

PHILADELPHIA STOCK EXCHANGE

OPTION RULES

Applicability, Definitions and References

Rule 1000. (a) **Applicability.** The Rules in this Part shall be applicable to the trading on the Exchange in option contracts issued by the Options Clearing Corporation, the terms and conditions of such contracts, the exercise and settlement thereof, the handling of orders, and the conduct of accounts and other matters relating to options trading. Except to the extent that specific Rules in this Part govern or unless the context otherwise requires, the provisions of the By-Laws and of all other Rules and Policies of the Board of Governors shall be applicable to the trading on the Exchange of option contracts. Except to the extent the context otherwise requires, the provisions of the Rules in this Part regulating foreign currency options transactions that are applicable to foreign currency options participants and foreign currency options participant organizations are also applicable to members and member organizations, respectively, which, pursuant to By-Law Article XII, Section 12-6(a), enter into foreign currency options transactions.

(b) - (d) No change.

Position Limits

Rule 1001. Except with the prior written approval of the Exchange in each instance, no member or member organization shall effect, for any account in which such member or member organization has an interest or for the account of any partner, officer, director or employee thereof or for the account of any customer, an opening transaction (whether on the Exchange or on another participating exchange) in an option contract of any class of options dealt in on the Exchange if the member or member organization has reason to believe that, as a result of such transaction, the member or member organization or partner, officer, director or employee thereof or customer would, acting alone or in concert with others, directly or indirectly control an aggregate position: (a) of more than 13,500, 22,500, 31,500, 60,000 or 75,000 put or call option contracts on the same side of the market relating to the same underlying security, which limit is determined in accordance with commentary .05(a), in the case of options on a stock or Exchange-Traded Fund Share, (except with respect to put or call option contracts overlying the Nasdaq-100 Index Tracking Stock (“QQQ”)® for which the position limit shall be 300,000 contracts on the same side of the market,) or (b) with respect to a stock or Exchange-Traded Fund Share option not dealt in on the Exchange, exceeding the applicable position limit established by the exchange on which the option contract is transacted, when the member or member organization is not a member of that other exchange, or more than 200,000 put or call option contracts on the same side of the market relating to the same underlying foreign currency (except for the U.S. dollar, Italian lira, Spanish peseta, and the Mexican peso) in the case of options on a foreign currency, or such other number of option contracts as may be fixed from time to time by the Exchange as the position limit for one or more classes or series. Position limits for index warrants shall be determined in accordance with Commentary .05(d).

● ● ● *Commentary:*

.01 - .05 No change.

.06 (a) Control exists, under Rules 1001 and 1002, when it is determined that an individual or entity (1) makes investment decisions for an account or accounts, or (2) materially influences directly or indirectly the actions of any person who makes investment decisions.

(b) In addition, control will be presumed in the following circumstances:

(1) among all parties to a joint account who have authority to act on behalf of the account;

(2) among all general partners to a partnership account;

(3) when an individual or entity (1) holds an ownership interest of 10 percent or more in an entity (ownership interest of less than 10 percent will not preclude aggregation), or (2) shares in 10 percent or more of profits and/or losses of an account;

(4) when accounts have common directors or management;

(5) where a person or entity has the authority to execute transactions in an account;

(c) Control, presumed by one or more of the above findings or circumstances, can be rebutted by proving the factor does not exist or by showing other factors which negate the presumption of control. The rebuttal proof must be submitted by affidavit and/or such other documentary evidence as may be appropriate in the circumstances. The Exchange will also consider the following factors in determining if aggregation of accounts is required:

1) similar patterns of trading activity among separate entities;

2) the sharing of kindred business purposes and interests;

3) whether there is common supervision of the entities which extends beyond assuring adherence to each entity's investment objectives and/or restrictions;

4) the degree of contact and communication between directors and/or managers of separate accounts.

(d) Initial determinations under this Interpretation shall be made by the Market Surveillance Department of the Exchange. The initial determination may be reviewed by the [President]Chairman of the Exchange or his designee, based upon a report by the Market Surveillance Department of the Exchange. A member or customer directly affected by such a determination may ask the

[President]Chairman of the Exchange or his designee to reconsider but may not request any other review or appeal, except in the context of a disciplinary proceeding.

.07 - .08 No change.

(c) – (e) No change.

Rules 1002 – 1013 No change.

Obligations and Restrictions Applicable to Specialists and Registered Options Traders

Rule 1014. (a) – (h) No change.

● ● ● *Commentary:*

.01 - .07 No change.

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

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

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

(b) Any transaction for a member [firm or member corporation]organization for an account in which it has an interest:

(i) which results from an order entered off the Floor following a conversation relating thereto with a member on the Floor who is a partner of or stockholder in such member [firm or member corporation]organization; or

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

(iii) which results from an order entered off the Floor which is executed by a member on the Floor who is a partner of or stockholder in such member [firm or member corporation]organization and who had handled the order on a “not-held”

basis; provided, however, that the following are not on-Floor orders and such restrictions shall not apply to an order:

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

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

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

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

.09 - .17 No change.

Rules 1015 – 1049 No change.

Violation of By-Laws and Rules of Options Clearing Corporation

Rule 1050. A member, member organization or director of a member organization that is a corporation who or which shall be adjudged guilty in a proceeding under Article XVIII of the By-Laws of a violation of any provision of the rules of the Options Clearing Corporation with respect to the reporting, clearance or settlement of any transaction on the options trading floor of this Corporation, shall be subject to the same penalty or penalties as may be imposed for violation of an Exchange Rule.

Rules 1051- 1086 No change.

Rules Applicable to Trading of Options on Indices

Rules 1000A – 1103A No change.

Rules Applicable to Trading of Cash Index Participations

Applicability and Definitions

Rules 1000B -1012B **No change.**

PHILADELPHIA STOCK EXCHANGE

ITS RULES

Exchange Intermarket Trading System Rules

Rules 2000-2001A **No change.**

Liability Relating to Operation of ITS

Rule 2002. **(A)-(B)(b)** **No change.**

(B)(c) Whenever a clearing agency to which a System Transaction has been reported excludes such System Transaction from the clearance procedures conducted by such agency, either because such agency ceases to act (either with respect to transaction generally or as to a particular transaction) for a member or member organization, or because of the insolvency of such member or member organization, the Exchange may, but shall not be obligated to, assume and honor any one or more or all of such excluded System Transactions for the account of and on behalf of the member or member organization for which the clearing agency ceased to act or which is insolvent and, in any such case, the Exchange shall have a claim against such member or member organization in the amount of the loss incurred by the Exchange as a result of such assumption of such excluded System Transaction(s). The Exchange may assert such claim against such member or member organization in any appropriate forum[and, without limiting the generality of the foregoing, in connection with the transfer of any membership by such member, or by any member who is a general partner of such member organization, such claim shall be entitled to priority in payment as a sum due the Exchange under the provisions of Section 15-3 of Article XV of the By-Laws].