

EXHIBIT 5

Proposed new text is underlined. Proposed deletions are [bracketed].

Phlx Option Rules

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Rule 721. Proper and Adequate Margin

(a) No Change.

(b) A member organization must elect to be bound by the initial and maintenance margin requirements of either the Chicago Board Options Exchange ("CBOE") or New York Stock Exchange ("NYSE") as the same may be in effect and amended from time to time.

(1) Such election shall be promptly made in writing by a notice filed with the Exchange.

(2) Upon the filing of such election, a member organization shall be bound to comply with the margin rules of CBOE or NYSE, as applicable, as though said rules were part of the Exchange's Margin Rules.

(A) Upon the filing of such election, a member organization engaged in trading Treasury securities options on the Exchange shall, in respect of such trading, comply with the NYSE initial and maintenance margin rules or CBOE margin rules in Chapter XII (not CBOE Government security option margin rules in Chapter XXI). Provided, however, that short Treasury security options traded on the Exchange shall follow the margin percentage requirements for short equity options in NYSE margin rules or the margin percentage requirements for short equity options in CBOE Chapter XII; and provided that portfolio margin shall not be applicable to Treasury securities options.

(c) – (d) No Change.

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Rule 1092. Obvious Errors and Catastrophic Errors

The Exchange shall either nullify a transaction or adjust the execution price of a transaction that results in an Obvious Error as provided in this Rule.

(a) (i) *Definition of Obvious Error.* For purposes of this Rule only, an Obvious Error will be deemed to have occurred when the execution price of a transaction is higher or lower than the Theoretical Price for a series by an amount equal to at least the amount shown below:

For equity and index options

Theoretical price	Minimum amount
Below \$2	\$.25
\$2 to \$5	\$.40
Above \$5 to \$10	\$.50
Above \$10 to \$20	\$.80
Above \$20	\$1.00

For foreign currency options

Theoretical price	Minimum amount
Below \$2	\$.25
\$2 to \$5	\$.40
Above \$5 to \$10	\$.50
Above \$10 to \$20	\$.80
Above \$20	\$1.00

For Treasury securities options

<u>Theoretical price</u>	<u>Minimum amount</u>
<u>Below \$2</u>	<u>\$.25</u>
<u>\$2 to \$5</u>	<u>\$.40</u>
<u>Above \$5 to \$10</u>	<u>\$.50</u>
<u>Above \$10 to \$20</u>	<u>\$.80</u>
<u>Above \$20</u>	<u>\$1.00</u>

- (ii) No Change.
- (b) No Change.
- (c) Absent Mutual Agreement as provided in Rule 1092(c)(iii) below, parties to a trade may have a trade nullified or its price adjusted if:
- (i) – (iii) No Change.
- (iv) Trading Halts. Trades on the Exchange will be nullified when:
- (A) The trade occurred during a trading halt in the affected option on the Exchange;
- (B) Respecting equity options (including options overlying ETFs), the trade occurred during a trading halt on the primary market for the underlying security; [or]

(C) Respecting index options, the trade occurred during a trading halt on the primary market in (y) underlying securities representing more than 10 percent of the current index value for stock index options, or (z) either component security of an Alpha Index for Alpha Index options[.]; or

(D) Respecting Treasury security options, the trade occurred during a trading halt of the underlying Treasury security instituted by the United States Government.

(v) No Change.

(d) - (g) No Change.

Commentary: -----

.01 - .02 No Change.

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Rules Applicable to Trading of Options on Treasury Securities (Rules 1000D—1026D)

Rule 1000D. Applicability of 1000D Series –Treasury Securities Options

Unless otherwise specified, the rules in this 1000D Series are applicable only to options on Treasury Securities of the United States Government (“Government”) as defined below (Treasury securities”). These rules apply to all options on Treasury securities that are notes or bonds, as defined. Except to the extent that specific rules in this Series govern, or unless the context otherwise requires, the provisions of the Option Rules applicable to options and of the By-Laws and all other Rules and Policies of the Board of Directors shall be applicable to the trading on the Exchange of options on Treasury securities.

Rule 1001D. Definitions – Treasury Securities Options

(a) The following terms as used in the Rules in this Series shall, unless the context otherwise indicates, have the meanings herein specified regarding options on Treasury securities.

(1) *Treasury Securities* - The term "Treasury securities" (also known as Treasury debt securities) means a bond or note or other evidence of indebtedness that is a direct obligation of, or an obligation guaranteed as to principal or interest by, the United States or a corporation in which the United States has a direct or indirect interest (except debt securities guaranteed as to timely payment of principal and interest by the Government National Mortgage Association). Securities issued or guaranteed by individual departments or agencies of the United States are sometimes referred to by

the title of the department or agency involved (e.g. a "Treasury security" is a debt instrument that is issued by the United States Treasury).

(2) Treasury note - The term "Treasury note" means a note issued by the U.S. Treasury with a term to maturity of at least two years but no more than ten years at the time of original issuance.

(3) Treasury bond - The term "Treasury bond" means a bond issued by the U.S. Treasury with a term to maturity of more than ten years at the time of original issuance.

(4) Specific cusip option - The term "specific cusip option" means an option having a specifically identified underlying Treasury security, which is required to be delivered upon exercise.

(5) Exercise Price - The term "exercise price" in respect of a specific cusip option means the specified price at which the underlying Treasury security may be purchased or sold upon the exercise of the option contract.

(6) Aggregate Exercise Price - The term "aggregate exercise price" in respect of a specific cusip option means the exercise price of an option contract multiplied by the principal amount of the underlying Treasury security covered by the option.

(7) Covered - The term "covered" in respect of a short position in a Treasury securities call option contract means that the writer holds in the same account on a principal for principal basis: (1) a long position in underlying Treasury securities that qualify for delivery upon exercise; (2) a long Treasury securities call option position for the same underlying security as the short call position where the expiration date of the long call position is the same as or subsequent to the expiration date of the short call position and the exercise price(s) of the long call position is equal to or less than the exercise price of the short call position; or (3) a custodial or Treasury securities escrow receipt pursuant to Rule 1022D. The term "covered" in respect of a short position in a Treasury securities put option contract means that the writer holds in the same account on a principal for principal basis: (1) a long Treasury securities put option position for the same underlying security as the short put position where the expiration date of the long put position is the same as or subsequent to the expiration date of the short put position and the exercise price(s) of the long put position is equal to or greater than the exercise price of the short put position or (2) a Treasury securities put guarantee letter pursuant to Rule 1022D.

Rule 1002D. Position Limits – Treasury Securities Options

(a) Establishment of Position Limit. In determining position limit compliance, options on a Treasury security shall be subject to a contract limitation (whether long or short) of the put type and the call type on the same side of the market covering a value no greater than 7.5% of the value of the initial or reopened public issuance, rounded to the next lower

\$100 million interval, combining for purposes of this position limit long positions in put options with short positions in call options, and short positions in put options with long positions in call options, or such other lower amount of options as may be fixed from time to time by the Exchange as the position limit for one or more classes or series of options.

(1) In no event shall the position limit exceed a position on either side of the market covering a value in excess of \$750,000,000 of the underlying securities.

(2) Reasonable notice shall be given of each new position limit fixed by the Exchange, by notifying members thereof via Options Trader Alert ("OTA").

(b) *Maintenance of Position Limit.* In the event that any of the underlying Treasury securities are reported as "separate trading of registered interest and principal of securities" ("strips") in the Monthly Statement of the Public Debt of the United States Government, or such other report or compilation as may be selected from time to time by the Exchange, such stripping shall be taken into account in determining whether the position limit as initially established under paragraph (a) ("the established position limit") can be maintained (the remaining non-stripped underlying securities are hereinafter referred to as "the non-stripped securities").

(1) The established position limit may remain so long as the position limit covers a principal amount of underlying securities not in excess of 7.5% of the non-stripped securities. In the event that the established position limit covers a principal amount of securities in excess of 7.5% of the non-stripped securities, the Exchange shall reestablish the position limit to cover a principal amount of underlying securities not in excess of 7.5% of the non-stripped securities. Revisions to the position limits as provided herein will become effective the Monday following the provision of notice thereof via OTA.

(2) Except as otherwise exempted under Exchange rules, persons whose positions exceed revised position limits may only engage in liquidating transactions until their positions are lower than the revised position limits.

Rule 1003D. Exercise Limits – Treasury Securities Options

In determining exercise limit compliance, the exercise limits for options on a Treasury security shall be equivalent to the position limits prescribed in Rule 1002D.

Rule 1004D. Reports Related to Position Limits and Liquidation of Positions – Treasury Securities Options

For purposes of Rules 1003 and 1004, references to Rule 1001 in connection with position limits shall be deemed, in the case of Treasury securities options, to be to Rule 1002D. The reference in Rule 1003(a) to reports required of positions of 200 or more options shall, in the case of Treasury securities options, be revised to positions of options

covering \$20 million or more principal amount of underlying Treasury securities, for example, the 3.125% bonds due in the year 2042.

Rule 1005D. Designation of Treasury Securities Options

Treasury securities options dealt in on the Exchange are designated by reference to the issuer of the underlying Treasury security, principal amount, expiration month (and year for the longest term option series), exercise price or nominal exercise price, type (put or call), stated or nominal rate of interest and stated date of maturity or nominal term to maturity (e.g. a specific cusip call option expiring in March and having an exercise price of 96 of the \$10,000 principal amount of a 3 3/4% Treasury bond that matures on August 15, 2041, is designated as a Treasury 3 3/4%—8/15/41 March 96 call.

Rule 1006D. Criteria for Securities Underlying Treasury Securities Options

(a) Treasury securities may be approved by the Exchange as underlying securities for Exchange transactions in specific cusip options, subject to such requirements as to size of original issuance, aggregate principal amount outstanding, and years to maturity.

(1) The original public sale of an underlying Treasury security shall be at least \$1 billion principal amount.

(2) In order to limit underlying Treasury securities that are approved for specific cusip options listings to the most recently issued and actively traded Treasury securities, Exchange approval of a Treasury security underlying Treasury options will only extend to the settled on-the-run Treasury security (“options listing timeframe”). However, the Exchange shall not approve a subsequent settled on-the-run Treasury security until after the expiration of all the options that are listed pursuant to the preceding options listing timeframe.

Any additional series of specific cusip Treasury options overlying the settled, on-the-run Treasury security may be opened only within the options listing timeframe.

(A) Notwithstanding, such Exchange approval of an underlying Treasury security may be extended in the event of the reopening of the underlying Treasury security by the Treasury, or in the event of issues where a reasonably active secondary market exists; and

(B) Prior to the end of an options listing timeframe, the Board (or a designee of the Board) shall withdraw approval of an underlying Treasury security at any time if it determines on the basis of information made publicly available by the Treasury that the security has a public issuance of less than \$750 million, excluding stripped securities.

Rule 1007D. Withdrawal of Approval of Underlying Treasury Securities or Options

(a) The Board (or a designee of the Board) may determine, for any reason, to withdraw approval of any Treasury security that was initially approved for options trading pursuant to Rule 1006D as underlying securities.

(b) After any announcement by the Exchange of any such withdrawal or approval, each member organization shall, if requested by a customer to effect an option transaction in such Treasury securities, inform such customer of the withdrawal of approval prior to affecting any transactions in such securities.

Rule 1008D. Terms of Treasury Securities Options

(a) *General.* A single Treasury security option covers \$10,000 principal amount of the underlying security. The expiration month and exercise price of Treasury security options of each series shall be determined by the Exchange at the time each series of options is first opened for trading.

(b) *Expiration Months.* Treasury security options will expire on a monthly basis, none further out than the opening timeframe and additional series as defined in Rule 1006D.

(c) *Exercise.* Treasury security options may be exercised only on the day that they expire. The exercise price of each series of Treasury security options shall be fixed at a price denominated in \$0.50. In the case of a specific cusip Treasury security option, the exercise price so determined shall be reasonably close to, and no more than 20% higher or lower than, the price at which the underlying security is traded in the primary market at the time the series of options is first opened for trading. The exercise price of such additional series will be fixed at a multiple of \$0.50.

Rule 1009D. Series of Treasury Securities Options Open for Trading

(a) *Initial Series of Specific Cusip Options.* The Exchange may open for trading specific cusip Treasury security options at any time following the auction sale of the underlying security. At the time options are initially opened for trading on a newly auctioned underlying Treasury security, the Exchange shall open a minimum of one expiration month and series for each class of options open for trading, pursuant to the requirements of Rule 1006D.

(b) *Additional Series of Options to Reflect Price Changes.* After a class of specific coupon Treasury security options has been opened for trading in accordance with paragraph (a) of this Rule, additional series of options of the same class may be opened when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or to reflect substantial changes in prices of the underlying Treasury securities, pursuant to the requirements of Rule 1006D.

Rule 1010D. Days and Hours of Business of Treasury Securities Options

Hours during which Treasury securities options transactions may be made on the Exchange shall correspond to the hours during which equity options are normally traded.

Rule 1011D. Trading Rotations – Treasury Securities Options

Rule 1047 regarding trading rotations, halts and suspensions shall be applicable to Treasury securities options.

Rule 1012D. Trading Halts and Suspension of Trading, Obvious and Catastrophic Errors – Treasury Securities Options

(a) Trading Halts and Suspension of Trading. In addition to the factors set forth in Rule 1047, a factor that may be considered by Options Exchange Officials in connection with the institution of trading halts is that current quotations for the underlying Treasury securities are unavailable or have become unreliable; or that there is a need to prevent an unfair and disorderly market.

(b) Errors. Rule 1092 regarding obvious errors and catastrophic errors shall be applicable to Treasury securities options.

Rule 1013D. Minimum Increment and Meaning of Premium Bids and Offers for Treasury Securities Options

(a) Treasury securities options shall have a minimum increment of \$.01.

(b) Bids and offers for Treasury securities options shall be expressed in \$.01 increments.

Rule 1014D. Specialist and Registered Option Trader Obligations and Electronic Trading – Treasury Securities Options

Rule 1014 regarding obligations and restrictions applicable to specialists and registered options traders and Rule 1080 regarding Phlx XL and XL II shall be applicable to Treasury securities options.

Rule 1015D. Accommodation Trading - Treasury Securities Options

Accommodation trading under the applicable terms and conditions of Rule 1059 shall be available in each series of Treasury securities option contracts open for trading on the Exchange. However, bids or offers for opening transactions at a price of \$1 per option contract may be executed only with closing transactions that cannot at that time in open outcry be executed with another closing transaction.

Rule 1016D. Reconciliation of Unmatched Trades – Treasury Securities Options

All members, member firms, and clearing members shall resolve unmatched trades in Treasury securities options from the previous day's trading no later than 9:00 a.m. (Eastern Time) of the following business day.

Rule 1017D. Responsibilities of Floor Brokers – Treasury Securities Options

A Floor Broker handling a contingency order for Treasury securities options that is dependent upon quotations or prices other than those originating on the floor shall be responsible for satisfying the dependency requirement on the basis of the most reliable information reasonably available to him concerning such quotations and prices but, in no event, shall be held to an execution of such an order. Unless mutually agreed by the members involved, an execution or non-execution that results shall not be altered by the fact that such information is subsequently found to have been erroneous.

Rule 1018D. Limit Book for Treasury Securities Options

There shall be a limit order book for Treasury securities options.

Rule 1019D. Bid / Ask Differentials - Treasury Securities Options

(a) Without limiting the general obligation to deal for his account as stated in Rule 1014, a Specialist or Registered Options Trader holding an appointment in Treasury securities options, in the course of maintaining a fair and orderly market, is expected to bid and/or ask (offer) so as to create differences of:

- (1) no more than \$0.25 between the bid and offer for each option contract for which the bid is less than \$1;
- (2) no more than \$0.50 where the bid is \$1 or more but less than \$5;
- (3) no more than \$0.80 where the bid is \$5 or more but less than \$10 ; and
- (4) no more than \$1 where the bid is \$10 or more.

(b) The bid/ask differentials specified in this rule shall apply only to the two nearest term series of each class of Treasury securities options. For all longer term series the maximum bid/ask differentials are double those listed above.

Rule 1020D. Allocation of Exercise Assignment Notices – Treasury Securities Options

(a) In the case of Treasury securities options, the method of allocation of exercise notices established pursuant to Rule 1043 may provide that an exercise notice of block size shall be allocated to a customer or customers having an open short position of block size and

that an exercise notice of less than block size shall not be allocated, to the extent feasible, to a customer having a short position of block size.

(b) A member organization shall allocate an exercise notice pertaining to a call option contract to a customer who has made a specific deposit of the underlying security if it is directed to do so by The Options Clearing Corporation (“OCC”).

(c) For the purposes of this Rule, an exercise notice or a short position in a series of options where the total principal amount is \$1 million or more and where the underlying security is a Treasury security shall be deemed to be of "block size."

Rule 1021D. Delivery and Payment - Treasury Securities Options

Payment of the aggregate exercise price shall be accompanied by payment of accrued interest on the underlying Treasury security from but not including the last interest payment date to and including the exercise settlement date as specified in the Rules of the OCC.

Rule 1022D. Margin Requirements - Treasury Securities Options

Exchange member organizations shall comply with initial and maintenance margin requirements per Rule 721.

Rule 1023D. Furnishing of Books, Records and Other Information – Treasury Securities Options

(a) No specialists or Remote Options Traders in Treasury securities options shall fail to make available to the Exchange such books, records or other information maintained by or in the possession of such member or any corporate affiliate of such member pertaining to transactions by such member or any such affiliate for its own account in Treasury securities, Treasury securities futures or in Treasury securities options as may be called for under the Rules or as may be requested in the course of any investigation, any inspection or other official inquiry by the Exchange. In addition, the provisions governing identification of accounts and reports of orders shall, in the case of specialists or Registered Options Traders in Treasury securities options, apply to (i) accounts for Treasury securities deliverable under the terms of the option contracts involved, Treasury securities futures, options on Treasury securities futures and Treasury securities options trading; and (ii) orders entered by the specialist or Registered Options Trader for the purchase or sale of Treasury securities deliverable under the terms of the options contracts involved, Treasury securities futures, options on Treasury securities futures, options on Treasury securities and opening and closing positions therein.

(b) Any corporate affiliate of a Specialist or Registered Options Trader in Treasury securities options shall maintain and preserve such books, records or other information as may be necessary to comply with this rule.

Rule 1024D. Communication Links – Treasury Securities Options

The Exchange will permit members to establish and maintain communication links with other members for the purpose of obtaining timely information on price movements in Treasury securities on which options are dealt in on the Exchange. Written notice of each such communication link shall be promptly filed with the Exchange. The Exchange may condition or terminate the use of any such communication link if the Exchange deems such action to be necessary or appropriate in the interest of maintaining a fair and orderly market or for the protection of investors.

Rule 1025D. Doing Business With the Public – Treasury Securities Options

(a) Approval of the accounts of customers shall be conducted in accordance with Rule 747 and, in the case of institutional options customers (i.e., customers that are not natural persons), a member organization shall seek to obtain the following information:

(1) evidence of authority for the institution to engage in Treasury securities options transactions (corporate resolutions, trust documents, etc.);

(2) written designation of individuals within the institution authorized to act for it in connection with Treasury securities options transactions; and

(3) basic financial information concerning the institution.

(b) As a general matter, supervisory qualifications of a Registered Options Principal may be demonstrated only by successful completion of an examination prescribed by the Exchange (e.g. Series 4) for the purpose of demonstrating an adequate knowledge of Treasury securities options and the underlying Treasury securities. In exceptional circumstances and when good cause is shown, however, the Exchange may, upon written request by a member organization, accept as a demonstration of equivalent knowledge other evidence of a Registered Options Principal's supervisory qualifications. Advanced age, physical infirmity or experience in fields ancillary to the investment banking or securities business will not individually of themselves constitute sufficient grounds to excuse a Registered Options Principal from the general requirement that supervisory qualifications be shown by successful completion of an appropriate examination.

(c) The conduct of Treasury securities option business at a branch office of a member organization may be supervised by any Registered Options Principal of the member organization.

(d) Any sales personnel of a member organization who solicit or accept customer orders with regard to options on Treasury securities shall be deemed qualified with regard to such options after such personnel successfully completed an examination prescribed by the Exchange for the purpose of demonstrating adequate knowledge of options and the underlying Treasury securities.