

**Exhibit 5**

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**Rule 110. Bids and Offers—[Precedence] Manner**

Bids and offers may be made simultaneously, as being essentially different propositions, and may be accepted without precedence of one over another. Bids and offers must be made in an audible tone of voice. A member shall be considered "in" on a bid or offer, while he remains at the post, unless he shall distinctly and audibly say "out." A member bidding and offering in immediate and rapid succession shall be deemed "in" until he shall say "out" on either bid or offer.

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**Rule 155. General Responsibility of Floor Brokers**

A Floor Broker handling an order is to use due diligence to [execute] cause the order to be executed at the best price or prices available to him in accordance with the Rules of the Exchange.

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**OPTIONS RULES****Rules Applicable to Trading of Options on Stocks, Exchange-Traded Fund Shares and Foreign Currencies (Rules 1000—1094)****Rule 1000. Applicability, Definitions and References**

(a) - (e) No change.

(f) All Exchange options transactions shall be executed in one of the following ways, once the Exchange's new Options Floor Broker Management System functionality has been operating for a certain period to be established by the Exchange:

(i) automatically by the Exchange Trading System pursuant to Rule 1080 and other applicable options rules;

(ii) by and among members in the Exchange's options trading crowd none of whom is a Floor Broker; or

(iii) through the Options Floor Broker Management System for trades involving at least one Floor Broker. Although Floor Brokers may represent orders in the trading crowd, Floor Brokers are not permitted to execute orders in the Exchange's options trading crowd, except as follows:

- (A) The Exchange may determine to permit executions otherwise than in accordance with subparagraphs (i) – (iii) above respecting an option or all options in the event of a problem with Exchange systems.
  - (B) In addition, Floor Brokers can execute orders in the options trading crowd pursuant to Rule 1059, Accommodation Transactions (cabinet trades), and Rule 1079, FLEX Equity, Index and Currency Options.
  - (C) Multi-leg orders with more than 15 legs can be executed in the trading crowd.
- (g) Manner of Bidding and Offering. Bids and offers to be effective must either be entered electronically in a form and manner prescribed by the Exchange (as quotes or orders) or made by public outcry in the trading crowd (to which Rule 110 applies). All bids and offers shall be general ones and shall not be specified for acceptance by particular members.
- Public Outcry - Pursuant to Rule 110, bids and offers must be made in an audible tone of voice. A member shall be considered "in" on a bid or offer, while he remains at the post, unless he shall distinctly and audibly say "out." A member bidding and offering in immediate and rapid succession shall be deemed "in" until he shall say "out" on either bid or offer. Once the trading crowd has provided a quote, it will remain in effect until: (A) a reasonable amount of time has passed, or (B) there is a significant change in the price of the underlying security, or (C) the market given in response to the request has been improved. In the case of a dispute, the term "significant change" will be interpreted on a case-by-case basis by an Options Exchange Official based upon the extent of the recent trading in the option and, in the case of equity and index options, in the underlying security, and any other relevant factors.

With respect to orders involving a Floor Broker using the Options Floor Broker Management System to execute an order pursuant to Rule 1000(f), a member must audibly say "out" before the Floor Broker submits the order into the FBMS for execution and, if the order is not executed, the member must audibly say "out" before each time the Floor Broker resubmits the order for execution.

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#### **Rule 1014. Obligations and Restrictions Applicable to Specialists and Registered Options Traders**

(a) – (f) No change.

(g) *Equity Option, Index Option and U.S. dollar-settled Foreign Currency Option Priority and Parity*

(i) – (v) No change.

(vi) In order to facilitate timely tape reporting of trades, it is the duty of the persons identified below to allocate, match and time stamp trades executed in open outcry and to submit the matched trade tickets to an Exchange Data Entry Technician ("DET") located on the trading floor immediately upon execution. Trades executed electronically via the XL System and through the Options Floor Broker Management System are automatically trade reported without further action required by executing parties:

(a) – (d) No change.

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### **Rule 1033. Bids And Offers—Premium**

(a) – (c) No change.

(d) Spread [Type] Priority. When a member holding a [hedge] multi-leg order, as defined in Rule 1066 and bidding or offering on the basis of a total credit or debit for the order has determined that the order may not be executed by a combination of transactions at or within the bids and offers established in the marketplace, then the order may be executed as a [hedge] multi-leg order at the total credit or debit with one other member with priority over either the bid or the offer established in the marketplace that is not better than the bids or offers comprising such total credit or debit, provided that[, the member executes] at least one option leg is executed at a better price than established bid or offer for that option contract AND no option leg is executed at a price outside of the established bid or offer for that option contract.

(e) Synthetic Option Orders. When a member holding a synthetic option order, as defined in Rule 1066, and bidding or offering on the basis of a total credit or debit for the order has determined that the order may not be executed by a combination of transactions at or within the bids and offers established in the marketplace, then the order may be executed as a synthetic option order at the total credit or debit with one other member, provided that[, the member executes] the option leg is executed at a better price than the established bid or offer for that option contract, in accordance with Rule 1014. Synthetic option orders in open outcry, in which the option component is for a size of 100 contracts or more, have priority over bids (offers) of crowd participants who are bidding (offering) only for the option component of the synthetic option order, but not over bids (offers) of public customers on the limit order book, and not over crowd participants that are willing to participate in the synthetic option order at the net debit or credit price.

(f) Three-Way Spread Type Priority. When a member holding a three-way order for foreign currency options determines that the order will be best served by bidding or offering on the basis of a total net credit or debit, the member may, after seeking bids and offers for the three-way order, seek to execute the order at a total credit or debit with one other member provided that at least one of the individual legs to the order is effected at a price better than the established bid or offer for that option contract and that no option leg is executed at a price outside of the established bid or offer for that option contract. For

purposes of this Rule, three-way orders include spread, straddle and combination orders of three individual series in the same foreign currency options where (i) the order size for each of the three individual series are equal to each other, or (ii) the combined order size of any two series on the same side of the market is either equal to the order size of the third series by a or differs from the order size of the third series by a permissible ratio. For purposes of this paragraph, a permissible ratio is any one of the following: one-to-one, one-to-two, one-to-three and two-to-three.

(g) Ratio Spread Type Priority. A spread order may consist of different numbers of contracts so long as the number of contracts differ by a permissible ratio (a "Ratio Spread"). Similarly, the legs to a straddle or combination order may consist of different numbers of puts and calls so long as the number of contracts differ by a permissible ratio. For the purposes of this paragraph, a permissible ratio is any ratio that is equal to or greater than one-to-three (.333) and less than or equal to three-to-one (3.00). For example, a one-to-two (.5) ratio, a two-to-three (.667) ratio, or a two-to-one (2.0) ratio is permissible, whereas a one-to-four (.25) ratio or a four-to-one (4.0) ratio is not.

(h) Multi-Spread Priority. When a member holding two spread type orders (spreads, straddles or combinations, as defined in Rule 1066) for the same account determines that the orders will be best served by bidding or offering on the basis of a total net credit or debit, the member may, after seeking bids and offers for the total of the two spread type orders, seek to execute both orders as a single transaction at a total net credit or debit with one other member, provided that at least one of the individual legs of each individual spread is executed at a better price than the established bid or offer for that option contract and that no option leg is executed at a price outside of the established bid or offer for that option contract.

(i) [Inter-Currency Spread Priority. When a member holding any one or more spread type orders (spreads, straddles or combinations, as defined in Rule 1066) in two different foreign currency options determines that the orders will be best served by bidding or offering on the basis of a total net credit or debit, the member may, after seeking bids and offers for the total of two orders, execute both orders as a single transaction at a total net credit or debit with one other member, provided that at least one of the individual legs of each individual spread is executed at a better price than the established bid or offer for that option contract and that no option leg is executed at a price outside of the established bid or offer for that option contract. In order to qualify, the spread must first be quoted as individual legs in each trading crowd and then as an inter-currency spread.]

Spread Type Priority. Through FBMS, Spread Type Orders consisting of a conforming ratio may be executed at a total credit or debit price with priority over individual bids or offers established in the marketplace (including customers) that are not better than the bids or offers comprising such total credit or debit, provided that at least one option leg is executed at a better price than the established bid or offer for that option contract and no option leg is executed at a price outside of the established bid or offer for that option contract.

**Rule 1060. Floor Broker Defined**

An Options Floor Broker is an individual who is registered with the Exchange for the purpose, while on the Options Floor, of accepting and [executing] handling options orders received from members and member organizations. An Options Floor Broker shall not accept an order from any other source unless he is the nominee of a member organization qualified to transact business with the public in which event he may accept orders from public customers of the organization.

**Rule 1063. Responsibilities of Floor Brokers**

- (a) *General Responsibility.* In addition to the Provisions of Rule 155 concerning due diligence, an Options Floor Broker shall ascertain that at least one Registered Options Trader is present at the trading post prior to representing an order for execution. This Rule 1063(a) shall not apply to a Floor Broker in any foreign currency option if no Registered Options Trader registered in such foreign currency option is present on the Exchange's trading floor at that time.
- (b) *Contingency order [or one-cancels-the-other order].* An Options Floor Broker handling a contingency order [or a one-cancels-the-other order] that is dependent upon the price of the underlying security shall be responsible for satisfying the dependency requirement on the basis of the last reported price of the underlying security in the primary market that is generally available on the Options Floor at any given time. Unless mutually agreed by the members involved, an execution or non-execution that results shall not be altered by the fact that such reported price is subsequently found to have been erroneous.
- (c) *Combination orders at the opening or close.* A Floor Broker shall not be held responsible for the execution of [executing] a single order combining different series of options based upon transaction prices that are established at the opening or close of trading or during any trading rotation.
- (d) No change.
- (e) (i) *Options Floor Broker Management System.* In order to create an electronic audit trail for equity, equity index and U.S. dollar-settled foreign currency options orders represented by Floor Brokers on the Exchange's Options Floor, a Floor Broker or such Floor Broker's employees shall, contemporaneously upon receipt of an order and prior to the representation of such an order in the trading crowd, record all options orders represented by such Floor Broker onto the electronic Options Floor Broker Management System (“FBMS”) (as described in Rule 1080, Commentary .06). The following specific information with respect to orders represented by a Floor Broker shall be recorded by such Floor Broker or such Floor Broker's employees: (i) the order type (i.e., customer, firm, broker-dealer, professional) and order receipt time; (ii) the option symbol; (iii) buy, sell, cross or cancel; (iv) call, put, complex (i.e., spread, straddle), or contingency order as described in Rule 1066; (v) number of contracts; (vi) limit price or market order or, in the case of a [complex] multi-leg order, net debit or credit, if applicable; (vii) whether the transaction is to open or close a position; and (viii) The Options Clearing Corporation

("OCC") clearing number of the broker-dealer that submitted the order (collectively, the "required information"). A Floor Broker must enter complete alpha/numeric identification assigned by the Exchange for all orders entered on behalf of Exchange Registered Option Traders. [Upon the execution of such an order, the Floor Broker shall enter the time of execution of the trade.] Any additional information with respect to the order shall be inputted into the Options Floor Broker Management System contemporaneously upon receipt, which may occur after the representation and execution of the order.

(ii) Pursuant to Rule 1000(f), Floor Brokers are not permitted to execute orders in the Exchange's options trading crowd (subject to certain exceptions). In the event of a malfunction in the [Options Floor Broker Management System] FBMS or in the event that the Exchange determines that Floor Brokers are permitted to execute orders in the Exchange's options trading crowd for a specific reason pursuant to Rule 1000(f)(iii), Floor Brokers shall record the required information on trade tickets, and shall not represent an order for execution which has not been time stamped with the time of entry on the trading floor. Such trade tickets shall be time stamped upon the execution of such an order. Floor Brokers or their employees shall either enter the required information that is recorded on such trade tickets into the Exchange's electronic trading system or ensure that such information is entered for inclusion in the electronic audit trail.

[(ii) Orders in Options Overlying Standard and Poor's Depositary Receipts ("SPDRs"). The requirements of sub-paragraph (e)(i) above shall apply to options overlying SPDRs beginning on March 28, 2005.]

(iii) Complex Calculator. The FBMS will calculate and display a suggested price of each individual component of a multi-leg order up to 15 legs submitted on a net debit or credit basis.

(iv) Execution. FBMS is also designed to execute two-sided orders entered by Floor Brokers, including multi-leg orders up to 15 legs, after representation in the trading crowd. When a Floor Broker submits an order for execution through FBMS, the order will be executed based on market conditions and in accordance with Exchange rules. FBMS execution functionality will assist the Floor Broker in clearing the Exchange book, consistent with Exchange priority rules. If the order cannot be executed, the System will attempt to execute the order a number of times for a period of no more than one second, which period shall be established by the Exchange and announced by Options Trader Alert, after which it will be returned to the Floor Broker on the FBMS. The Floor Broker may resubmit the order for execution, as long as the quotes/orders that comprise the cross have not been withdrawn. Floor Brokers are responsible for handling all FBMS orders in accordance with Exchange priority and trade-through rules, including Rules 1014, 1033 and 1084.

(f) No change.

••• *Commentary:* -----

**.01** No change.

**.02** Floor Brokers must make reasonable efforts to ascertain whether each order entrusted to them is for the account of a customer or a broker-dealer. If it is ascertained that the order is for the account of a broker-dealer, the responsible Floor Broker must advise the crowd of that fact prior to bidding/offering on behalf of the order or submitting [executing] the order for execution. The Floor Broker or his employees must make the appropriate notation on the Options Floor Broker Management System when it has been determined that the order is for an account of a broker/dealer.

**Rule 1064. Crossing, Facilitation and Solicited Orders**

(a) Except as provided in paragraph (e) below, an Options Floor Broker who holds orders to buy and sell the same option series may cross such orders, provided that he proceeds in the following manner:

- (i) In accordance with his responsibilities for due diligence, pursuant to Rule 155, an Options Floor Broker shall request bids and offers for such options series and make all persons in the trading crowd aware of his request.
- (ii) After providing an opportunity for such bids and offers to be made, he must bid and offer at prices differing by the minimum increment and must improve the market by bidding above the highest bid or offering below the lowest offer.
- (iii) If such higher bid or lower offer is not taken, he may cross the orders at such higher bid or lower offer by announcing by public outcry that he is crossing and giving the quantity and price. All such orders are not deemed executed until entered into and executed through the Options Floor Broker Management System (“FBMS”); bids and offers can be withdrawn pursuant to Rule 1000(g).

(b) *Facilitation Orders.* Except as provided in paragraph (e) below, a Floor Broker holding an options order for a public customer and a contraside order may cross such orders in accordance with paragraph (a) above or may execute such orders as a facilitation cross in the following manner:

- (i) The Floor Broker or his employees must enter the appropriate notation onto the Options Floor Broker Management System for the public customer's order, together with all of the terms of the order, including any contingency involving other options or the underlying or related securities.
- (ii) The Floor Broker shall request markets for the execution of all options components of the order. After providing an opportunity for such markets to be made, the Floor Broker shall announce that he holds an order subject to facilitation and shall bid (or offer) in between the market for each options component and disclose all terms and conditions of the order including all securities which are components of the order.

(iii) After all market participants in the crowd are given a reasonable opportunity to accept all terms and conditions made on behalf of the public customer whose order is subject to facilitation, the Floor Broker may immediately thereafter cross all or any remaining part of such order and the facilitation order at each customer's bid or offer by announcing by public outcry that he is crossing and by stating the quantity and price(s). All such orders are not deemed executed until entered into and executed through the Options Floor Broker Management System (“FBMS”); bids and offers can be withdrawn pursuant to Rule 1000(g).

Once a Floor Broker has announced an order as subject to facilitation and has established a bid (or offer) in between the market for the option(s) to be facilitated, the order cannot be broken up by a subsequent superior bid or offer for just one component to the facilitated order.

(c) *Solicited Orders.* Except as provided in paragraph (e) below, for the purpose of this Rule, a solicitation occurs whenever an order, other than a cross, is presented for execution in the trading crowd resulting from an away-from-the-crowd expression of interests to trade by one broker dealer to another.

(i) If a member appears in the trading crowd in response to a solicitation, other trading crowd participants must be given a reasonable opportunity to respond to the order which prompted the solicitation before the solicited member may respond to the order. Prior to a bid (or offer) being made on behalf of any such order the solicitor or his representative must identify the solicited party to the trading crowd and give all information to the trading crowd which was given to the solicited member.

(ii) A member or member organization representing an order in options ("originating order") may solicit another member, member organization or non-member broker-dealer outside the trading crowd ("solicited party") to participate in the transaction on a proprietary basis provided that the member or member organization representing the originating order, upon entering the trading crowd[ to execute the transaction,] must:

(A) announce to the trading crowd the same terms of the originating order that have been disclosed to the solicited party;

(B) bid at the price he/she is prepared to buy from the solicited party or offer at the solicited price he/she is prepared to sell to the solicited party; and

(C) give the trading crowd a reasonable opportunity to accept the bid or offer. All such orders are not deemed executed until entered into and executed through the Options Floor Broker Management System (“FBMS”); bids and offers can be withdrawn pursuant to Rule 1000(g).

(iii) The Floor Broker or his employees must note on the Options Floor Broker Management System that the trade involves a solicited order.

The members of the trading crowd shall have priority over the solicited party order.

(d) - (e) No change.

• • • **Commentary:** -----

**.01 - .03** No change.

**.04** Rule 1064(d) does not prohibit a member or member organization from buying or selling a stock, security futures or futures position following receipt of an option order, including a complex order, but prior to announcing such order to the trading crowd, provided that:

(a) – (g) No change.

(h) if at the time a tied hedge transaction is executed[ in an options trading crowd], market conditions in any non-Phlx market(s) prevent the execution of the non-options leg(s) at the price(s) agreed upon, the trade representing the options leg(s) of the tied hedge transaction may be cancelled at the request of any member that is a party to the trade.

All such orders are not deemed executed until entered into and executed by the Options Floor Broker Management System (“FBMS”); bids and offers can be withdrawn pursuant to Rule 1000(g).

### **Rule 1066. Certain Types of Floor-Based (Non-PHLX XL) Orders Defined**

These order types are eligible for entry by a Floor Broker for execution through the Options Floor Broker Management System (“FBMS”) and, respecting transactions where there is no Floor Broker involved, for execution by members in the trading crowd.

(a)-(c) No change.

(1) No change.

(2) [*Multi-Part Order*. A multi-part order is an order to buy and/or sell a stated number of foreign currency option contracts and a stated number of foreign currency future contracts. A multi-part order may be executed in accordance with the procedures outlined in Rule 1068.] Reserved.

(3) [*Delta Order*. A "delta order" is a contingency order that is dependent upon the amount an option's price changes in relation to a corresponding change of price in the underlying security.] Reserved.

(4) - (5) No change.

(6) [*Market-on-Close Order*. A market-on-close order is a market limit order to be executed as close as possible to the closing bell, or during the closing rotation and should be near to or at the closing price for the particular series.] Reserved.

(7) - (9) No change.

(d) [*Not Held Order*. A not held order is an order marked "not held", "take time" or which bears any qualifying notation giving discretion as to the price or time at which such order is to be executed.]

(e) [*One-cancels-the-other Order*. A one-cancels-the-other order consists of two or more orders treated as a unit. The execution of any one of the orders causes the others to be canceled.] Reserved.

(f) [*Hedge Order*] Multi-leg Orders. A [hedge] multi-leg order is any spread type order (including a spread, straddle and combination order) for the same account or tied hedge order as defined below:

(1) *Spread Order*. A spread order is an order to buy a stated number of option contracts and to sell a stated number of option contracts in a different series of the same option and may be bid for or offered on a total net debit or credit basis.

[(A) *Inter-Currency Spread Order*. In the case of foreign currency options, a spread order may consist of an order to buy a stated number of option contracts in one foreign currency and to sell the same number of option contracts in a different foreign currency option.]

(2) – (4) No change.

[(g)] (5) Synthetic Option. A synthetic option order is an order to buy or sell a stated number of units of an underlying stock or a security convertible into the underlying stock ("convertible security") coupled with either (i) the purchase or sale of option contract(s) on the opposite side of the market representing either the same number of units of the underlying stock or convertible security or the number of units of the underlying stock or convertible security necessary to create a delta neutral position, or (ii) the purchase or sale of an equal number of put and call option contracts, each having the same exercise price, expiration date, and each representing the same number of units of stock as, and on the opposite side of the market from, the stock or convertible security portion of the order.

(6) *Spread Type Order* – A spread type order is a multi-leg order submitted through the Floor Broker Management System (“FBMS”) involving the simultaneous purchase and/or sale of two or more different options series (up to 15) in the same underlying security, priced as a net debit or credit based on the relative prices of the

individual components, for the same account, for the purpose of executing a particular investment strategy. A spread type order may include as one of the legs a stated number of units of an underlying security (stock or Exchange Traded Fund Share ("ETF")) coupled with the purchase or sale of options contract(s). The underlying security must be the deliverable for the options component of that Complex Order and represent exactly 100 shares per option for regular way delivery.

(7) Complex Order. A Complex Order is a multi-leg order that meets the definition of Complex Order in Rule 1080.08(a)(i).

(8) DNA Order. A DNA Order is an order submitted through FBMS that meets the definition of DNA Order in Rule 1080.08(a)(viii).

(g) Reserved.

(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.

[(i) "Intermarket Sweep Order" or "ISO" is a limit order that is designated as an ISO in the manner prescribed by the Exchange and is executed within the system by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Rule 1083. ISOs are immediately executable within the Phlx XL II system or cancelled, and shall not be eligible for routing as set out in Rule 1080.

Simultaneously with the routing of an ISO to the Phlx XL II system, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any Protected Bid or Offer (as defined in Rule 1083(n)) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders must be identified as ISOs. ]

**• • • Commentary:** -----

**.01 - .02**      No change.

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## **Phlx XL and Phlx XL II**

### **Rule 1080.**

(a) - (n)      No change.

*Commentary:*

**.01 - .02**      No change.

**.03 [RESERVED.]** "Intermarket Sweep Order" or "ISO" is a limit order that is designated as an ISO in the manner prescribed by the Exchange and is executed within the system by Participants at multiple price levels without respect to Protected Quotations of other Eligible Exchanges as defined in Rule 1083. ISOs are immediately executable within the Phlx XL II system or cancelled, and shall not be eligible for routing as set out in Rule 1080.

Simultaneously with the routing of an ISO to the Phlx XL II system, one or more additional limit orders, as necessary, are routed by the entering party to execute against the full displayed size of any Protected Bid or Offer (as defined in Rule 1083(n)) in the case of a limit order to sell or buy with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders must be identified as ISOs.

**.04 - .05** No change.

**.06 Options Floor Broker Management System.** (a) The Options Floor Broker Management System ("FBMS") is a component of [AUTOM] PHLX XL 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] FBMS also is designed to establish an electronic audit trail for options orders represented by Floor Brokers on the Exchange, to the extent permissible under Rule 1000(f), such that the audit trial 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 features of FBMS are described in Rule 1063(e).

**.07** No change.

**.08 Complex Orders on Phlx XL.**

(a) No change.

(b) Complex orders may be entered in increments of \$0.01 as follows:

(i) - (ii) No change.

(iii) Floor Brokers using the Options Floor Broker Management System may enter the Complex Orders listed in paragraph (a) above as Day, GTC or IOC on behalf of non-broker-dealer customers and non-market-maker off-floor broker-dealers, and as IOC only on behalf of broker-dealers or affiliates of broker-dealers[, except that DNA orders and orders with a stock/ETF component or more than two legs cannot be entered].

(iv) No change.

(c) - (i) No change.

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## **OPTION FLOOR PROCEDURE ADVICES AND ORDER & DECORUM REGULATIONS**

### **A. SPECIALISTS**

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#### **[B-11 Crossing, Facilitation and Solicited Orders**

(a) An Options Floor Broker who holds orders to buy and sell the same options series may cross such orders, provided that he proceeds in the following manner:

(i) In accordance with his responsibilities for due diligence, pursuant to Rule 155, an Options Floor Broker shall request bids and offers for such options series and make all persons in the trading crowd aware of his request.

(ii) After providing an opportunity for such bids and offers to be made, he must bid and offer at prices differing by the minimum increment and must improve the market by bidding above the highest bid or offering below the lowest offer.

(iii) If such bid or offer is not taken, he may cross the orders at such higher bid or lower offer by announcing by public outcry that he is crossing and giving the quantity and price.

(b) Facilitation Orders - A Floor Broker holding an options order for a public customer and a contra-side order may cross such orders in accordance with paragraph (a) above or may execute such orders as a facilitation cross in the following manner:

(i) The Floor Broker or his employees must enter the appropriate notation onto the Options Floor Broker Management System for the public customer's order, together with all of the terms of the order, including any contingency involving other options or the underlying or related securities.

(ii) The Floor Broker shall request markets for the execution of all options components of the order. After providing an opportunity for such markets to be made, the Floor Broker shall announce that he holds an order subject to facilitation and shall bid (or offer) in between the market for each options component and disclose all terms and conditions of the order including all securities which are components of the order.

(iii) After all market participants in the crowd are given a reasonable opportunity to accept all terms and conditions made on behalf of the public customer whose order is

subject to facilitation, the Floor Broker may immediately thereafter cross all or any remaining part of such order and the facilitation order at each customer's bid or offer by announcing by public outcry that he is crossing and by stating the quantity and price(s).

Once a Floor Broker has announced an order which consists of two or more components as subject to facilitation and has established a bid (or offer) in between the market for the option(s) to be facilitated, the order can not be broken up by a subsequent superior bid or offer from the crowd for just one component to the facilitated order.

(c) **Solicited Orders** - For the purpose of this Advice, a solicitation occurs whenever an order, other than a cross, is presented for execution in the trading crowd resulting from an away-from-the-crowd expression of interest.

(i) If a member appears in the trading crowd in response to a solicitation, other trading crowd participants must be given a reasonable opportunity to respond to the order which prompted the solicitation before the solicited member may respond to the order. Prior to a bid (or offer) being made on behalf of any such order, the solicitor or his representative must identify the solicited party to the trading crowd and give all information to the trading crowd which was given to the solicited member.

(ii) A member or member organization representing an order in options ("originating order") may solicit another member, member organization or non-member broker-dealer outside the trading crowd ("solicited party") to participate in the transaction on a proprietary basis provided that the member or member organization representing the originating order, upon entering the trading crowd to execute the transaction, must:

(A) announce to the trading crowd the same terms of the originating order that have been disclosed to the solicited party;

(B) bid at the price he/she is prepared to buy from the solicited party or offer at the solicited price he/she is prepared to sell to the solicited party; and

(C) give the trading crowd a reasonable opportunity to accept the bid or offer.

(iii) The Floor Broker or his employees must note on the Options Floor Broker Management System that the trade involves a solicited order.

The members of the trading crowd shall have priority over the solicited party order.

(d) No member organization or person associated with a member or member organization who has knowledge of the material terms and conditions of a solicited order, an order being facilitated, or orders being crossed, the execution of which are imminent, shall enter, based on such knowledge, an order to buy or sell an option for the same underlying security; an order to buy or sell the security underlying such class; or an order to buy or sell any related instrument until

(i) the terms and conditions of the order and any changes in the terms of the order of which the member, member organization or person associated with a member or member organization has knowledge are disclosed to the trading crowd, or

(ii) the trade can no longer reasonably be considered imminent in view of the passage of time since the order was received.

For purposes of this Rule, an order to buy or sell a "related instrument" means, in reference to an index option, an order to buy or sell securities comprising 10% or more of the component securities in the index or an order to buy or sell a futures contract on an economically equivalent index.

#### FINE SCHEDULE

Fine not applicable

#### *Commentary:*

**.01** A violation of this Advice B-11 may be considered conduct inconsistent with just and equitable principles of trade.

**.02** Subsection (d) of this OFPA B-11 does not prohibit a member or member organization from buying or selling a stock, security futures or futures position following receipt of an option order, including a complex order, but prior to announcing such order to the trading crowd, provided that:

(a) the option order is in a class designated as eligible for "tied hedge" transactions (as described below) as determined by the Exchange and is within the designated tied hedge eligibility size parameters, which parameters shall be determined by the Exchange and may not be smaller than 500 contracts per order (there shall be no aggregation of multiple orders to satisfy the size parameter);

(b) such member or member organization shall create an electronic record that it is engaging in a tied hedge transaction in a form and manner prescribed by the Exchange;

(c) such hedging position is:

(i) comprised of a position designated as eligible for a tied hedge transaction as determined by the Exchange and may include the same underlying stock applicable to the option order, a security future overlying the same stock applicable to the option order or, in reference to an index, ETF or HOLDRL option, a related instrument. A "related instrument" means, in reference to an index option, securities comprising ten percent or more of the component securities in the index or a futures contract on any economically equivalent index applicable to the option order. A "related instrument" means, in

reference to an ETF or HOLD'R option, a futures contract on any economically equivalent index applicable to the ETF or HOLD'R underlying the option order;

- (ii) brought without undue delay to the trading crowd and announced concurrently with the option order;
  - (iii) offered to the trading crowd in its entirety; and
  - (iv) offered, at the execution price received by the member or member organization introducing the option, to any in-crowd market participant who has established parity or priority for the related options;
- (d) the hedging position does not exceed the option order on a delta basis;
- (e) all tied hedge transactions (regardless of whether the option order is a simple or complex order) are treated the same as complex orders for purposes of the Exchange's open outcry allocation and reporting procedures. Tied hedge transactions are subject to the existing NBBO trade-through requirements for options and stock, as applicable, and may qualify for various exceptions; however, when the option order is a simple order the execution of the option leg of a tied hedge transaction does not qualify it for any NBBO trade-through exception for a Complex Trade;
- (f) in-crowd market participants that participate in the option transaction must also participate in the hedging position and may not prevent the option transaction from occurring by giving a competing bid or offer for one component of such order; and
- (g) prior to entering tied hedge orders on behalf of customers, the member or member organization must deliver to the customer a written notification informing the customer that his order may be executed using the Exchange's tied hedge procedures. The written notification must disclose the terms and conditions contained in this Commentary and be in a form approved by the Exchange. A combination option and hedging position offered in reliance on this Commentary .02 (or Commentary .04 to Rule 1064) shall be referred to as a "tied hedge" order.
- (h) if at the time a tied hedge transaction is executed in an options trading crowd, market conditions in any non-Phlx market(s) prevent the execution of the non-options leg(s) at the price(s) agreed upon, the trade representing the options leg(s) of the tied hedge transaction may be cancelled at the request of any member that is a party to the trade. ]

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## C. FLOOR BROKERS

### C-1 Ascertaining the Presence of Registered Options Traders in a Trading Crowd

A Floor Broker representing an order in options shall[, prior to executing such order,] ascertain that at least one Registered Options Trader is present in the trading crowd at the post where such order is [executed]traded. This Floor Procedure Advice C-1 shall not apply to a Floor Broker in any foreign currency option if no Registered Options Trader registered in such foreign currency option is present on the Exchange's trading floor at that time.

#### 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

### C-2 Options Floor Broker Management System

Options Floor Broker Management System. In order to create an electronic audit trail for options orders represented by Floor Brokers on the Exchange's Options Floor, a Floor Broker or such Floor Broker's employees shall, contemporaneously upon receipt of an order and prior to the representation of such an order in the trading crowd, record all options orders represented by such Floor Broker onto the electronic Options Floor Broker Management System (as described in Rule 1080, Commentary .06). The following specific information with respect to orders represented by a Floor Broker shall be recorded by such Floor Broker or such Floor Broker's employees: (i) the order type (i.e., customer, firm, broker-dealer, professional) and order receipt time; (ii) the option symbol; (iii) buy, sell, cross or cancel; (iv) call, put, complex (i.e., spread, straddle), or contingency order as described in Rule 1066; (v) number of contracts; (vi) limit price or market order or, in the case of a complex or multi-leg order, net debit or credit, if applicable; (vii) whether the transaction is to open or close a position; and (viii) The Options Clearing Corporation ("OCC") clearing number of the broker-dealer that submitted the order (collectively, the "required information"). A Floor [b]Broker must enter complete alpha/numeric identification assigned by the Exchange for all orders entered on behalf of Exchange Registered Option Traders. [Upon the execution of such an order, the Floor Broker shall enter the time of execution of the trade.] Any additional information with respect to the order shall be inputted into the Options Floor Broker Management System contemporaneously upon receipt, which may occur after the representation and execution of the order.

Pursuant to Rule 1000(f), Floor Brokers are not permitted to execute orders in the Exchange's options trading crowd (subject to certain exceptions). In the event of a malfunction in the Options Floor Broker Management System or in the event that the Exchange determines that Floor Brokers are permitted to execute orders in the

Exchange's options trading crowd for a specific reason pursuant to Rule 1000(f)(iii),  
Floor Brokers shall record the required information on trade tickets, and shall not represent an order for execution which has not been time stamped with the time of entry on the trading floor. Such trade tickets shall be time stamped upon the execution of such an order. Floor Brokers or their employees shall either enter the required information that is recorded on such trade tickets into the Exchange's electronic trading system or ensure that such information is entered for inclusion in the electronic audit trail.

Floor Brokers or their employees shall enter the required information (as described above) for FLEX options, or ensure that such information is entered, into the Exchange's electronic audit trail in the same electronic format as the required information for equity, equity index and U.S. dollar-settled foreign currency options. Floor Brokers or their employees shall enter the required information for FLEX options into the electronic audit trail on the same business day that a specific event surrounding the lifecycle of an order in FLEX options (including, without limitation, orders, price or size changes, execution or cancellation) occurs.

FBMS is also designed to execute two-sided orders entered by Floor Brokers, including multi-leg orders up to 15 legs, after representation in the trading crowd. When a Floor Broker submits an order for execution through FBMS, the order will be executed based on market conditions and in accordance with Exchange rules. FBMS execution functionality will assist the Floor Broker in clearing the Exchange book, consistent with Exchange priority rules. If the order cannot be executed, the System will attempt to execute the order a number of times for a period of no more than one second, which period shall be established by the Exchange and announced by Options Trader Alert, after which it will be returned to the Floor Broker on the FBMS. The Floor Broker may resubmit the order for execution, as long as the quotes/orders that comprise the cross have not been withdrawn. Floor Brokers are responsible for handling all FBMS orders in accordance with Exchange priority and trade-through rules, including Rules 1014, 1033 and 1084.

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

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

#### C-3 Handling Orders of ROTs and Other Registered Options Market Makers

- (a) – (b) No change.

(c) Before [executing]handling an opening transaction on behalf of a ROT, the Floor Broker or his employees must ascertain that the ROT is aware of the terms of the trade and assure that the floor ticket has been initialed and time-stamped by the ROT and that the order is appropriately entered on the Options Floor Broker Management System. The Floor Broker must note on the Options Floor Broker Management System any opening off-floor order to be cleared into an Exchange market maker account, as indicated by a ROT seeking market maker margin treatment for such order pursuant to Rule 1014, Commentary .01 and Advice B-4, and comply with the requirements of Advice B-12 respecting multiply traded options.

(d) No change.

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

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

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**F-2 Allocation, Time Stamping, Matching and Access to Matched Trades**

(a) In order to facilitate timely tape reporting of trades, it is the duty of the persons identified below to allocate, match and time stamp trades executed in open outcry and to submit the matched trade tickets to an Exchange Data Entry Technician ("DET") located on the trading floor immediately upon execution. Trades executed electronically via the XL System and through the Options Floor Broker Management System are automatically trade reported without further action required by executing parties:

(i) – (iv)      No change.

The person responsible for trade allocation (the "Allocation Participant") shall, for each trade allocated by such Allocating Participant, circle his or her badge identification number on the trade tickets, identifying himself or herself as the Allocating Participant in the particular trade. If the Allocating Participant is not a participant in the trade to be allocated, he/she shall identify himself/herself/ by initialing the trade tickets. In the case of a trade in which a Floor Broker is the Allocating Participant, such Floor Broker shall allocate the trade using the Options Floor Broker Management System.

(b) – (e)      No change.

**FINE SCHEDULE**  
(Implemented on a three-year

running calendar basis).

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#### **F-14 Executing [Hedge] Multi-leg and Synthetic Option Orders**

A [hedge] multi-leg order (i.e. spread type order) as defined in Exchange Rule 1066(f) may be executed as a single transaction at a single credit or debit in accordance with Exchange Rule 1033(d) and the requirements below:

- a) Bids (offers) for the total hedge order must be solicited from the crowd on the basis of a total credit or debit.
- b) In the case of an "options-only hedge order" (spread, straddle, and combination orders), the trade may be immediately executed at a single credit or debit which is superior to the aggregate price of the established markets for the individual option legs (on a buy-on-the-bid or sell-on-the-offer basis), such that:
  - (i) no option leg is executed outside of the established bid/offer for that option contract; and
  - (ii) at least one option leg is executed at a price better than the established bid/offer for that option contract.
- c) In the case of conversions and reversals, the trade may be immediately executed at a single credit or debit which is superior to the aggregate price of the established markets for the individual option legs (on a buy-on-the-bid or sell-on-the-offer basis), such that:
  - (i) no option leg is executed outside of the established bid/offer for that option contract;
  - (ii) at least one option leg is executed at a price better than the established bid/offer for that option contract.
- d) In the case of a synthetic option order, the trade may be immediately executed at a single credit or debit which is superior to the aggregate price of the established market for the individual legs (on a buy-on-the-offer and sell-on-the-bid basis), provided that the

option leg is executed at a price better than the established bid/offer for that option contract.

Once the credit or debit execution price to a [hedge or synthetic] multi-leg option order is agreed upon, the stock portion of the order, if any, must be effected at or near the same time as the execution of the option portion [and participants must promptly match the individual option legs for trade reporting].

#### FINE SCHEDULE

Fine not applicable.

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