

Exhibit 5

Text of the Proposed Rule Change

Underlining indicates additions; [brackets] indicate deletions.

Rule 720. Obvious and Catastrophic Errors

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(a) No Change.

(b) *Obvious Error Procedure.* Market Control shall administer the application of this Rule as follows.

(1) No Change.

(2) Adjust or Bust. Market Control will determine whether there was an Obvious Error as defined above. If it is determined that an Obvious Error has occurred, Market Control shall take one of the actions listed below. Upon taking final action, Market Control shall promptly notify both parties to the trade.

(i) Where [each] no party to the transaction is a [market maker on the Exchange] Priority Customer, the execution price of the transaction will be adjusted by Market Control to the prices provided in paragraphs (A) and (B) below unless both parties agree to adjust the transaction to a different price or agree to bust the trade within ten (10) minutes of being notified by Market Control of the Obvious Error.

(A) Erroneous buy transactions will be adjusted to their Theoretical Price (1) plus \$.15 if the Theoretical Price is under \$3, and (2) plus \$.30 if the Theoretical Price is at or above \$3.

(B) Erroneous sell transactions will be adjusted to their Theoretical Price (1) minus \$.15 if the Theoretical Price is under \$3, and (2) minus \$.30 if the Theoretical Price is at or above \$3.

(ii) Where at least one party to the Obvious Error is [not a market maker on the Exchange] a Priority Customer, the trade will be busted by Market Control unless both parties agree to an adjustment price for the transaction within thirty (30) minutes of being notified by Market Control of the Obvious Error.

[(c) *Obvious Error Panel.*

(1) Composition. An Obvious Error Panel will be comprised of representatives from four (4) Members. Two (2) of the representatives must be

directly engaged in market making activity and two (2) of the representatives must be employed by an Electronic Access Member.

(2) Scope of Panel's Review. If a party affected by a determination made under this Rule so requests within the time permitted in (3) below, the Obvious Error Panel will review decisions made by Market Control under this Rule, including whether an Obvious Error occurred, whether the correct Theoretical Price was used, and whether an adjustment was made at the correct price. A party may also request that the Obvious Error Panel provide relief as provided in this Rule in cases where the party failed to provide the notification required in paragraph (c)(1) and Market Control declined to grant an extension, but unusual circumstances must merit special consideration.

(3) Procedure for Requesting Review. A request for review must be made in writing within thirty (30) minutes after a party receives verbal notification of a final determination by Market Control under this Rule, except that if notification is made after 3:30 p.m. Eastern Time, either party has until 9:30 a.m. Eastern Time the next trading day to request review. The Obvious Error Panel shall review the facts and render a decision on the day of the transaction, or the next trade day in the case where a request is properly made after 3:30 on the day of the transaction or where the request is properly made the next trade day.

(4) Panel Decision. The Obvious Error Panel may overturn or modify an action taken by Market Control under this Rule upon agreement by a majority of the Panel representatives. All determinations by the Obvious Error Panel shall constitute final Exchange action on the matter at issue.]

[(d)] (c) *Catastrophic Error Procedure*. Market Control shall administer the application of this Rule as follows.

(1) Notification. If a Member believes that it participated in a transaction that qualifies as a Catastrophic Error pursuant to paragraph (a)(2) above, it must notify Market Control by 8:30 am Eastern Time on the first trading day following the date the Catastrophic Error occurred. For transactions in an expiring options series that take place on expiration Friday, a Member must notify Market Control by 5:00 pm Eastern Time that same day. Relief will not be granted under this paragraph: (i) unless notification is made within the prescribed time period; and (ii) if [an Obvious Error] a Review Panel has previously rendered a decision with respect to the transaction(s) in question pursuant to paragraph (d).

(2) Adjust or Bust. Market Control will determine whether there was a Catastrophic Error as defined above. If it is determined that a Catastrophic Error has occurred, Market Control shall take one of the actions listed below.

Upon taking final action, Market Control shall promptly notify both parties to the trade.

[(2) Catastrophic Error Determination. A Catastrophic Error Tribunal, comprised of two (2) representatives of Members directly engaged in market making activity and two (2) representatives employed by Electronic Access Members, will determine whether the transaction(s) qualifies as a Catastrophic Error. If it is determined that a Catastrophic Error has occurred, the Tribunal will instruct Market Control to adjust the execution price of the transaction(s) according to subparagraph (3) below. If it is determined that a Catastrophic Error has not occurred, the Member will be subject to a charge of \$5,000. All determinations by the Catastrophic Error Tribunal shall constitute final Exchange action on the matter at issue.

(3) Adjustment. If it is determined that a Catastrophic Error has occurred, unless both parties agree to adjust the transaction(s) to a different price,]

(A) Where no party to the transaction is a Priority Customer, the execution price of the transaction(s) will be adjusted to the theoretical price (i) plus the adjustment value provided below for erroneous buy transactions, and (ii) minus the adjustment value provided below for erroneous sell transactions, unless both parties agree to adjust the transaction to a different price or agree to bust the trade within (10) minutes of being notified by Market Control of its determination:

Theoretical Price	Adjustment Value
Below \$2	\$1
\$2 to \$5	\$2
Above \$5 to \$10	\$3
Above \$10 to \$50	\$5
Above \$50 to \$100	\$7
Above \$100	\$10

(B) Where at least one party to the Catastrophic Error is a Priority Customer, the trade will be busted by Market Control unless both parties agree to an adjustment price for the transaction within thirty (30) minutes of being notified by Market Control of its determination.

(d) Review Panel.

(1) Composition. A Review Panel will be comprised of representatives from four (4) Members. Two (2) of the representatives must be

directly engaged in market making activity and two (2) of the representatives must be employed by an Electronic Access Member.

(2) Scope of Review Panel's Review. If a party affected by a determination made under this Rule so requests within the time permitted in (3) below, the Review Panel will review decisions made by Market Control under this Rule, including whether an Obvious Error occurred, whether the correct Theoretical Price was used, and whether an adjustment was made at the correct price. A party may also request that the Review Panel provide relief as provided in this Rule in cases where the party failed to provide the notification required in paragraph (b)(1) or (c)(1) and Market Control declined to grant an extension, but unusual circumstances must merit special consideration.

(3) Procedure for Requesting Review. A request for review must be made in writing within thirty (30) minutes after a party receives verbal notification of a final determination by Market Control under this Rule, except that if notification is made after 3:30 p.m. Eastern Time, either party has until 9:30 a.m. Eastern Time the next trading day to request review. The Review Panel shall review the facts and render a decision on the day of the transaction, or the next trade day in the case where a request is properly made after 3:30 on the day of the transaction or where the request is properly made the next trade day.

(4) Review Panel Decision. The Review Panel may overturn or modify an action taken by Market Control under this Rule upon agreement by a majority of the Review Panel representatives. If the Review Panel confirms determinations made by Market Control pursuant to paragraph (c) of this Rule without modification, the Member will be subject to a charge of \$5,000. All determinations by the Review Panel shall constitute final Exchange action on the matter at issue.

Supplementary Material to Rule 720

.01 When Market Control determines that an Error has occurred and action is warranted under paragraphs (b) or [(d)] (c) above, the identity of the parties to the trade will be disclosed to each other in order to encourage conflict resolution.

.02 To qualify as a representative of an Electronic Access Member on [an Obvious Error] a Review Panel [or Catastrophic Error Tribunal], a person must (i) be employed by a Member whose revenues from options market making activity do not exceed ten percent (10%) of its total revenues; or (ii) have as his or her primary responsibility the handling of Public Customer orders or supervisory responsibility over persons with such responsibility, and not have any responsibilities with respect to market making activities.

.03 The Exchange shall designate at least ten (10) market maker representatives and at least ten (10) Electronic Access representatives to be called upon to serve on [Obvious Error] Review Panels [and Catastrophic Error Tribunals] as needed. In no case shall [an Obvious Error] a Review Panel [or Catastrophic Error Tribunal] include a person related to a party to the trade in question. To the extent reasonably possible, the Exchange shall call upon the designated representatives to participate on [an Obvious Error] a Review Panel on an equally frequent basis.

.04 All determinations made by the Exchange, Market Control, [an Obvious Error] a Review Panel [or Catastrophic Error Tribunal] under this Rule shall be rendered without prejudice as to the rights of the parties to the transaction to submit a dispute to arbitration.

.05 - .08 No change.

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