlx opening price if necessary.

(1) Orders that are routed and executed may receive executions at multiple prices.

(2) Orders will be routed as IOC orders with a limit price equal to the Exchange’s opening price.

(D) If interest is received during the Route Timer, the Phlx XL II system will recalculate the opening price taking such new interest into account. Then, if there is no imbalance, the Phlx XL II system will execute marketable interest at the opening price on the Phlx and route the remainder to other markets.

(E) A different opening price will not require the Phlx XL II system to repeat the entire opening process.

(iii) Where there is an imbalance at the price at which the maximum number of contracts can trade that is also at or within the lowest quote bid and highest quote offer:

(A) the Phlx XL II system will calculate an Opening Quote Range (“OQR”) for a particular series. To determine the minimum value for the OQR, an amount, as defined in a table to be determined by the Exchange, will be subtracted from the lowest quote bid. To determine the maximum value for the OQR, an amount, as defined in a table to be determined by the Exchange, will be added to the highest quote offer.

(B) If there is sufficient size on the Exchange and on away markets on the opposite side of the market from the imbalance to execute all opening marketable interest at a price that is at or within the established OQR and the Away Best Bid or Offer (“ABBO”) without leaving an imbalance, the Phlx XL II system will open the affected series for trading at that price by executing opening marketable interest on the Phlx XL II system, as long as the system does not trade through the ABBO. If it would trade through the ABBO, the Phlx XL II system will initiate a “Route Timer,” not to exceed one second. If no new interest is received during the Route Timer, the Phlx XL II system will then route to other markets disseminating prices better than Phlx’s opening price, execute marketable interest at the opening price on Phlx , and route to other markets disseminating prices equal to the Phlx opening price if necessary.

If there is an imbalance, the Phlx XL II system will begin the imbalance process.

(iv) Imbalance Process. If all opening marketable size cannot be completely executed at or within the OQR without trading through the ABBO, the Phlx XL II system will automatically institute the following imbalance process:

(A) First, the Phlx XL II system will broadcast an Imbalance Message (which includes the symbol, side of the market, size of matched contracts, size of the imbalance, and price of the affected series) to Phlx XL II participants, and begin an “Imbalance Timer,” not to exceed three seconds. The Imbalance Timer will be for the same number of seconds for all options traded on the Exchange. Phlx XL II participants may enter opening quotes, Opening Sweeps (as defined below) and orders during the Imbalance Timer.

(B) If opening quotes, Opening Sweeps and orders submitted during the Imbalance Timer, or other changes to the ABBO, would allow the entire imbalance amount to trade at the Exchange at or within the OQR without trading through the ABBO, the Imbalance Timer will end and the Phlx XL II system will execute at the appropriate opening price.

(C) If opening quotes, Opening Sweeps and orders submitted during the Imbalance Timer, or other changes to the ABBO, would not allow the entire imbalance amount to trade at the Exchange at or within the OQR without trading through the ABBO, the Phlx XL II system will:

(1) send a new Imbalance Message to Phlx XL II participants; and

(2) initiate a Route Timer, not to exceed one second. If during the Route Timer, interest is received by the Phlx XL II system which would

allow all interest to trade on the Phlx XL II system (i.e., there is no longer an imbalance) at the opening price without trading through other markets, the Phlx XL II system will trade and the Route Timer will end. The Phlx XL II system will monitor quotes received during the Route Timer period and make ongoing corresponding changes to the permitted OQR to reflect them.

(3) If the Route Timer expires, the End of Route Timer Process will ensue. Under the End of Route Timer Process, the Phlx XL II system will determine if the total number of contracts displayed at better prices than the Exchange's potential opening price on away markets ("better priced away contracts") would satisfy the number of marketable contracts available on the Exchange. If so, the Phlx XL II system will route all marketable contracts on the Exchange to such better priced away markets, and determine an opening Phlx Best Bid/Offer ("PBBO") that reflects the interest remaining on the Exchange. The Phlx XL II system will price any contracts routed away to other markets at the better away market price.

(4) If the total number of better priced away contracts would not satisfy the number of marketable contracts the Exchange has, the Phlx XL II system will determine how many contracts it has available at the Exchange opening price. If the total number of better priced away contracts plus the number of contracts available at the Exchange opening price would satisfy the number of marketable contracts on the Exchange, the Phlx XL II system will contemporaneously route a number of contracts that will satisfy interest at other markets at prices better than the Phlx opening price, and trade available contracts on the Exchange at the Exchange opening price. The Phlx XL II system will price any contracts routed to other markets pursuant to this sub-paragraph at the Exchange opening price.

(5) If the total number of better priced away contracts plus the number of contracts available at the Exchange opening price would not satisfy the number of marketable contracts the Exchange has, the Phlx XL II system will determine how many contracts are available at other markets at the Exchange opening price. If the total number of better priced away contracts plus the number of contracts available at the Exchange opening price plus the contracts available at other markets at the Exchange opening price would satisfy the number of marketable contracts the Exchange has, the Phlx XL II system will contemporaneously route a number of contracts that will satisfy interest at other markets at prices better than the Phlx opening price (pricing any such contracts routed to other markets at the Exchange opening price), trade available contracts on the Exchange at the Exchange opening price, and route a number of contracts that will satisfy interest at other markets at prices equal to the Phlx opening price.

(6) If the total number of better priced away contracts plus the number of contracts available at the Exchange opening price plus the contracts available at other markets at the Exchange opening price would not satisfy the number of marketable contracts the Exchange has, the Phlx XL II system will repeat the Imbalance Process. The Phlx XL II system may repeat the Imbalance Process up to three times (as established by the Exchange).

(7) If after that number of times, the Phlx XL II system still cannot route and/or trade the entire imbalance amount, the Phlx XL II system will open as many contracts as possible by routing to other markets at prices better than the Exchange opening price for their disseminated size, trading available contracts on the Exchange at the Exchange opening price, and routing contracts to other markets at prices equal to the Phlx opening price at their disseminated size. In this situation, the Phlx XL II system will price any contracts routed to other markets at the Exchange opening price. Any unexecuted contracts from the imbalance not traded or routed will be displayed in the Exchange quote at the opening price for a period not to exceed ten seconds and subsequently cancelled back to the entering participant if they remain unexecuted and priced through the opening price. During this display time period, the Phlx XL II system will disseminate a bid and offer that is equal to the opening price, with a size of zero on the opposite side of the market from remaining unexecuted contracts.

(8) The Phlx XL II system will execute orders at the opening price that have contingencies (such as, without limitation, All-or-None) and non-routable orders, such as a “Do Not Route” or “DNR” Orders, to the extent possible. The Phlx XL II system will only route non-contingency customer orders.

(D) The Phlx XL II system will: (1) re-price Do Not Route orders (that would otherwise have to be routed to the exchange(s) disseminating the ABBO for an opening to occur) to a price that is one minimum trading increment inferior to the ABBO, and (2) disseminate the re-priced DNR Order as part of the new PBBO.

(v) Permitted responses to Imbalance Message. During the Opening Process, permitted responses to an imbalance notification are quotes, Opening Sweeps (as defined more fully below), and orders. Specialists SQTs, and RSQTs may submit quotes, Opening Sweeps and orders in response to an Imbalance Message. Non-SQT ROTs may submit orders in response to an Imbalance Message.

(A) Opening Sweep. An Opening Sweep is a one-sided electronic quotation submitted for execution against opening trading interest in the

Phlx XL II system. A Phlx XL participant assigned in a particular option may only submit an Opening Sweep if, at the time of entry of the Opening Sweep, they have already submitted and maintained a valid opening-width quote. All Opening Sweeps in the affected series entered by a participant will be cancelled immediately if that participant fails to maintain a continuous quote with a permitted opening bid/ask differential in the affected series.

(B) Opening Sweeps may be entered at any price with a minimum price variation applicable to the affected series, on either side of the market, at single or multiple price level(s), and may be cancelled and re-entered. A single Phlx XL II participant may enter multiple Opening Sweeps, with each Opening Sweep at a different price level. If a Phlx XL II participant submits multiple Opening Sweeps, the Phlx XL II system will consider only the most recent Opening Sweep at each price level submitted by such Phlx XL II participant in determining the opening price. The Phlx XL II system will aggregate the size of all Opening Sweeps (i.e., for all Phlx XL II participants) at a particular price level for trade allocation purposes. Unexecuted Opening Sweeps will be cancelled once the affected series is open.

(vi) The Phlx XL II system will give priority to market orders first in time priority (including limit orders that are treated as market orders), then to resting limit orders at the opening price.

(vii) Inbound orders, Opening Sweeps and quotes will not be included in the calculation of the opening price for a brief period established by the Phlx XL II system while the Phlx XL II system is in the process of completing the opening trade. This brief period will not exceed .25 of one second. After such brief period, inbound orders, Opening Sweeps and quotes received during the period will be entered into the Phlx XL II system in order of their arrival.

Commentary:

The following rules shall apply in situations in which the specialist opens a series manually. SQTs and RSQTs may participate in opening transactions in which the specialist opens a series manually by submitting electronic quotations to interact with opening orders or, if there are no opening orders in such series, with opening quotations.

.01 Pre-Opening. Respecting options traded on the Phlx XL system:

(i) – (ii) No change.

.02 Opening Rotation. Respecting options traded on the Phlx XL system: In conducting an opening rotation, the specialist should follow the procedures and guidelines described

in Rule 1047, Commentary .01 and Option Floor Procedure Advices A-12 and A-14, respectively.

.03 Opening Price. Respecting options traded on the Phlx XL system:

(a) - (f) No change.

* * * * *

Trading Rotations, Halts and Suspensions

Rule 1047. (a) – (d) No change.

(e) Automated Trading Halts. The Phlx XL II system will automatically halt trading in an equity option when the underlying security is subject to a regulatory halt on the primary market for such underlying security.

Commentary: No change.

* * * * *

Certain Types of Orders Defined

Rule 1066. (a) – (b) No change.

(c) Contingency Order. A contingency order is a limit or market order to buy or sell that is contingent upon a condition being satisfied while the order is at the post.

(1) - (7) No change.

(8) Immediate or Cancel Order. An immediate-or-cancel (“IOC”) order is a limit order that is to be executed in whole or in part upon receipt. Any portion not so executed shall be cancelled. IOC Orders are not routable and shall not be subject to any routing process described in these rules.

(d) – (g) No change.

(h) Routing order types. In Phlx XL II, the following order types will be available and governed by Rule 1080(m): DNR (do not route), FIND and SRCH.

Commentary:

.01 - .02 No change.

* * * * *

Rule 1080. [Philadelphia Stock Exchange Automated Options Market (AUTOM) and Automatic Execution System (AUTO-X)] Phlx XL and Phlx XL II

(a) **General**—AUTOM is the Exchange's electronic order delivery and reporting system, which provides for the automatic entry and routing of Exchange-listed equity options, index options and U.S. dollar-settled foreign currency options orders to the Exchange trading floor. Orders delivered through AUTOM may be executed manually, or certain orders are eligible for AUTOM's automatic execution feature, AUTO-X, in accordance with the provisions of this Rule. Equity option, index option and U.S. dollar-settled foreign currency option specialists are required by the Exchange to participate in AUTOM and its features and enhancements. Option orders entered by Exchange member organizations into AUTOM are routed to the appropriate specialist unit on the Exchange trading floor. AUTOM and AUTO-X were replaced by the Phlx XL System, such that references to both terms refer to Phlx XL.

Phlx XL II is the Exchange's new, enhanced options trading system.

This Rule shall govern the orders, execution reports and administrative messages ("order messages") transmitted between the offices of member organizations and the trading floors of the Exchange through AUTOM.

All references to "ROTs" in this Rule 1080 are the Phlx Registered Options Traders as defined in Exchange Rule 1014(b).

The opening of trading is governed by Rule 1017.

(b) Eligible Orders

(i) The following types of orders are eligible for entry into AUTOM:

(A) Agency orders may be entered. The following types of agency orders are eligible for AUTOM; day, GTC, Immediate or Cancel ("IOC"), market, limit, stop, stop-limit, all or none, [or better,] simple cancel, simple cancel to reduce size (cancel leaves), cancel to change price, cancel with replacement order, and possible duplicate orders. For purposes of Exchange options trading, an agency order is any order entered on behalf of a public customer, and does not include any order entered for the account of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest. Respecting Phlx XL II, the following order types are also permitted: DNR order, SRCH order, and FIND order; see Rule 1080(m).

(B) Orders for the proprietary account(s) of SQTs, RSQTs and non-SQT ROTs and specialists via electronic interface with AUTOM may be entered, subject to the restrictions on order entry set forth in Commentary .04 of this Rule.

(1.) The following types of orders for the proprietary account(s) of non-SQT ROTs and specialists with a size of 10 contracts or greater are eligible for entry via electronic interface with AUTOM: GTC, day limit, IOC and simple cancel. Orders for the proprietary account(s) of non-SQT ROTs and specialists with a size of less than 10 contracts shall be submitted as IOC only.

(2) The following types of orders for the proprietary account(s) of SQTs and RSQTs are eligible for entry via electronic interface with AUTOM: IOC. Respecting Phlx XL II, the following order types are also permitted: DNR order, SRCH order, and FIND order; see Rule 1080(m).

(C) Off-floor broker-dealer limit orders, subject to the restrictions on order entry set forth in Commentary .05 of this Rule, may be entered. The following types of broker-dealer limit orders are eligible for AUTOM: day, GTC, IOC, stop, stop-limit, simple cancel, simple cancel to reduce size (cancel leaves), cancel to change price, cancel with replacement order. Respecting Phlx XL II, the following order types are also permitted: DNR order, SRCH order, and FIND order; see Rule 1080(m). For purposes of this Rule 1080, the term "off-floor broker-dealer" means a broker-dealer that delivers orders from off the floor of the Exchange for the proprietary account(s) of such broker-dealer, including a market maker located on an exchange or trading floor other than the Exchange's trading floor who elects to deliver orders via AUTOM for the proprietary account(s) of such market maker.

(ii) The Exchange[^{'s} Options Committee] may determine to accept additional types of orders as well as to discontinue accepting certain types of orders.

(iii) Orders may not be unbundled for the purposes of eligibility for AUTOM and AUTO-X, nor may a firm solicit a customer to unbundle an order for this purpose.

(c) **[AUTO-X.—**AUTO-X is a feature of AUTOM that automatically executes eligible market and marketable limit orders up to the number of contracts permitted by the Exchange for certain strike prices and expiration months in equity options and index options, unless the Options Committee determines otherwise. AUTO-X] Phlx XL automatically executes eligible orders using the Exchange disseminated quotation (except if executed pursuant to the NBBO Feature in sub-paragraph (i) below) and then automatically routes execution reports to the originating member organization. AUTOM orders not eligible for AUTO-X are executed manually in accordance with Exchange rules. Manual execution may also occur when AUTO-X is not engaged, such as pursuant to sub-paragraph (iv) below. An order may also be executed partially by AUTO-X and partially manually. The terms "Book Match" and "Book Sweep" are subsumed under the term "AUTO-X" for purposes of these rules.

In Phlx XL II, respecting situations in which the Quote Exhaust or Market Exhaust feature are engaged, the system will automatically execute transactions as set forth in Rule 1082.

The [Options Committee] Exchange may for any period restrict the use of AUTO-X on the Exchange in any option or series provided that the effectiveness of any such restriction shall be conditioned upon its having been approved by the Securities and Exchange Commission pursuant to Section 19(b) of the Securities Exchange Act of 1934 and the rules and regulations thereunder. Any such restriction on the use of AUTO-X approved by the [Options Committee] Exchange will be clearly communicated to Exchange membership and AUTOM users [through an electronic message sent via AUTOM] on the Exchange's web site [and through an Exchange information circular]. Such restriction would not take effect until after such communication has been made.

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) NBBO Calculation

(A) Where [the Chairperson of the Options or his designee, in the case of equity or 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,] an Options Exchange Official[] 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 an] Options Exchange Official [(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 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,] an Options Exchange Official[, will] 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.

(ii) Order Entry Firms and Users

(A) Definitions

- (1) The term "Order Entry Firm" means a member organization of the Exchange that is able to route orders to AUTOM.
- (2) The term "User" means any person or firm that obtains access to AUTO-X through an Order Entry Firm.

(B) Obligations of Order Entry Firms. Order Entry Firms shall:

- (1) Comply with all applicable Exchange options trading rules and procedures;
- (2) Provide written notice to all Users regarding the proper use of AUTO-X; and

(C) Order Entry Firms shall comply with the following requirements when interacting with orders on the limit order book which they represent as agent.

- (1) **Principal Transactions:** Order Entry Firms may not execute as principal against orders on the limit order book they represent as agent unless: (a) agency orders are first exposed on the limit order book for at least one (1) second, (b) the Order Entry Firm has been bidding or offering on the Exchange for at least one (1) second prior to receiving an agency order that is executable against

such order, or (c) the Order Entry Firm proceeds in accordance with the crossing rules contained in Rule 1064.

(2) Solicitation Orders. Order Entry Firms must expose orders they represent as agent for at least one (1) second before such orders may be automatically executed, in whole or in part, against orders solicited from members and non-member broker-dealers to transact with such orders.

(3) It shall be a violation of Rule 1080 (c)(ii)(C) for any Exchange member or member organization to be a party to any arrangement designed to circumvent Rule 1080 (c)(ii)(C) by providing an opportunity for a customer, member, member organization, or non-member broker-dealer to execute immediately against agency orders delivered to the Exchange, whether such orders are delivered via AUTOM or represented in the trading crowd by a member or a member organization.

(iii) Quotations Interacting With Limit Orders on the Book.

(A) Respecting options traded on the Phlx XL system, [W] when the bid or offer generated by the Exchange's Auto-Quote system, SQF (as defined in Commentary .01(b)(i) of this Rule), or by an SQT or RSQT (as defined in Rule 1014(b)(ii)) matches or crosses the Exchange's best bid or offer in a particular series as established by an order on the limit order book, orders on the limit order book in that series will be automatically executed and automatically allocated in accordance with Exchange rules. If Book Sweep is not engaged at the time the Auto-Quote, SQF, RSQT or SQT bid or offer matches or crosses the Exchange's best bid or offer represented by a limit order on the book, the specialist, RSQT, or SQT may manually initiate the Book Sweep feature.

(B) Respecting options traded on the Phlx XL II system, Market Sweep will replace Book Sweep order processing. A Market Sweep is composed of one or more single-sided quotes submitted by a Phlx XL II participant to automatically execute at multiple order price levels and a single quote price level. A Market Sweep will execute against both quotes and orders, but when a quote level is exhausted, the system will cancel the balance of the Market Sweep back to the entering party to allow quotes to be updated. Market Sweeps are processed on an immediate-or-cancel basis, may not be routed, may be entered only at a single price, and may not trade through away markets

(iv) Except as otherwise provided in this Rule, in the following circumstances, an order otherwise eligible for automatic execution will instead be manually handled by the specialist:

(A) RESERVED;

- (B) Respecting options traded on Phlx XL, the AUTOM System is not open for trading when the order is received (which is known as a pre-market order);
- (C) Respecting options traded on Phlx XL, the disseminated market is produced during an opening or other rotation;
- (D) Respecting options traded on Phlx XL, [W] when the Exchange's best bid or offer is represented by a limit order on the book (except with respect to orders eligible for "Book Sweep" as described in Rule 1080 (c)(iii) above, and "Book Match" as described in Rule 1080 (g)(ii) below);
- (E) Respecting options traded on Phlx XL, if the Exchange's bid or offer is not the NBBO; and
- (F) Respecting options traded on Phlx XL, when the price of a limit order is not in the appropriate minimum trading increment pursuant to Rule 1034, including a Linkage P/A Order that has been sent from the Exchange to, and price-improved on, another exchange at a price expressed in other than such appropriate minimum trading increment, and then submitted to the Exchange for execution against the original customer limit order that gave rise to the Linkage P/A Order.
- (G) Respecting options traded on the Phlx XL II system, no orders will be executed manually.

The Exchange's systems are designed and programmed to identify the conditions that cause inbound orders to be ineligible for automatic execution. Once it is established that inbound orders are ineligible for automatic execution, Exchange staff has the ability to determine which of the above conditions occurred.

- (v) Respecting options traded on Phlx XL, [I]in situations in which the Exchange receives a market order that is not eligible for automatic execution because of any of the conditions described in Rule 1080 (c)(iv), such market order, if not already executed manually by the specialist, will nonetheless be executed automatically when: (A) a limit order resting on the limit order book or a quotation that was not priced at the NBBO at the time such market order was received, becomes priced at the NBBO; or (B) an inbound limit order or quotation priced at or better than the NBBO is received before the specialist has manually executed such market order. In each case, the AUTOM System will automatically execute the market order against such resting limit order or quotation, or against such inbound limit order or quotation, at or better than the NBBO price.
- (vi) When the Exchange's disseminated quotation is not the NBBO [(and, pursuant to Rule 1080 (c)(iv)(E), inbound orders otherwise eligible for automatic execution are instead handled manually by the specialist)]:

(A) Respecting options traded on the Phlx XL system: (1) Marketable public customer limit orders will be exposed to the trading crowd and to participants in Phlx XL for a period of one second following receipt. At the end of the one-second exposure period: (a) if the Exchange's disseminated price is not the NBBO, any unexecuted contracts remaining in such an order will be automatically sent as a P/A Order through the Intermarket Option Linkage to any other exchange whose disseminated price is the NBBO, subject to the provisions contained in Rules 1083-1087; or (b) if the Exchange's disseminated price is the NBBO, any unexecuted contracts remaining in such an order will be automatically executed up to the Exchange's disseminated size. Any remaining contracts will be sent as P/A Order(s) to the exchange(s) displaying the NBBO.

(2) Respecting options traded on the Phlx XL system, [F] for each option in which a specialist is assigned, such specialist shall submit to the Exchange prior written instructions for the routing of any P/A orders the specialist may send through AUTOM to the Intermarket Option Linkage in accordance with Rules 1083-1087. The Exchange's AUTOM System will route P/A Orders on the basis of these written instructions.

(B) Respecting options traded on the Phlx XL system, [M] marketable limit orders for the proprietary account(s) of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest, will be automatically cancelled, and a message indicating the cancellation will be automatically sent to the sender of the order.

(d) **Hours**—The AUTOM System accepts orders beginning at [8:00 A.M. (ET).] a time specified by the Exchange and communicated on the Exchange's web site. Orders received by the close of trading, as determined electronically by the AUTOM System, are eligible for execution. Orders received after such time will be rejected and returned to the order entry firm.

(e) **Extraordinary Circumstances**— Respecting options traded on the Phlx XL system, [I] in the event extraordinary circumstances with respect to a particular class of options exist, an Options Exchange Official 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, an Options Exchange Official, and a designated [surveillance] regulatory 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] regulatory staff that the extraordinary circumstances no longer exist and that the specialist is re-engaging AUTO-X; or (ii) when an Options Exchange Official and the designated [surveillance] regulatory staff person determine that the conditions supporting the extraordinary circumstances no longer exist. In the

event extraordinary conditions exist floor-wide, an Options Exchange Official [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), an Options Exchange Official, [the Chairperson of the Options or the Chairperson of the Foreign Currency Options Committee or his/her designee] and a designated [Market Surveillance] regulatory 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] regulatory 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 an Options Exchange Official, [the Chairperson of the Options Committee or the Chairperson of the Foreign Currency Options Committee or his/her designee] and the designated [Market Surveillance] regulatory 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 in the case of equity options or in the underlying currency in the case of U.S. dollar-settled foreign currency options; 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 Options Exchange Official 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] Exchange designee); and identification of the [Market Surveillance] regulatory 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) The Exchange's Emergency Committee, pursuant to Rule 98, may take other action respecting AUTOM in extraordinary circumstances.

(f) **Specialist Obligations**— Respecting options traded on Phlx XL, [A] a specialist must accept eligible orders delivered through AUTOM. A specialist must comply with the obligations of Rule 1014, as well as other Exchange rules, in the handling of AUTOM orders.

- (i) [A specialist is responsible for engaging AUTO-X with respect to an assigned option within three minutes after completing an opening or reopening rotation of that option. However, where extraordinary circumstances exist, an exemption may be obtained pursuant to paragraph (e) above.] RESERVED.
- (ii) A specialist must respond promptly to all messages communicated through AUTOM, including order entry, execution and cancellation and replacement of orders as well as administrative messages.
- (iii) A specialist is responsible for the remainder of an AUTOM order where a partial execution occurred.
- (iv) A specialist is responsible for the visibility to the trading crowd of both the screens displaying incoming AUTO-X orders as well as bids/offers for the at-the-money strike prices in displayed options.
- (v) To ensure proper notification to AUTOM users, a specialist must promptly notify the Surveillance Post of any AUTOM-related Options Exchange Official approval in order for such approval to be valid.

(g) **Contra-Party Participation**—[The contra-side to automatically executed orders may be: (i) an electronic quotation; or (ii) a booked customer limit order.] Respecting options traded on the Phlx XL system:

(A) **Book Match**—For purposes of this sub-paragraph, the contra-side to automatically executed inbound marketable orders shall be a limit order on the book or specialist, RSQT and/or SQT electronic quotes ("electronic quotes") at the disseminated price where: (1) the Exchange's disseminated size includes limit orders on the book and/or electronic quotes at the disseminated price; and (2) the disseminated price is the National Best Bid or Offer. This feature is called Book Match. However, respecting options trading on the Phlx XL II system, the contra-side to automatically executed inbound marketable orders can also be a sweep, pursuant to Rule 1082.

(h) **Responsibility for AUTOM Orders**—Respecting options traded on Phlx XL, [A] a member organization who initiates the transmission of an order message to the floor (the "initiating member") through AUTOM is responsible for that order message up to the point that a legible and properly formatted copy of the order message is received on the trading floor by the specialist unit. Thereafter, the specialist who is registered in the option specified in the order message is responsible for the contents of the order message received and is responsible for the order until one of the following occurs: (i) an

execution report for the entire amount of the order is properly sent; (ii) a cancellation acknowledgement is properly sent; or (iii) an order properly expires.

For the convenience of members using AUTOM, the Exchange provides an AUTOM Service Desk to assist on the trading floor in the operation of AUTOM. In accordance with Exchange By-Law Article XII, Section 12-11, the Exchange shall not be liable for any loss, expenses or damage resulting from or claimed to have resulted from the acts, errors or omissions of its agents, employees or members in connection with AUTOM, or the AUTOM System.

(i) – (j) No change.

(k) Electronic Streaming Quotations. [The Options Committee (in the case of equity and index options) and the Foreign Currency Options Committee (in the case of foreign currency options) may, on an issue-by-issue basis, determine the specific issues in which] SQTs may generate and submit option quotations if such SQT is physically present on the Exchange floor, and RSQTs may generate and submit option quotations from off the floor of the Exchange, electronically. [Such issues shall be known as "Streaming Quote Options."]

Respecting options trading on Phlx XL II, specialists, SQTs and RSQTs who are quoting in an option may also submit Sweeps, which are defined in and governed by Rule 1082.

(l) Directed Orders. [Respecting Streaming Quote Options traded on Phlx XL, s]Specialists, RSQTs and SQTs may receive Directed Orders (as defined in this Rule) in accordance with the provisions of this Rule 1080 (l).

(i) Definitions

(A) The term "Directed Order" means any customer order (other than a stop or stop-limit order as defined in Rule 1066) to buy or sell which has been directed to a particular specialist, RSQT, or SQT by an Order Flow Provider, as defined below. To qualify as a Directed Order, an order must be delivered to the Exchange via AUTOM.

(B) The term "Order Flow Provider" ("OFP") means any member or member organization that submits, as agent, customer orders to the Exchange.

(C) The term "Directed Specialist, RSQT, or SQT" means a specialist, RSQT, or SQT that receives a Directed Order.

(ii) When the Exchange's disseminated price is the NBBO at the time of receipt of the Directed Order, and the Directed Specialist, SQT or RSQT is quoting at the Exchange's disseminated price, the Directed Order shall be automatically executed and allocated in accordance with Rule 1014(g)(viii).

(iii) When the Exchange's disseminated price is the NBBO, and the quotation disseminated by the Directed Specialist, RSQT, or SQT on the opposite side of the market from the Directed Order is inferior to the NBBO at the time of receipt of the Directed Order, the Directed Order shall be automatically executed and allocated to those quotations and orders at the NBBO in accordance with Exchange Rule 1014(g)(vii).

(iv) If the Exchange's disseminated price is not the NBBO at the time of receipt of the Directed Order, the Directed Order shall be handled by the specialist in accordance with Exchange rules.

(m) Order Routing – The Phlx XL II system will route only customer FIND and SRCH Orders (as defined below) with no other contingencies. IOC Orders will be cancelled immediately if not executed, and will not be routed. Eligible orders can be designated as either available for routing or not available for routing. Customer FIND and SRCH Orders (as defined in Rule 1080(m)(iv) below) designated as available for routing will first be checked by the Phlx XL II system for available contracts for potential execution. After checking the Phlx XL II system for available contracts, orders are sent to other available market centers for potential execution. When checking the book, the Phlx XL II system will seek to execute at the price at which it would send the order to a destination market center. In situations where the Exchange's disseminated bid or offer is one minimum price variation inferior to the NBBO price, the Phlx XL II system will contemporaneously route to the away market(s) disseminating the NBBO at such away market's size, and trade at the Exchange's disseminated bid or offer up to its disseminated size. If contracts remain unexecuted after routing, they are posted on the book. Once on the book, should the order subsequently be locked or crossed by another market center, the Phlx XL II system will not route the order to the locking or crossing market center, except as specified below.

(i) Priority of Routed Orders. Orders sent to other markets do not retain time priority with respect to other orders in the Phlx XL II system and the Phlx XL II system shall continue to execute other orders while routed orders are away at another market center. Once routed by the Phlx XL II system, an order becomes subject to the rules and procedures of the destination market including, but not limited to, order cancellation. If a routed order is subsequently returned, in whole or in part, that order, or its remainder, shall receive a new time stamp reflecting the time of its return to the Phlx XL II system.

(ii) Entering member organizations whose orders are routed to away markets shall be obligated to honor such trades that are executed on away markets to the same extent they would be obligated to honor a trade executed on the Exchange.

(iii) (A) The Exchange shall route orders in options via Nasdaq Options Services LLC (“NOS”), a broker-dealer that is a member of an unaffiliated SRO which is the designated examining authority for the broker-dealer. NOS serves as the Routing Facility of the Exchange (the “Routing Facility”). The sole use of the Routing Facility by the Phlx XL II system will be to route orders in options listed and open for trading on the Phlx XL II system to away markets pursuant to Exchange rules on behalf of the Exchange. The Routing Facility is subject to regulation as a facility of the Exchange, including the requirement to file proposed rule changes under Section 19 of the Securities Exchange Act of 1934, as amended.

(B) Use of NOS to route orders to other market centers is optional. Parties that do not desire to use NOS must designate orders as not available for routing (a Do Not Route Order, as described in sub-paragraph (iv)(A) below).

(C) The Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the Routing Facility, and any other entity, including any affiliate of the Routing Facility, and, if the Routing Facility or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the Routing Facility or affiliate that provides the other business activities and the routing services.

(D) The books, records, premises, officers, directors, agents, and employees of the Routing Facility, as a facility of the Exchange, shall be deemed to be the books, records, premises, officers, directors, agents, and employees of the Exchange for purposes of and subject to oversight pursuant to the Act. The books and records of the Routing Facility, as a facility of the Exchange, shall be subject at all times to inspection and copying by the Exchange and the Commission.

(iv) The following order types are available:

(A) *DNR Order.* A DNR order will never be routed outside of Phlx regardless of the prices displayed by away markets. A DNR order may execute on the Exchange at a price equal to or better than, but not inferior to, the best away market price but, if that best away market remains, the DNR order will remain in the Phlx book and be displayed at a price one minimum price variation inferior to that away best bid/offer. Any incoming order interacting with such a resting DNR order will receive the best away market price. Should the best away market change its price, or move to an inferior price level, the DNR order will automatically re-price from its one minimum price variation inferior to the original away best bid/offer price to one minimum trading increment away from the new away best bid/offer price or its original limit price. Once priced at its original limit price, it will remain at that price until executed or cancelled. Should

the best away market improve its price such that it locks or crosses the DNR order limit price, the Exchange will execute the resulting incoming order that is routed from the away market that locked or crossed the DNR order limit price.

(B) *FIND Order.* A FIND order is an order that is routable upon receipt, or any time the option goes through an opening process. A FIND order on the Phlx XL II book during an opening, whether it is received prior to the opening or it is a GTC FIND order from a prior day, may be routed as part of the Opening Process. Once the Opening Process is complete, the FIND order is either eligible to trade at the Phlx price or placed on the Phlx book either at its limit price or at a price that is one Minimum Price Variation (“MPV”) from the ABBO price if it would otherwise lock or cross the ABBO. A FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is not marketable against the PBBO or the ABBO will be entered into the Phlx XL II book at its limit price. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at the PBBO price. If the FIND order has size remaining after exhausting the PBBO, it may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the ABBO price, or (2) be entered into the Phlx XL II book at its limit price, or one MPV through the ABBO if locking or crossing the ABBO. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is marketable against the PBBO when the ABBO is equal to the PBBO will be traded at the Exchange at the PBBO. If the FIND order has size remaining after exhausting the PBBO, it will initiate a Route Timer, not to exceed one second, in order to allow Phlx XL II participants and other market participants an opportunity to interact with the remainder of the FIND order. During the Route Timer, the FIND order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND order that is equal to or better than the ABBO price, the FIND order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a FIND order after the timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still at the same or a better price, the FIND order will route to the away market up to a size equal to the lesser of either (a) the away market’s size or (b) the remaining size of the FIND order. If the FIND order still has remaining size after routing, it will be entered into the Phlx

XL II book and posted at the same price at which it was routed. The FIND order will not eligible for routing until the next time the option series is subject to a new Opening Process.

A FIND order received during open trading that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer not to exceed one second in order to allow Phlx XL II participants and other market participants an opportunity to interact with the FIND order. During the Route Timer, the FIND order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the FIND order that is equal to or better than the ABBO price, the FIND order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a FIND order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the FIND order will route to the away market up to a size equal to the lesser of either: (a) the away market's size, or (b) the remaining size of the FIND order. If the FIND order still has remaining size, it will (i) trade at the next PBBO price up to one MPV through the ABBO price, subject to the order's limit price, or (ii) be entered into the Phlx XL II book and posted at (A) its limit price or (B) one MPV inferior to the ABBO price if its limit price is equal to or through the ABBO price. The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer. The FIND order will not be eligible for routing until the next time the option series is subject to a new Opening Process.

(C) SRCH Order. A SRCH order is an order that is routable at any time. A SRCH order on the Phlx XL II book during an opening, whether it is received prior to the opening or it is a GTC SRCH order from a prior day, may be routed as part of the Opening Process. Once the Opening Process is complete, a SRCH order is eligible either to: (1) trade at the Phlx price if that price is equal to or better than the ABBO or, if the ABBO is better than the Phlx price, orders have been routed to the ABBO markets for their full size; or (2) be routed to the ABBO if the ABBO price is the best price, and/or (3) be placed on the Phlx XL II book at its limit price if not participating in the Phlx opening at the opening price and not locking or crossing the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market (see below).

A SRCH order received during open trading that is not marketable against the PBBO or the ABBO will be entered into the Phlx XLII book. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

A SRCH order received during open trading that is marketable against the PBBO when the ABBO is inferior to the PBBO will be traded at the Exchange at the PBBO price. If the SRCH order has size remaining after exhausting the PBBO, it

may: (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to and including the price equal to the ABBO price, and/or (2) be routed, subject to a Route Timer not to exceed one second, to the ABBO markets if all Phlx interest at better or equal prices has been exhausted, and/or (3) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

A SRCH order received during open trading that is marketable against the PBBO when the ABBO is equal to the PBBO will be traded at the Exchange at the PBBO. If the SRCH order has size remaining after exhausting the PBBO, it will initiate a Route Timer not to exceed one second in order to allow Phlx XL II participants and other market participants an opportunity to interact with the SRCH order. During the timer, the SRCH order will be included in the PBBO at a price one MPV away from the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market up to a size equal to the lesser of either (a) the away market's size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size after routing, it may (1) trade at the next PBBO price (or prices) if the order price is locking or crossing that price (or prices) up to one MPV through the ABBO price, and/or (2) be routed, subject to a Route Timer not to exceed one second, to the ABBO markets if all Phlx interest at better or equal prices has been exhausted, and/or (3) be entered into the Phlx XL II book at its limit price if not locking or crossing the Phlx price or the ABBO. The Phlx XL II system will route and execute contracts contemporaneously at the end of the Route Timer. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

A SRCH order received during open trading that is marketable against the ABBO when the ABBO is better than the PBBO will initiate a Route Timer not to exceed one second in order to allow Phlx XL II participants and other market participants an opportunity to interact with the remainder of the SRCH order. During the Route Timer, the SRCH order will be included in the PBBO at a price one MPV inferior to the ABBO. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market up to a size equal to the lesser of

either: (a) the away market's size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size, it may: (1) trade at the next PBO price (or prices) if the order price is locking or crossing that price (or prices) up to one MPV through the ABBO price, and/or (2) be routed, subject to a Route Timer not to exceed one second, to the ABBO markets if all Phlx interest at better or equal prices has been exhausted, and/or (3) be entered into the Phlx XLII book at its limit price if not locking or crossing the Phlx price or the ABBO. Once on the book, the SRCH order is eligible for routing if it is locked or crossed by an away market.

A SRCH order on the Phlx XLII book may be routed to an away market if it is locked or crossed by an away market. If an ABBO locks or crosses the PBO which includes a SRCH order, the Phlx XL II system will initiate a Route Timer not to exceed one second in order to allow Phlx users an opportunity to interact with the SRCH order. During the Route Timer, the SRCH order remains in the PBO at its posted price. If, during the Route Timer, any new interest arrives opposite the SRCH order that is equal to or better than the ABBO price, the SRCH order will trade against such new interest at the ABBO price.

In the circumstances described in the preceding paragraph, what happens to a SRCH order after the Route Timer expires depends on the ABBO price at that time. If, at the end of the Route Timer, the ABBO is still the best price, the SRCH order will route to the away market up to a size equal to the lesser of either: (a) the away market's size, or (b) the remaining size of the SRCH order. If the SRCH order still has remaining size, that size will remain on the book.

Commentary:

.01 (a) Specialized Quote Feed. A specialist, RSQT or SQT may establish an option pricing model via a specialized connection [(in the case of equity option and index option contracts)], which is known as a specialized quote feed ("SQF").

(ii) Specialists, SQTs and RSQTs individually determine which model to select per option and may change models during the trading day. Each pricing model requires the specialist, SQTs and RSQTs to input various parameters, such as interest rates, volatilities (delta, vega, theta, gamma, etc.) and dividends.

(c)b If options trading systems throttle quotations for at least three minutes, the Chairperson of the Board of Governors or his designee may, for capacity management purposes, mandate that the specialized quote feed be set to update quotations based on a certain minimum movement in the underlying security or the underlying foreign currency for: (i) all options; (ii) index options only; or (iii) certain specified options, taking into account certain factors that may include, but are not limited to, the price of the underlying security, volatility in the underlying

security or the underlying foreign currency, or whether there has been any trading volume over the last two trading days. Such mandated minimum setting may continue for a period of 15 minutes, and may be continued every 15 minutes thereafter, provided that the Exchange's options trading systems are throttling quotations at the end of each such 15-minute period.

.02 The Electronic Order Book is the Exchange's automated limit order book, which automatically routes all unexecuted AUTOM orders to the book and displays orders real-time in order of price/time priority.

(a) (i) Except as provided in sub-paragraph (a)(ii) below, the AUTOM System will immediately display the full price and size of any limit order that establishes the Exchange's disseminated price or increases the size of the Exchange's disseminated bid or offer.

(ii) The AUTOM System will not display:

(A) An order executed upon receipt;

(B) An order where the customer who placed it requests that it not be displayed, and upon representation of such order in the trading crowd the Floor Broker announces in public outcry the information concerning the order that would be displayed if the order were subject to being displayed;

(C) A customer limit order for which, immediately upon receipt, a related order for the principal account of the specialist, reflecting the terms of the customer order, is routed to another options exchange;

(D) Orders received before or during a trading rotation, however, such limit orders will be displayed immediately upon conclusion of the applicable rotation if they represent the Exchange's best bid or offer;

(E) The following order types as defined in Rule 1066: Contingency Orders; One-Cancels-the-Other Orders; Hedge Orders (e.g., spreads, straddles, combination orders); Synthetic Options;

(F) Immediate or Cancel ("IOC") orders.

(b) Limit orders may only be placed on the limit order book by: (i) An ROT via electronic interface with AUTOM pursuant to Rule 1014, Commentary .18; (ii) a Floor Broker using the Options Floor Broker Management System (as described in Commentary .06 below); or (iii) the AUTOM System for eligible customer and off-floor broker-dealer limit orders.

(c) A limit order to be executed manually by the specialist pursuant to Rule 1080 (c)(iv) will be displayed automatically by the AUTOM System until such limit order

is executed or cancelled. If such limit order is partially executed, the AUTOM System will automatically display the actual number of contracts remaining in such limit order.

.03 [The Exchange entered into an agreement with the American Stock Exchange, L.L.C. ("Amex") licensing its options technology ("Amex technology") for purposes of trading and processing certain options on the Phlx trading floor. In connection with member or member organization use of such Amex technology on the Exchange trading floor, Amex, the National Association of Securities Dealers, Inc. or any of their respective officers, directors, employees, agents, affiliates or members shall not be liable for any damages sustained by a member or member organization growing out of the use or enjoyment of such Amex technology. Member organizations using such Amex technology shall not copy (except for backup and archival purposes), modify, disclose, damage, improve or create derivative works from, sublease, assign or in any other way permit use by any other third party of such Amex technology. Any such act shall result in liability to the Amex parties.]
RESERVED.

.04 *ROT Limit Orders.* Orders for the proprietary accounts of SQTs, RSQTs and non-SQT ROTs may be entered for delivery through AUTOM, through the use of Exchange approved proprietary systems to interface with AUTOM ("interface"). Such orders shall be for a minimum of one (1) contract. Orders for the proprietary account(s) of non-SQT ROTs with a size of less than 10 contracts shall be submitted as IOC only. Orders for the proprietary account(s) of SQTs and RSQTs shall be submitted as IOC only.

.05 [Off-floor broker-dealer limit orders delivered through AUTOM must be represented on the Exchange Floor by a floor member.] Off-floor broker-dealer orders delivered via AUTOM shall be for a minimum size of one (1) contract. Off-floor broker-dealer limit orders are subject to the following other provisions:

- (i) The restrictions and prohibitions concerning off-floor market makers set forth in Rule 1080 (j).
- (ii) Off-floor broker-dealer limit orders entered via AUTOM establishing a bid or offer may establish priority, and the specialist and crowd may match such a bid or offer and be at parity, except as provided in Exchange Rule 1014(g)(i)(A).

.06 *Options Floor Broker Management System.* The Options Floor Broker Management System is a component of AUTOM designed to enable Floor Brokers and/or their employees to enter, route and report transactions stemming from options orders received on the Exchange. The Options Floor Broker Management System also is designed to establish an electronic audit trail for options orders represented and executed by Floor Brokers on the Exchange,

such that the audit trail provides an accurate, time-sequenced record of electronic and other orders, quotations and transactions on the Exchange, beginning with the receipt of an order by the Exchange, and further documenting the life of the order through the process of execution, partial execution, or cancellation of that order. [The Exchange will begin deployment of the Options Floor Broker Management System on July 31, 2003, with floor-wide deployment to be completed not later than November 14, 2003.]

.07 RESERVED

.08 Complex Orders on Phlx XL

(a) - (c) No change.

(d) Complex Order Opening Process ("COOP").

(i) No change.

(ii) *****

(A) COOP Timer.

(1) Except as provided in sub-paragraph (2) below, a COOP Timer ("COOP Timer") will begin counting a number of seconds during which the Complex Order may not be traded. The COOP Timer is configurable to a period ranging from 0 to 600 seconds as determined by the Exchange and communicated to Exchange membership on the Exchange's web site [via Exchange Circular]. The COOP Timer will be configured for the same number of seconds for all options trading on the Exchange.

(2) – (4) No change.

(B) No change.

(e) Process for Complex Order Live Auction ("COLA"). Complex Orders on the Complex Order Book ("CBOOK," as defined below) may be subject to an automated auction process.

(i) – (ii) No change.

(iii) COLA Timer. The COLA will begin with a timing mechanism (a "COLA Timer"), which is a counting period not to exceed five (5) seconds during which Phlx XL participants may submit bids or offers that improve the cPBBO. The COLA Timer will be set for the same number of seconds for all options trading on the Exchange as determined by the Exchange and communicated to membership [via Exchange Circular] on the Exchange's web site. Complex Orders may be

cancelled at any time prior to the commencement of a COLA. [No Complex Order(s) in a particular Complex Order Strategy may be cancelled during the COLA for that Complex Order Strategy. Such Complex Orders may be cancelled following the completion of the COLA for that Complex Order Strategy.]

(iv)- (ix) No change.

(f) Complex Limit Order Book

(i) – (ii) No change.

(iii) Execution of Complex Orders in the CBOOK. Complex orders in the CBOOK will be executed without consideration of any prices that might be available on other exchanges trading the same contracts.

(A) A Complex Order resting on the CBOOK will execute automatically against: (1) quotes, [or] orders on the limit order book for the individual components of the order, or sweeps, provided that the Complex Order can be executed in full or in a permissible ratio by such quotes or orders (allocated in accordance with Exchange Rule 1014(g)(vii), and an SQT or RSQT quoting on all components of the Complex Order will have priority over SQTs and RSQTs quoting a single component, but not over customer orders); or (2) an incoming marketable Complex Order(s) that do(es) not trigger a COLA Timer, whichever arrives first.

(B) No change.

(g) No change.

* * * * *

Firm Quotations

Rule 1082. (a) Definitions.

(i) No change.

(ii) No change.

(A) No change.

(B) *****

(1) No change.

(2) Respecting options that are traded on the original Phlx XL system (“Phlx XL”), [I]f the Exchange’s disseminated size in a particular series [in a Streaming

Quote option] is exhausted at that price level, and no specialist, SQT or RSQT has revised their quotation immediately following the exhaustion of the Exchange's disseminated size at such price level, the Exchange shall automatically provide two-sided quotes that comply with the Exchange's rules concerning quote spread parameters on behalf of the specialist until such time as the specialist revises the quotation, with a size of one contract.

(3) Quote Exhaust. Respecting options that are traded on the Phlx XL II system (“Phlx XL II”), Quote Exhaust occurs when the Exchange’s disseminated market at a particular price level includes a quote, and such market is exhausted by an inbound contra-side quote or order (“initiating quote or order”), and following such exhaustion, contracts remain to be executed from the initiating quote or order through the initial execution price. The initial execution price that gives rise to Quote Exhaust is known as the “reference price.”

(a) Quote Exhaust Timer. When a Quote Exhaust occurs, the Phlx XL II system will initiate a “Quote Exhaust Timer” that will apply to all options traded on the Phlx XL II system, not to exceed one second, during which any Phlx XL II participant (including any participant(s) whose size was exhausted) may submit quotes, sweeps or orders at any price level.

(b) During the Quote Exhaust Timer, the Exchange will disseminate the reference price, provided that such price does not lock an away market, in which case, the Exchange will disseminate a bid and offer that is one Minimum Price Variation (“MPV”) from the away market price, with a size of zero on the opposite side of the market from remaining unexecuted contracts. If the remaining contracts in the initiating quote or order are either traded or cancelled during the Quote Exhaust Timer, the Quote Exhaust Timer will be terminated and normal trading will resume.

(c) New Interest on the Opposite Side of the Market. If the Exchange receives an order, quote or sweep on the opposite side of the market from the initiating quote or order during the Quote Exhaust Timer that locks or crosses the reference price at any time during the Quote Exhaust Timer, it will execute immediately against the initiating quote or order at the reference price. If the initiating quote or order that caused the Quote Exhaust is exhausted, the Quote Exhaust Timer will be terminated. With respect to any order, quote or sweep received on the opposite side of the market from the initiating quote or order during the Quote Exhaust Timer that is inferior to the reference price, the system will place any non-IOC order onto the book and cancel all non-marketable sweeps and IOC orders. IOC Orders will be cancelled immediately if not executed and will not participate in the Quote Exhaust process.

(d) New Interest on the Same Side of the Market. If the Exchange receives an order, quote or sweep on the same side of the market as the initiating quote or order during the Quote Exhaust Timer, the Phlx XL II system will cancel

any such sweep or IOC order. If such new quote or order, other than an IOC order, is a market or marketable limit order or marketable quote (i.e., priced at or through the reference price) the Phlx XL II system will display it at the reference price, with a disseminated size that is the sum of such order and/or quote plus the remaining contracts in the initiating order or quote.

(e) End of the Quote Exhaust Timer. At the end of the Quote Exhaust Timer, if there are still unexecuted contracts remaining in the initiating quote or order or any new interest on the same side of the market, the Phlx XL II system will calculate a new Phlx Best Bid/Offer (“PBBO”). The PBBO will include the remaining unexecuted portion of the initiating quote or order plus any new interest received on the same side of the market at the reference price, or if locking or crossing the ABBO, at one minimum trading increment away from the ABBO, for the full available size. The other side of the PBBO will be the actual Exchange interest at the best price.

The Phlx XL II system will conduct an Acceptable Range price “test” (as described below) to determine whether there is a valid next available price at which the Phlx XL II system may execute the remaining unexecuted contracts.

(f) Acceptable Range Test. The Phlx XL II system will conduct an Acceptable Range Test to determine if the next available price on the Exchange is within an Acceptable Range. The Phlx XL II system will calculate the Acceptable Range for the next available price by taking the reference price, plus or minus a value to be determined by the Exchange. (i.e., the reference price – (x) for sell orders and the reference price + (x) for buy orders).

(g) Quote Exhaust Resolution. The Phlx XL II system will first determine whether to trade at the next available Phlx price by comparing it to the Acceptable Range price (defined as, with respect to an initiating buy order, the highest price of the Acceptable Range, and, with respect to an initiating sell order, the lowest price of the Acceptable Range) and the Away Best Bid/Offer (“ABBO”) price to establish a “Best Price.”

(i) With respect to an initiating buy order, the Best Price is the lowest price of: (A) the next available Exchange offer; (B) the ABBO offer; or (C) the Acceptable Range price on the offer side of the market. With respect to an initiating sell order, the Best Price is the highest price of (D) the next available Exchange bid; (E) the ABBO bid; or (F) the Acceptable Range price on the bid side of the market.

(ii) Initiating quote or order does not lock or cross Best Price. If the price of the initiating quote or order (if a limit order) does not lock or cross the Best Price, the Phlx XL II system will post the remaining portion of the initiating quote or order at its limit price and normal trading will resume.

(iii) Initiating quote or order locks Best Price. If the initiating quote or order locks the Best Price, the system will execute, route if a routable order, and/or post, the initiating quote or order as follows:

(A) If the Best Price is the Exchange's next available price:

(1) standing alone, the system will execute the initiating quote or order at the Exchange's next available price up to the Exchange's disseminated size;

(2) and is equal to the ABBO price, any remaining unexecuted routable order volume from the execution on the Exchange will be routed away. After such routing, any remaining unexecuted contracts will be posted on the Exchange at the ABBO price;

(3) and is equal to the Acceptable Range price, any remaining unexecuted contracts from the execution on the Exchange will be posted at the Acceptable Range price;

(4) and is equal to both the ABBO price and the Acceptable Range price, any remaining order volume from the execution on the Exchange will be routed away and, after such routing, any remaining unexecuted contracts will be posted on the Exchange at the Acceptable Range price.

(B) If the Best Price is the ABBO where the ABBO is not equal to the next Phlx price:

(1) standing alone, the initiating order will be routed away up to the size of the ABBO and, after routing, any remaining unexecuted contracts from the initiating order will be posted on the Exchange at the ABBO price;

(2) and is equal to the Acceptable Range price, the initiating order will be routed away and, after such routing, any remaining unexecuted contracts will be posted on the Exchange at the ABBO price;

(3) if the Best Price is the Acceptable Range Price standing alone, the initiating quote or order will be posted on the Exchange at the Acceptable Range Price.

(iv) Initiating quote or order crosses Best Price. If the initiating quote or order crosses the Best Price, the Phlx XL II system will execute, route order volume, and/or post the initiating quote or order as set forth below:

(A) If the Best Price is the Exchange's next available price:

(1) standing alone, the Phlx XL II system will execute the initiating quote or order at the Exchange's next available price up to the Exchange's disseminated size;

(2) and is equal to the ABBO price, any remaining order volume from the execution on the Exchange will be routed away and, after such routing, any remainder volume will be posted on the Exchange at the ABBO price;

(3) and is equal to the Acceptable Range price, any remaining volume from the execution on the Exchange will be posted at the Acceptable Range price for a period of time not to exceed ten seconds and then cancelled after such period of time has elapsed. During this up to ten second period, the Phlx XL system will disseminate a bid and offer that is one minimum variation from the away market price, with a size of zero on the opposite side of the market from remaining unexecuted contracts;

(4) and is also equal to both the ABBO price and the Acceptable Range price, any remainder order volume from the execution on the Exchange will be routed away, and if after such routing, there still remain unexecuted contracts, the remainder will be posted on the Phlx at the Acceptable Range price for a period not to exceed ten seconds, and then cancelled after this time has elapsed. During this up to ten second period, the Phlx XL system will disseminate a bid and offer at the Acceptable Range price, with a size of zero on the opposite side of the market from remaining unexecuted contracts.

(B) If the Best Price is the ABBO:

(1) standing alone, the initiating order will be routed away and if after routing there remain unexecuted contracts, the remainder of the initiating order will be posted on the Phlx at the ABBO price;

(2) and is equal to the Acceptable Range price, the initiating order will be routed away and if after routing there remain unexecuted contracts, the remainder of the order will be posted on the Phlx at the ABBO price for a period not to exceed

ten seconds, and cancelled after this time has elapsed. During this period, the Phlx XL II system will disseminate a bid and offer at the Acceptable Range price, with a size of zero on the opposite side of the market from remaining unexecuted contracts.

(3) if the Best Price is the Acceptable Range Price standing alone, the initiating quote or order will be posted on the Exchange at the Acceptable Range Price for a period of time not to exceed ten seconds, and cancelled after this time has elapsed. During this up to ten second period, the Phlx XL II system will disseminate a bid and offer at the Acceptable Range price, with a size of zero on the opposite side of the market from remaining unexecuted contracts.

(v) Non-routable orders. If the initiating order is non-routable when the order would otherwise be routed according to the process described above, the order will be posted on the Exchange at a price that is one minimum trading increment inferior to the Best Price so as not to lock an away market.

(vi) If, after trading at the Phlx and/or routing, the remainder of the initiating order is still marketable, the entire process of evaluating the Best Phlx price and the ABBO will continue until:(A) the order size is exhausted, (B) the order reaches its limit price, or (C) the order is posted at the original Acceptable Range price.

(4) Market Exhaust. Market Exhaust occurs when there are no Phlx XL II participant (specialist, SQT or RSQT) quotations in the Exchange's disseminated market for a particular series and an initiating order in the series is received. In such a circumstance, the Phlx XL II system, using Market Exhaust, will initiate a Market Exhaust auction for the initiating order.

(a) If the Exchange's disseminated size in a particular series is exhausted at a particular price level, and no specialist, SQT or RSQT has revised their quotation immediately following the exhaustion of the Exchange's disseminated size at such price level, the Exchange will disseminate a bid of zero and an offer of \$200,000, each for a size of one contract plus any interest on the Phlx Book.

(b) Market Exhaust Auction. When an initiating order is received when there are no quotations in the Exchange market, the Phlx XL II system will immediately broadcast a notification (an "Auction Notification") to Phlx XL II participants. The Auction Notification will include the series, size and side of the market of the initiating order. The Auction Notification will not include the price. The Auction will be for a period of time not to exceed three seconds (the "Auction Period"). The Auction is used to

determine the best price at which the contracts in the initiating order may be executed (the “Auction Price”).

(c) Responses. Phlx XL II participants may submit bids and offers in response to the Auction Notification into the system until the end of the auction period. Such responsive bids and offers may be submitted to the system for the auction in three ways. First, Phlx XL II participants may submit a two-sided quote in response to the Auction Notification. Secondly, Phlx XL II participants may submit a single-sided, single-priced quotation for the auction to be known as “Auction Sweep” (defined below) that will be effective only for the Auction Period and cancelled at the end of that period if not executed. Finally, they may submit limit orders. IOC Orders will be cancelled immediately if not executed and will not participate in the Market Exhaust process. Any quote, Auction Sweep or order can be cancelled and/or replaced during the Auction Period. In addition, incoming orders from non-Phlx XL II participants and existing orders on the book will be eligible to participate at the end of the Auction Period, together with responses to the Auction Notification.

(i) Auction Sweep. An Auction Sweep is an electronic quotation submitted for execution against trading interest in the system. Auction sweeps may be entered at any price consistent with the minimum price variation applicable to the affected series, at single or multiple price level(s), and may be cancelled and re-entered. A single Phlx XL II participant may enter multiple Auction Sweeps, with each Auction Sweep at a different price level. If a Phlx XL II participant submits multiple Auction Sweeps, the Phlx XL II system will consider only the most recent Auction Sweep at each price level submitted by such Phlx XL II participant in determining the Exchange Auction Price. The Phlx XL II system will aggregate the size of all Auction Sweeps (i.e., for all Phlx XL II participants) at a particular price level for trade allocation purposes. Unexecuted Auction Sweeps will be cancelled once the auction is complete.

(d) End of the Auction Period. If at the end of the auction period, there are no quotes in the Exchange market that have an acceptable bid/ask differential as determined by the Exchange (a “valid-width auction quote”), the initiating order, plus all other Auction Sweeps and orders received during the auction period will be cancelled. Quotes that are not valid-width quotes will remain and a new PBBO will be calculated and disseminated.

(i) Auction Quote Range. If at the end of the Auction Period there are valid-width auction quotes, the Phlx XL II system will determine the allowable executable price range from the lowest valid-width auction

quote bid and the highest valid-width auction quote ask; this is the Auction Quote Range (“AQR”).

(ii) If the initiating order can be completely executed at or within the AQR and the ABBO, using contracts available from all available quotes, Auction Sweeps or orders priced at or within the AQR, a trade will be executed at the Exchange at the Auction Price.

(iii) If quotes, Auction Sweeps and orders submitted during the Auction Period would not allow the entire initiating order to trade at a price within the AQR without trading through the ABBO, the Phlx XL II system will perform the End of Route Timer Process.

(iv) In such a circumstance, the Phlx XL II system will determine if the total number of contracts displayed at the ABBO price on away markets would satisfy the number of marketable contracts available on the Exchange.

(A) If the total number of contracts priced at the ABBO would satisfy the number of marketable contracts available on the Exchange, the Phlx XL II system will route all marketable contracts on the Exchange to other markets at the ABBO price, and determine a PBBO that reflects the remaining Phlx interest without locking the away market. In this situation, the Phlx XL II system will price any contracts routed to other markets at the ABBO price.

(B) If the total number of contracts priced at the ABBO would not satisfy the number of marketable contracts the Exchange has, the Phlx XL II system will determine how many contracts it has available on the Exchange at a price equal to the ABBO. If the total number of ABBO contracts plus the number of contracts available on the Exchange at the ABBO price would satisfy the number of marketable contracts the Exchange has, the ABBO price becomes the Exchange Auction Price and the Phlx XL II system will trade available contracts on the Exchange at the Exchange Auction Price and contemporaneously route any remaining contracts to away markets at the Exchange Auction Price. In this situation, the Phlx XL II system will price any contracts routed to other markets at the away market price. The Exchange Auction Price will always be at or within the AQR.

(C) If the total number of ABBO contracts plus the number of contracts available on the Exchange at the ABBO price would not satisfy the number of marketable contracts the Exchange has, the Phlx XL II system will determine how many contracts are available on the Exchange at a price that is one Minimum Price

Variation (“MPV”) through the ABBO price. If the total number of ABBO contracts plus the number of contracts available on the Exchange at the ABBO price plus the number of contracts available on the Exchange at a price that is one MPV through the ABBO price would satisfy the number of marketable contracts the Exchange has, the price that is one MPV through the ABBO becomes the Exchange Auction Price and the system will contemporaneously route a number of contracts that will satisfy interest at the ABBO, trade available contracts on the Exchange at the ABBO, and trade a number of contracts that will satisfy interest on the Exchange at the Exchange Auction Price. In this situation, the Phlx XL II system will price any contracts routed to other markets at the Exchange Auction Price.

(D) Provisional Auction. If the total number of ABBO contracts plus the number of contracts available on the Exchange at the ABBO price plus the number of contracts available on the Exchange at a price that is one MPV through the ABBO price would not satisfy the number of marketable contracts the Exchange has, the system may repeat the auction process. The Phlx XL II system may repeat this process up to three times. If after that number of times, the Phlx XL II system still cannot either route and/or trade the entire initiating order, the Phlx XL II system will conduct a Provisional Auction by routing to markets at the ABBO for their disseminated size, and trading as many contracts as possible on the Exchange at the ABBO price and at a price that is one MPV through the ABBO price. In this situation, the Phlx XL II system will price any contracts routed to other markets at the ABBO price. The Auction is now complete. Accordingly, unexecuted Auction Sweeps will be cancelled by the Phlx XL II system. Any unexecuted contracts from the initiating order will be displayed in the Exchange quote at the Auction Price for a brief period not to exceed ten seconds and subsequently cancelled back to the entering participant if they remain unexecuted and priced through the Auction Price. During the brief period, the Phlx XL II system will disseminate a bid and offer that is equal to the Auction Price, with a size of zero on the opposite side of the market from remaining unexecuted contracts.

(E) The Exchange will execute orders at the auction price that have contingencies (such as All-or-None) and non-routable orders (such as a “Do Not Route” or “DNR” Orders), to the extent possible. The Exchange will only route non-contingency customer orders.

(F) If a Market Exhaust Auction is in progress at (1) the close of the trading day or (2) the time of a trading halt, the Market Exhaust Auction will be immediately terminated and no trades will occur.

(v) Priority at the end of the Auction. The system will give priority to market orders first (including limit orders that are treated as market orders), then to resting limit orders at the Auction Price. In order to preserve an orderly auction on the Exchange, inbound orders and quotes will not be included in the calculation of the Auction Price for a brief period while the Phlx XL II system is in the process of completing the Auction trade. During this period, inbound orders and quotes will be queued on the Phlx XL II system in the order in which they are received. After this period once the Auction is complete, such inbound orders and quotes will be processed by the Phlx XL system in order of their arrival.

(C) No change.

(iii) – (iv) No change.

(b) – (d) No change.

Commentary:

.01- .03 No change.

* * * * *

A-12 Opening Rotations

For options trading on Phlx XL,[O] openings and re-openings in options are to be conducted as provided by Exchange Rules 1017 and 1047.

For options trading on Phlx XL,[M] manual rotation procedures allow a brief period of auction pricing for each option series during which bids and offers, including bids and offers submitted electronically by SQTs and/or RSQTs, and transactions for that option may normally only occur in that series.

For options trading on Phlx XL and Phlx XL II,[A] automated openings are conducted by the Exchange's systems based on the process described in Rule 1017. An automated opening conducted pursuant to Rule 1017 shall be considered a "rotation" for purposes of this Advice.

For options trading on Phlx XL, [R] respecting manual openings conducted in accordance with the Commentary to Rule 1017, the specialist must accept and include in the opening for equity options all market orders which are placed on the book prior to the opening in

the underlying security. Market orders that are received following the opening in the underlying security but prior to the opening in the overlying option will be accepted, but will not be included in the opening trade. The specialist must accept and include in the opening for U.S. dollar-settled foreign currency options all market orders which are placed on the book prior to market opening. Market orders have precedence over limit orders at an opening regardless of account type (i.e. customer, Firm, broker-dealer, ROT, specialist) except that a limit order to buy which is at a higher limit than the price at which the option is to be opened and a limit order to sell which is at a lower limit than the price at which the option is to be opened are to be treated as market orders in connection with an opening (PHLX Rule 1017). Limit orders at the opening price are afforded participation on the opening in accordance with the Exchange's parity/priority rule (PHLX Rule 1014).

[Respecting both automated openings and manual openings conducted pursuant to Rule 1017 and the Commentary thereto, the price of an opening transaction in an option series may only be arranged at a price that is within an acceptable range (as determined by the Options Committee in the case of an equity option and as determined by the Foreign Currency Options Committee in the case of U.S. dollar-settled foreign currency options 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 lower boundary may be 75% of the lowest bid).]

FINE SCHEDULE (Implemented on a two-year running calendar basis)

1st Occurrence	\$250.00
2nd Occurrence	\$500.00
3rd Occurrence	\$1,000.00
4th Occurrence and Thereafter	Sanction is discretionary with Business Conduct Committee

* * * * *

A-14 Equity Option and Index Option Opening Parameters

Respecting [both automated] openings on the Phlx XL II system, [and manual openings] pursuant to Rule 1017 [and the Commentary thereto] , the price of an opening transaction in an option series may only be arranged at a price that is within an acceptable Opening Quote [r] Range (“OQR”) (as determined by the [Options Committee in the case of an equity option and as determined by the Foreign Currency Options Committee in the case of U.S. dollar-settled foreign currency options] Exchange and announced to the membership [via regulatory circular] on the Exchange’s web site) [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 lowest bid)] The

Phlx XL II system will calculate an OQR for a particular series, which establishes a high and low boundary for an acceptable opening price, outside of which opening trades will not take place on the Exchange. To do so, for each series, the system will consider all quotations within the applicable bid/ask differentials as defined in Exchange Rule 1014(c)(i)(A)(1)(a) and determine the lowest bid minus an amount determined by the Exchange (the “Minimum OQR”) and highest offer plus an amount to be determined by the Exchange (the “Maximum OQR”).

FINE SCHEDULE (Implemented on a two-year running calendar basis)

1st Occurrence	\$250.00
2nd Occurrence	\$500.00
3rd Occurrence	\$1,000.00
4th Occurrence and Thereafter	Sanction is discretionary with Business Conduct Committee

* * * * *

[G-2 Trading Rotations, Halts or Reopenings

(a) Openings:

- (i) Industry Index—The opening rotation for industry index options may be held after underlying securities representing 50% of the current index value of all the securities underlying the index have opened for trading on the primary market.

Once the underlying securities representing 100% of the current index value of all the securities underlying the index have opened for trading on the primary market, the opening rotation shall be held as soon as practicable.

- (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 Advice, unless the Exchange determines it is in the public interest to halt trading at an earlier time.

(iii) For the purposes of this Rule, an underlying security shall be deemed to have opened for trading on the primary market if such market has

(i) reported a transaction in the underlying security or

(ii) disseminated opening quotations for the underlying security and not given an indication of a delayed opening.

(iv) With respect to automated openings in an Industry or Market Index conducted pursuant to Rule 1017, the specialist may engage the automated opening system to open such options when underlying securities representing 50% of the current index value of all the securities underlying the index have opened for trading on the primary market. The system will automatically open such options when underlying securities representing 100% of the current index value of all the securities underlying the index have opened for trading on the primary market.

(v) An automated opening conducted pursuant to Rule 1017 shall be considered a "rotation" for purposes of this Advice.

(b) Modified rotations: In addition to the opening rotation procedure provided in paragraph (a) of this rule, the specialist may conduct a rotation in accordance with Rule 1047, Commentary .01 (b).

(c) Halts: Trading on the Exchange in any option may be halted with the approval of 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 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 the following:

(i) trading has been halted or suspended in the market that is the primary market for a plurality of the underlying stocks;

(ii) the current calculation of the index derived from the current market prices of the stocks is not available; or

(iii) other unusual conditions or circumstances detrimental to the maintenance of a fair and orderly market are present.

(iv) In the event that trading is halted on the primary market in underlying securities representing more than 10% of the current index value, the specialist may halt trading in the option overlying such index, subject to the approval of an Options Exchange Official within five minutes of the halt in trading in the option.

(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 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.

(e) No closing rotation for expiring index options shall be required.

(f) Index Options Trading after 4:00P.M. - With the prior approval of 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) Promptly after trading in underlying securities opens or re-opens, the Exchange commences an opening or re-opening rotation in the corresponding options class pursuant to paragraphs (a), (b) or (d) above; or

(ii) Such rotation was initiated due to unusual market conditions pursuant to this rule, notice of such rotation is disseminated to the trading floor, and the rotation does not commence until five minutes after the notice is disseminated.

(iii) If prior to 4:00 P.M., a trading rotation is in progress and 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 an Options Exchange Official.

(iv) Index Options Trading after 4:15 P.M. - In applying this provision to broad-based index options and the Super Cap Index option, the relevant time is 4:15 P.M.

FINE SCHEDULE

Fine not applicable]

* * * * *