

New text is underlined. Deleted text is [bracketed].

## NASDAQ OMX PHLX Rules of the Exchange

\* \* \* \* \*

### **Rule 505. Reserved.[Allocation, Reallocation and Transfer of Issues**

Upon allocation or transfer of an options class, the options class must be registered in either the name of the unit, the individual acting as specialist, or jointly in the name of the unit and the specialist ("Registrant"). Registrant must be Exchange members and approved specialists. The Registrant shall act as specialist for the security for at least one year. Options classes that are subject to a lease shall be registered in the name of the Registrant and the name of the unit performing specialist duties must be noted on the Registration form. The Registrant shall immediately notify the Exchange in writing, of any change to the registration form for any assigned issue.

#### ••• *Commentary:* -----

**.01** The Exchange may establish that a Registrant shall act as a specialist in an allocated options class for a minimum period defined by the Exchange not to exceed one year ("minimum specialist period"). If the Exchange establishes a minimum specialist period, it will communicate such period in solicitation applications (notices) pursuant to Rule 506.

The Exchange may re-allocate an options class after the minimum specialist period.]

### **Rule 506. Allocation Application, Allocation, Reallocation, and Transfer**

(a) When an options class is to be allocated or reallocated by the Exchange, the Exchange will solicit applications from all eligible specialist units. If the Exchange determines that special qualifications should be sought in the successful applicant, it shall indicate such desired qualifications in the notice.

(b) An allocation or reallocation application shall be submitted in writing to the Exchange's designated staff and shall include, at a minimum, the name and background of the head specialist and assistant specialist(s) (except that a Remote Specialist need not include an assistant specialist), the unit's experience and capitalization demonstrating an ability to trade the particular options class sought, and any other reasons why the unit believes it should be assigned or allocated the security. In addition, the Exchange may also require that the application include other information[ such as system acceptance/execution levels and guarantees]. The Exchange may re-solicit applications for any reason, including if it determines that its initial solicitation resulted in an insufficient number of applicants.

(c) Allocation, reallocation, or transfer decisions and automatic allocations shall be communicated in writing to Exchange members.

(d) Upon allocation, reallocation, or transfer of an options class, the options class must be registered in either the name of the specialist unit, or jointly in the name of the unit and the specialist ("Registrant"). Each Registrant must be an Exchange member and an approved specialist. The Registrant shall act as specialist for the options class for at least one year ("minimum specialist period"); unless some other period is defined by the Exchange pursuant to this rule. After expiration of the minimum specialist period, the Exchange may re-allocate the options class. Once the specialist unit is allocated, reallocated, or transferred an [issue]options class, such specialist unit shall immediately notify the Exchange in writing regarding any [change to the respective system acceptance/execution levels or any other ]material change in the application for any assigned [issue]options class.

(e) If a specialist unit seeks to withdraw from allocation in a security, it should so notify the Exchange at least one business day prior to the desired effective date of such withdrawal.

••• [*Supplementary Material:*]Commentary: -----

**.01** Allocation Preclusion. A specialist unit may not apply for any new listings (allocations) for a six (6) month period after an option was taken away from the specialist in: (i) an involuntary reallocation proceeding; or (ii) a disciplinary proceeding. Such specialist is also prohibited from applying for any new listings (allocations) for a second six month period unless the Exchange is satisfied that adequate corrective actions have been undertaken by the specialist.

**02.** Automatic Allocation of Options on Related Securities.

For purposes of Supplementary Material. 02 to this Rule 506, the term "Related Securities" means, but is not limited to: securities of a partially or wholly owned subsidiary; securities that are convertible into the securities of the issuer; warrants on securities of the issuer; securities issued in connection with a name change; securities issued in a reverse stock split; contingent value rights; "tracking" securities designed to track the performance of the underlying security or corporate affiliate thereof; securities created in connection with the merger or acquisition of one or more companies; securities created in connection with a "spin-off" transaction; convertible on non-convertible senior securities; and securities into which a listed security is convertible, where such Related Securities emanate from or are related to securities underlying options that are

currently allocated to a specialist on the Exchange ("Currently Allocated Options").

The term Related Securities does not include Exchange Traded Funds.

**.03 Alternate Specialist Period.**

The Exchange may establish that a Registrant shall act as a specialist in an allocated options class for a shorter period defined by the Exchange that is less than one year ("alternate specialist period"). If the Exchange establishes an alternate specialist period, it will communicate such period in solicitation applications (notices) pursuant to Rule 506.

After expiration of the alternate specialist period, the Exchange may re-allocate the options class.

\* \* \* \* \*