Nasdaq PHLX Rules

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Rule 1064. Crossing, Facilitation and Solicited Orders

(a) – (d) No change.

(e) Floor Qualified Contingent Cross. A Floor Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, that is identified as being part of a qualified contingent trade, as that term is defined in subsection (3) below, coupled with a contra-side order or orders totaling an equal number of contracts.

(1) Floor Qualified Contingent Cross Orders are immediately executed upon entry into the System by an Options Floor Broker provided that (i) no public [C]ustomer Orders are at the same price on the Exchange's limit order book and (ii) the price is at or between the better of the PBBO and the NBBO.

(a) Floor Qualified Contingent Cross Orders shall be submitted into the System by Floor Brokers on the Floor via the Floor Broker Management System.

(b) Floor Qualified Contingent Cross Orders will be automatically [rejected] cancelled if they cannot be executed.

(c) Floor Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under Rule 1034.

(2) Options Floor Brokers shall not enter Floor Qualified Contingent Cross Orders for their own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion. Options Floor Brokers must maintain books and records demonstrating that each Floor Qualified Contingent Cross Order was not entered for a prohibited account. Any Floor Qualified Contingent Cross Order that does not have a corresponding record required by this subsection shall be deemed to have been entered for a prohibited account in violation of this Rule.

(3) The term “qualified contingent trade” shall have the same meaning set forth in Rule [1080(o)]1088(a)(3).

• • • Commentary: -------------------
.01 and .02 No change.

.03 Stop orders which have not been elected are not protected orders and are thus not considered for the acceptance or execution of Floor QCC Orders. All-or-None Orders are not protected orders and are thus not considered for the acceptance or execution of Floor QCC Orders, except that an incoming Floor QCC Order with a size greater than or equal to the size of a resting public customer All-or-None Order would cause the QCC Order to be automatically cancelled provided the QCC price locks or crosses the All-or-None Order.

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Rule 1080. Phlx

(a) – (n)

[(o) Qualified Contingent Cross Order.

A Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, that is identified as being part of a qualified contingent trade, as that term is defined in subsection (3) below, coupled with a contra-side order or orders totaling an equal number of contracts.

(1) Qualified Contingent Cross Orders are immediately executed upon entry into the System by an Order Entry Firm provided that (i) no Customer Orders are at the same price on the Exchange's limit order book and (ii) the price is at or between the NBBO.

(a) Qualified Contingent Cross Orders will be automatically rejected if they cannot be executed.

(b) Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under Rule 1034.

(2) Qualified Contingent Cross Orders shall only be submitted electronically from off the Floor to the PHLX System. Order Entry Firms must maintain books and records demonstrating that each Qualified Contingent Cross Order was routed to the Exchange System from off of the Floor. Any Qualified Contingent Cross Order that does not have a corresponding record required by this subsection shall be deemed to have been entered from on the Floor in violation of this Rule.

(3) A "qualified contingent trade" is a transaction consisting of two or more component orders, executed as agent or principal, where:

(a) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act;
(b) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent;

(c) the execution of one component is contingent upon the execution of all other components at or near the same time;

(d) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed;

(e) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and

(f) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.

(p) Reserved.]

*** Commentary: --------------

.01 - .08 No change.

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Rule 1088. [Reserved][Qualified Contingent Cross Order]

(a) A Qualified Contingent Cross Order is comprised of an originating electronic order to buy or sell at least 1,000 contracts, or 10,000 contracts in the case of Mini Options, that is identified as being part of a qualified contingent trade, as that term is defined in subsection (3) below, coupled with a contra-side order or orders totaling an equal number of contracts.

(1) Qualified Contingent Cross Orders are immediately executed upon entry into the System by an Order Entry Firm provided that (i) no public customer orders are at the same price on the Exchange’s limit order book and (ii) the price is at or between the better of the PBBO and the NBBO.

(A) Qualified Contingent Cross Orders will be automatically cancelled if they cannot be executed.

(B) Qualified Contingent Cross Orders may only be entered in the regular trading increments applicable to the options class under Rule 1034.
(2) Qualified Contingent Cross Orders shall only be submitted electronically from off the Floor to the System. Order Entry Firms must maintain books and records demonstrating that each Qualified Contingent Cross Order was routed to the Exchange System from off of the Floor. Any Qualified Contingent Cross Order that does not have a corresponding record required by this subsection shall be deemed to have been entered from on the Floor in violation of this Rule.

(3) A “qualified contingent trade” is a transaction consisting of two or more component orders, executed as agent or principal, where:

(A) At least one component is an NMS Stock, as defined in Rule 600 of Regulation NMS under the Exchange Act;

(B) all components are effected with a product or price contingency that either has been agreed to by all the respective counterparties or arranged for by a broker-dealer as principal or agent;

(C) the execution of one component is contingent upon the execution of all other components at or near the same time;

(D) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined by the time the contingent order is placed;

(E) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or cancelled; and

(F) the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.

*** Commentary:  ------------------

.01 Stop orders which have not been elected are not protected orders and are thus not considered for the acceptance or execution of QCC Orders. All-or-None Orders are not protected orders and are thus not considered for the acceptance or execution of QCC Orders, except that an incoming QCC Order with a size greater than or equal to the size of a resting public customer All-or-None Order would cause the QCC Order to be automatically cancelled provided the QCC price locks or crosses the All-or-None Order.

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OPTIONS RULES

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Options 7 Pricing Schedule

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Section 1 General Provisions

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B. Customer Rebate Program

The Customer Rebate Tiers described below will be calculated by totaling Customer volume in Multiply Listed Options (including SPY) that are electronically-delivered and executed, except volume associated with electronic QCC Orders, as defined in Exchange Rule [1080(o)]. Rebates will be paid on Customer Rebate Tiers according to the below categories. Members and member organizations under Common Ownership may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates. Affiliated Entities may aggregate their Customer volume for purposes of calculating the Customer Rebate Tiers and receiving rebates.

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Section 4. Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed)

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• QCC Transaction Fees for a Specialist, Market Maker, Firm and Broker-Dealer are $0.20 per contract. Customers and Professionals are not assessed a QCC Transaction Fee. QCC Transaction Fees apply to QCC Orders, as defined in Exchange Rule [1080(o)] and Floor QCC Orders, as defined in 1064(e). A rebate, as specified in the below QCC Rebate Schedule, will be paid for all qualifying executed QCC Orders, as defined in Exchange Rule [1080(o)] and Floor QCC Orders, as defined in 1064(e), except where the transaction is either: (i) Customer-to-Customer; (ii) Customer-to-Professional; (iii) Professional-to-Professional or (iv) a dividend, merger, short stock interest or reversal or conversion strategy execution (as defined in Options 7, Section 4).

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