

Proposed Rule Change by Philadelphia Stock Exchange  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input type="checkbox"/>	Amendment <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>		Date Expires <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the proposed rule change (limit 250 characters).

**Contact Information**  
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name	<input type="text" value="John"/>	Last Name	<input type="text" value="Dayton"/>
Title	<input type="text" value="Director and Counsel"/>		
E-mail	<input type="text" value="john.dayton@phlx.com"/>		
Telephone	<input type="text" value="(215) 496-5162"/>	Fax	<input type="text"/>

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date

By  (Name)       (Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

SR-Phlx-2006-43 Amendment No. 2

The Philadelphia Stock Exchange, Inc. submits the following Partial Amendment as Amendment No. 2 to SR-Phlx-2006-43. The purpose of Amendment No. 2 is to make the following changes (set forth below) to the rule text contained in Exhibit 5 to Amendment No. 1, as well as to make the following changes to the purpose section discussion contained in Amendment No. 1 and the Exhibit 1 thereto.

**1. Please insert the following sentence and footnote at the end of the carryover paragraph on page 45 of 463 in Amendment No. 1 of the proposed rule change and on page 102 of 463 in Exhibit 1 to Amendment No. 1 of the proposed rule change:**

The Exchange intends to enter into a 17d-2 agreement with the NASD to regulate PRO in its capacity as a member of both the Exchange and the NASD.<sup>1</sup>

**2. Please insert the following sentence and footnote at the end of the carryover paragraph on page 37 of 463 in Amendment No. 1 of the proposed rule change and on page 94 of 463 in Exhibit 1 to Amendment No. 1 of the proposed rule change:**

In addition, all orders must be entered with a valid clearing account number and two-sided orders must be entered with valid clearing account numbers for both sides of the order.<sup>2</sup>

**3. Please replace the statement in Item 6, Extension of Time Period for Commission Action, of Amendment No. 1 of the proposed rule change (page 58 of 463) with the following:**

The Exchange consents to an extension of time specified in Section 19(b)(2) of the Act until at least thirty-five days after the Exchange has filed an appropriate amendment setting forth that the Exchange has taken all action required for approval of the proposed rule change.

**4. Please replace the first full paragraph on page 22 of 463 in Amendment No. 1 of the proposed rule change and on page 79 of 463 in Exhibit 1 to Amendment No. 1 of the proposed rule change with the following:**

XLE will rank orders on XLE in strict price-time priority.<sup>3</sup> Orders are ranked beginning with the highest priced orders to buy and the lowest priced orders to sell. For purposes of ranking, XLE uses the price at which the order is displayed.<sup>4</sup> Within each

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<sup>1</sup> See 17 CFR 240.17d-2.

<sup>2</sup> See proposed Phlx Rule 189(a)(1).

<sup>3</sup> See proposed Phlx Rule 184(a).

<sup>4</sup> For purposes of ranking, orders are considered displayed based on the price that they would be displayed on the Exchange's depth of book feed. See proposed Phlx Rule 184(b). This price is the same price that would be disseminated to the appropriate market

price, orders are ranked in time priority based on the time that 1) an order is received, 2) the price is updated, or 3) the display portion of a Reserve Order is reduced below a round lot and the display size is refreshed with shares from the undisplayed portion of the Reserve Order, except that the undisplayed portion of Reserve Orders shall be ranked after all other orders and display portions of Reserve Orders at the same price. With regard to Reserve Orders, XLE will decrement the share size of the display portion of a Reserve Order upon an execution against such portion of such order. When the display portion of a Reserve Order is reduced below a round lot, the display portion of that Reserve Order will be refreshed and re-ranked in time priority based on the time of refresh, however, the undisplayed portion of that Reserve Order will retain the ranking in relation to the undisplayed portion of other Reserve Orders based on the original Reserve Order entry time. Orders for which the price is changed are ranked based on the time of the change.

**5. Please replace proposed Phlx Rule 184(a)(1) on page 336 of 463 in Exhibit 5 to Amendment No. 1 of the proposed rule change with the following:**

Limit Orders, the display portion of Reserve Orders and Pegged Orders (including odd-lots) shall be ranked, as a group, based on the time (A) each order is received, (B) its price is updated, or (C) the display portion of a Reserve Order is reduced below a round lot and the display size is refreshed with shares from the undisplayed portion of the Reserve Order; followed by

**6. Please insert the following sentence and footnote at the end of the carryover paragraph on page 28 of 463 in Amendment No. 1 of the proposed rule change and on page 85 of 463 in Exhibit 1 to Amendment No. 1 of the proposed rule change:**

XLE will identify trades executed pursuant to an exception or exemption to Rule 611 of Regulation NMS in accordance with specifications approved by the operating committee of the relevant national market system plan for an NMS Stock.<sup>5</sup>

**7. Please insert the following sentence and footnote after the third sentence of the first full paragraph on page 42 of 463 in Amendment No. 1 of the proposed rule change and on page 99 of 463 in Exhibit 1 to Amendment No. 1 of the proposed rule change:**

All orders entered by a MMAT must contain the identification of the individual MMAT that entered the order.<sup>6</sup>

**8. Please insert the following sentence at the end of proposed Phlx Rule 171(a) on page 328 of 463 in Exhibit 5 to Amendment No. 1 of the proposed rule change:**

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data reporting plans pursuant to proposed Phlx Rule 184(c) if the order was the best round lot bid or offer.

<sup>5</sup> See proposed Phlx Rule 188.

<sup>6</sup> See proposed Phlx Rule 171(a).

All orders entered by a MMAT must contain the identification of the individual MMAT that entered the order.

Exhibit 5

Underlining indicates additions; brackets indicate deletions

**Philadelphia Stock Exchange, Inc. By-laws**  
**Article I**

**Sec. 1-1.**

**Definitions**

Unless the context requires otherwise, the terms defined in this Section shall, for all purposes of these By-Laws, have the meaning herein specified:

**(a)-(hh)** No Change

**(ii) XLE**

The term “XLE” shall mean the electronic system which is operated by the Exchange for the entry, display, execution and reporting of orders in NMS Stocks.

**Article VIII**

**Sec. 8-1.**

**Presiding Floor Officials of the Exchange**

The Chairmen of the [Floor Procedure Committee,] Options Committee and Foreign Currency Options Committee, or their designees, shall preside over the [equity trading floor,] options trading floor and foreign currency options trading floor, respectively, of the Exchange. They shall maintain order on the respective trading floors and the premises immediately adjacent thereto. For breaches of order, they may exclude Members, participants and Member Organizations and participant organizations (as applicable) and employees from the respective trading floors and the immediately adjacent premises, or may impose fines consistent with Exchange rules, or both. They shall administer the provisions of these By-Laws and the Rules of the Exchange pertaining to the respective trading floors and the immediately adjacent premises of the Exchange, except there are no Floor Officials on XLE and the provisions of these By-Laws and the Rules of the Exchange pertaining to XLE shall be administered by the Exchange. They shall impose penalties as prescribed by the [Floor Procedure Committee,] Options Committee or Foreign Currency Options Committee, as applicable, for breaches of their rules or regulations relating to order, decorum, health, safety and welfare on the respective trading floors, except that regarding XLE, appropriate Exchange staff may impose the penalties as authorized in the By-Laws and the Rules of the Exchange.

Delegation of powers

The Chairmen of [the Committee on Floor Procedure,] the Committee on Options and the Committee on Foreign Currency Options may delegate to another member or subcommittee of such Committee, any of the powers and authority conferred upon them in this Section.

Nothing in this Section shall preclude Exchange staff from imposing fines for breaches of Exchange rules or regulations relating to order, decorum, health, safety and welfare on the respective trading floors. Further, nothing in this Section shall preclude Exchange officers from participating in the removal of Members, participants, Member Organizations and participant organizations and associated persons, along with the Floor Officials.

## **Article X**

### **Sec. 10-1.**

#### **Standing Committees**

(a) The Standing Committees of the Exchange shall consist of: an Executive Committee, an Admissions Committee, an Allocation, Evaluation and Securities Committee, an Audit Committee, an Automation Committee, a Business Conduct Committee, a Compensation Committee, a Finance Committee, [a Floor Procedure Committee,] a Foreign Currency Options Committee, a Marketing Committee, a Nominating, Elections and Governance Committee, a Quality of Markets Committee, and an Options Committee. Each of such Committees shall be composed of not more than nine (9) members, including ex-officio members, except [for the Floor Procedure Committee,] the Options Committee, and the Foreign Currency Options Committee, which shall each consist of not more than twelve (12) members, including ex-officio members. The Chairman of each Standing Committee shall be a member of the Board of Governors and at least one other person on each Committee shall be a Governor.

(b)-(c) No Change

### **Sec. 10-7.**

#### **Options Allocation, Evaluation and Securities Committee [and Equity Allocation, Evaluation and Securities Committee]**

(a) No Change

(b) Reserved.[The Equity Allocation, Evaluation and Securities Committee shall consist of nine (9) members. Such Committee shall be composed of core members and annual members. Annual members shall be chosen pursuant to the number and categories of persons as provided in Rule 500. Such core Committee members shall serve for three (3) year terms. Annual members shall serve for one (1) year terms. The Equity Allocation, Evaluation and Securities Committee shall have jurisdiction over the allocation, retention and transfer of the privileges to deal in all equity securities to, by and

among members on the equity trading floor. It shall be responsible for appointing specialists, alternate or assistant specialists or odd-lot dealers on the equity floor. It shall establish standards for the periodic review and evaluation of their performance and shall be empowered to suspend or revoke their appointments upon showing of reasonable cause therefor.]

(c) The Options Allocation, Evaluation and Securities Committee shall consult with the Options or Foreign Currency Options Committees or any person or group as necessary in order to utilize their expertise in the performance of its functions. [The Equity Allocation, Evaluation and Securities Committee shall consult with the Floor Procedure Committee or any person or group as necessary in order to utilize their expertise in the performance of its functions.] The [Floor Procedure and] Options Committee[s] shall be empowered to make temporary appointments of specialists, [alternate or] assistant specialists[, odd-lot dealers], registered option traders, or other types of floor market makers until permanent appointments are made by the [Equity Allocation, Evaluation and Securities Committee or the] Options Allocation, Evaluation and Securities Committee[, respectively].

(d) Such Committee[s] shall have supervision over all questions pertaining to [securities]options admitted to dealings on the Exchange which directly affect the issuers thereof, and shall have supervision over all questions pertaining to or arising out of the listing of [securities]options or the admitting of [securities]options to dealings on the Exchange, or the removal of [securities]options from such listing or from dealings on the Exchange.

(e) For the purposes of these By-Laws, and the Rules of the Exchange, references to the "Allocation, Evaluation and Securities Committee" shall mean [either] the Options Allocation, Evaluation and Securities Committee [or the Equity Allocation, Evaluation and Securities Committee, as the context requires].

## **Sec. 10-11.**

### **Business Conduct Committee**

(a) No Change

(b) The Business Conduct Committee or its designee (including a Hearing Officer or Hearing Panel) shall impose appropriate sanctions of expulsion, suspension, fine, censure or any other fitting sanction where the Business Conduct Committee or its designee (including a Hearing Officer or Hearing Panel) finds that a violation within the disciplinary jurisdiction of the Exchange has been committed. The jurisdiction of this Committee and its designee (including a Hearing Officer or Hearing Panel) shall not extend to the enforcement of rules and regulations of [the Floor Procedure Committee or] the Options Committee relating to order, decorum, health, safety and welfare on the trading floors, or to hearings held by and sanctions imposed by such committees relating to such matters, except as permitted by the rules of the Exchange or any interpretation thereof, and any regulations promulgated thereunder.

(c)-(g) No Change

(h) The Business Conduct Committee shall consist of nine (9) members as follows: three (3) independent Governors; one (1) Member or person associated with a Member Organization whose business is principally carried out on XLE[the equity floor]; one (1) Member whose business is principally carried out on the equity options floor; and four (4) persons who are Members or persons associated with a Member Organization.

**Sec. 10-15.**

**Finance Committee**

The Finance Committee shall consist of the following nine (9) members: the Chairman of the Board of Governors, who shall not be permitted to create a tie vote; the Vice-Chairman of the Board of Governors; one (1) Stockholder Governor; four (4) Independent Governors, and two (2) Members or persons associated with a Member Organization, who may be Governors, one of whom conducts business primarily on XLE [the equity] or on the equity options floor. The Chairman of the Committee shall be either the Vice-Chairman, a Stockholder Governor or a Member Governor. The Budget Subcommittee of the Finance Committee shall be chaired by a Governor. The Finance Committee shall have charge of the funds of the Exchange. It shall serve in an advisory capacity to the Board of Governors in the investment from time to time of the funds of the Exchange, and in the sale from time to time of any of the securities held by the Exchange.

Remainder of By-law – No change

**Sec. 10-16.**

**[Floor Procedure Committee]Reserved**

Reserved.[At least 50% of the members of the Floor Procedure Committee shall be permit holders or be associated with a Member Organization.]

[The Floor Procedure Committee shall have general supervision of the dealings of Members on the equity trading floor, and of the premises of the exchange facility immediately adjacent thereto. It shall make or recommend for adoption, and administer such rules as it may deem necessary for the convenient and orderly transaction of business upon the equity trading floor.]

[The Floor Procedure Committee shall have supervision of the activities on the equity trading floor of specialists, alternate or assistant specialists, odd-lot dealers, floor brokers, or other types of market-makers and shall establish standards and procedures for the training and qualification of Members active on the equity trading floor. It shall have

supervision over all equity floor employees of members of the Exchange, and shall make and enforce such rules with respect to such employees as it may deem necessary.]

[The Floor Procedure Committee shall resolve trading disputes and have supervision over all questions pertaining to or arising out of the delivery of securities on exchange contracts. It shall have supervision of all connections or means of communication with the equity trading floor and may require the discontinuance of any such connection or means of communication where, in the opinion of the Floor Procedure Committee, it is contrary to the welfare or interest of the Exchange. It shall also have supervision over the location of equipment and the assignment and use of space on the equity trading floor.]

[The Floor Procedure Committee shall have supervision of operations related to and policies adopted by participants in the national market system insofar as these matters relate to the function of the Exchange in such system. It shall coordinate with and provide information and assistance to the Allocation, Evaluation and Securities Committee and shall be empowered to make temporary appointments of specialists, alternate or assistant specialists, odd-lot dealers, or other types of equity floor market-makers until permanent appointments are made by the latter Committee.]

[The Floor Procedure Committee shall make and enforce rules and regulations relating to order, decorum, health, safety and welfare on the equity trading floor and the immediately adjacent premises of the Exchange and shall be empowered to impose penalties for violations thereof.]

[The Floor Procedure Committee shall consult with the Quality of Markets Committee on all matters of policy and all matters which are to be presented to the Board of Governors by the Floor Procedure Committee.]

## **Article XVI**

### **Sec. 16-1.**

#### **Members' Contracts**

All contracts of a Member or participant of the Exchange or a Member Organization or participant organization with any member or participant of the Exchange or with any Member Organization or participant organization for the purchase, sale, borrowing, loaning or hypothecation of securities, or for the borrowing, loaning, or payment of money, whether occurring upon [the floor of] the Exchange or elsewhere, are Members' contracts.

### **Sec. 16-2.**

#### **Exchange Contracts**

An exchange contract is:

- (a) a Member's contract made on [the floor of] the Exchange; and

(b) a Member's contract not made on [the floor of] the Exchange, unless made subject to the rules of another exchange, or unless the parties thereto have expressly agreed that the same shall not be an exchange contract.

## **Philadelphia Stock Exchange Inc. Rules of the Board of Governors**

### **Rule 1.**

#### **Definitions**

The terms defined herein [in Rules 2 to 22, inclusive,] shall have the meanings specified herein [in said Rules] for all purposes of Rules of the Board of Governors and of rules and regulations of Standing Committees of the Exchange, unless the context of a rule or regulation requires otherwise.

#### **Approved Dealer**

(a) In regards to a particular security, the term "Approved Dealer" means a Market Maker on XLE in that security or a specialist or market maker registered as such with another exchange or NASD in that security. Approved Dealers must register as such with the Exchange. Approved Dealers must notify the Exchange immediately if they cease to be a specialist or market maker registered as such with another exchange or NASD in a security.

#### **Approved Lessor**

(b) The term "approved lessor" means, with respect to a foreign currency options participation, a lessor approved by the Exchange under the by-Laws and rules of the Exchange.

#### **Clearing Firm**

(c) The term "clearing firm" shall mean a member organization that meets the requirements of Rule 165(c).

#### **Delivery**

(d) The term "delivery" means the delivery of securities on Exchange contracts, unless otherwise stated.

#### **Floor**

(e) The term "floor" means the floor of the Exchange. The term "floor" shall not mean XLE.

### **Foreign Currency Options Participant or Participant**

(f) The term "foreign currency options participant" or "participant" includes a member of the Exchange who has purchased a foreign currency options participation and a non-member who has been admitted to the Exchange as a foreign currency options participant by the Admissions Committee. Except as otherwise specifically provided therein or unless exempted therefrom by the Board of Governors, each foreign currency options participant shall be subject to the provisions of the Rules that are applicable to a member of the Exchange and each reference to a member of the Exchange in the Rules shall be deemed to pertain also to a foreign currency options participant.

### **Foreign Currency Options Participant Organization**

(g) The term "foreign currency options participant organization" means corporation, partnership (general or limited), limited liability partnership, limited liability company, business trust or similar organization, transacting business as a broker or a dealer in securities and which has the status of a foreign currency options participant organization by virtue of (i) permission given to it by the Admissions Committee pursuant to the provisions of the Section 10-6 of the By-Laws or (ii) the transitional rules adopted by the Exchange pursuant to Section 12-12 of the By-Laws. References herein to officer or partner, when used in the context of a foreign currency options participant organization, shall include any person holding a similar position in any organization other than a corporation or partnership that has the status of a foreign currency option participant organization.

### **Good Standing**

(h) The term "Good Standing" shall refer to a member organization who is not in violation of any of any of its agreements with the Exchange or any of the provisions of the rules or by-laws of the Exchange, and who has maintained all of the conditions for approval as a member organization.

### **Inactive Nominee**

(i) The term "inactive nominee" shall mean a natural person associated with and designated as such by a member organization and who has been approved by the Admissions Committee for such status and is registered as such with the Membership Services Department. An inactive nominee shall have no rights or privileges under a permit unless and until said inactive nominee becomes admitted as a member of the Exchange pursuant to the by-laws and rules of the Exchange. An inactive nominee merely stands ready to exercise rights under a permit upon notice by the member organization to the Membership Services Department on an expedited basis.

### **Lessee**

(j) The term "lessee" means foreign currency options participant who has leased legal title to his foreign currency options participation from a lessor.

**Lessor**

(k) The term "lessor" means a holder of equitable title to a foreign currency options participation, including a former foreign currency options participant, who has leased legal title to his foreign currency options participation to a lessee and has retained equitable title to such foreign currency options participation.

**Market Maker**

(l) The term "Market Maker" shall refer to a member organization that acts as a Market Maker pursuant to Rules 170 et. seq.

**Market Maker Authorized Trader**

(m) The term "Market Maker Authorized Trader" or "MMAT" shall mean a PAU who is a member and who performs market making activities pursuant to Rules 170 et. seq.

**Member**

(n) The term "member" shall mean a permit holder which has not been terminated in accordance the by-laws and these rules of the Exchange.

**Member Organization**

(o) The term "member organization" shall mean a corporation, partnership (general or limited), limited liability partnership, limited liability company, business trust or similar organization, transacting business as a broker or a dealer in securities and which has the status of a member organization by virtue of (i) permission given to it by the Admissions Committee pursuant to the provisions of Section 10-6 of the By-Laws or (ii) the transitional rules adopted by the Exchange pursuant to Section 12-12 of the By-Laws. References herein to officer or partner, when used in the context of a member organization, shall include any person holding a similar position in any organization other than a corporation or partnership that has the status of a member organization.

**Member Organization Representative**

(p) The term "Member Organization Representative" shall mean the officer (or person in a similar position) of a member organization designated by such member organization as such member organization's Member Organization Representative, who shall have the sole authority, with respect to the selection or removal of Designated Nominees and the On-Floor Vice Chairman of the Board of Governors, to exercise any and all rights and to take any and all actions on behalf of such member organization and each member who has designated such member organization as his primary affiliation.

**Mixed Lot**

(q) The term “mixed lot” shall mean more than a round lot, but shall not include multiples of a round lot.

**Nasdaq Global Market Security**

(r) The term “Nasdaq Global Market Security” shall have the same meaning as defined in Nasdaq Rule 4200.

**Nasdaq Capital Market Security**

(s) The term “Nasdaq Capital Market Security” shall have the same meaning as defined in Nasdaq Rule 4200.

**NMS Stock**

(t) The term “NMS Stock” shall have the same meaning as Rule 600(b)(47) of Regulation NMS.

**NSCC**

(u) The term “NSCC” shall mean the National Securities Clearing Corporation.

**Non-member**

(v) The term "non-member" includes, with respect to individuals, any person who is not a member and, with respect to entities, any organization that is not a member organization. For purposes of Rules 104, 604, 606, 607, 631, 677, 680, and 950 the term "non-member" shall not be deemed to include a foreign currency options participant or a foreign currency options participant organization.

**Odd Lot**

(w) The term “odd lot” shall mean less than a round lot.

**Participant Authorized User or PAU**

(x) The term “Participant Authorized User” or “PAU” shall mean an individual authorized by a member organization or a Sponsored Participant to enter order, on its behalf, on XLE.

**Permit**

(y) The term "permit" shall mean a permit of any class, series or kind established from time to time by the Board of Governors and denominated as such.

### **Person**

(z) The term "person" shall refer to a natural person, corporation, partnership (general or limited), limited liability company, association, joint stock company, trust, trustee of a trust fund, or any organized group of persons whether incorporated or not and a government or agency or political subdivision thereof.

### **Professional Order**

(aa) The term "Professional Order" shall mean an order for the account of a broker or dealer, which order is represented, as agent, by an XLE Participant.

### **Proprietary Order**

(bb) The term "Proprietary Order" shall mean an order for the account of the XLE Participant who entered the order into XLE.

### **Protected Bid, Offer or Quotation**

(cc) The terms "Protected Bid, Offer or Quotation" shall:

(1) have, after Rule 611 of Regulation NMS is operative on the Exchange, the same meaning as Rule 600(b)(57) and (58), as appropriate, of Regulation NMS, provided, however that if another trading center providing a Protected Bid, Offer or Quotation repeatedly fails to respond within one second to incoming orders attempting to access its Protected Bid, Offer or Quotation, XLE may cease to consider those Protected Bids, Offers or Quotations as such by:

- (A) Notifying the non-responding trading center immediately after (or at the same time as) electing self-help; and
- (B) Assessing whether the cause of the problem lies with its own system and, if so, taking immediate steps to resolve the problem.

(2) mean, before Rule 611 of Regulation NMS is operative on the Exchange, for Nasdaq Global Market and Nasdaq Capital Market Securities, the best bid, offer or quotation, respectively, of any national securities exchange or national securities association.

(3) mean, before Rule 611 of Regulation NMS is operative on the Exchange, for securities other than Nasdaq Global Market and Nasdaq Capital Market Securities, the bids, offers or quotations as required by the ITS Plan (as long

as such Plan is in effect) and related Exchange rules or as otherwise provided in any relief granted therefrom by the Commission.

**Protected NBBO**

(dd) The term “Protected NBBO” shall mean the best Protected Bid and the best Protected Offer in a stock.

**Public Agency Order**

(ee) The term “Public Agency Order” shall mean an order for the account of a person other than a broker or dealer, which order is represented, as agent, by an XLE Participant.

**Quote Management Instruction or QMI**

(ff) The term “Quote Management Instruction” or “QMI” shall mean the method, chosen by each XLE Participant, by which certain of their incoming marketable orders are executed on XLE.

**Round Lot**

(gg) The term "round lot" means unit of trading. The unit of trading in stocks shall be 100 shares.

**SCCP**

(hh) The term “SCCP” shall mean the Stock Clearing Corporation of Philadelphia.

**Security**

(ii) The term "security" or "securities" includes stocks, bonds, notes, certificates of deposit or participation, trust receipts, rights, options contracts, warrants Cash Index Participations and other similar instruments.

**Sponsored Participant**

(jj) The term “Sponsored Participant” shall mean a person who has access to XLE which is authorized by a Sponsoring Member Organization.

**Sponsoring Member Organization**

(kk) The term “Sponsoring Member Organization” shall mean a member organization that has authorized access to XLE for a Sponsored Participant.

**Stock**

(ll) The term "stock" includes voting trust certificates, certificates of deposit for stocks, rights, warrants, and other securities classified for trading as stocks by the Exchange.

**XLE**

(mm) The term "XLE" shall mean the electronic system which is operated by the Exchange for the entry, display, execution and reporting of orders in NMS Stocks.

**XLE Participant**

(nn) The term "XLE Participant" shall mean a member or member organization registered on XLE, a Sponsored Participant or a PAU.

**Routing Agreement**

(oo) The term "Routing Agreement" shall mean the form of Agreement between any XLE Participant and the Routing Facility under which the Routing Facility, as defined in Rule 185(g), agrees to act as agent for routing orders of the XLE Participant and the XLE Participant's Sponsored Participants entered into XLE to broker-dealers for execution on another market center, whenever such routing is required pursuant to the Exchange's rules.

**Rule 2. Reserved.**

**[Member]**

[The term "member" means a permit holder which has not been terminated in accordance with the by-laws and these rules of the Exchange.]

**Rule 3. Reserved.**

**[Member Organization]**

[The term "member organization" means a corporation, partnership (general or limited), limited liability partnership, limited liability company, business trust or similar organization, transacting business as a broker or a dealer in securities and which has the status of a member organization by virtue of (i) permission given to it by the Admissions Committee pursuant to the provisions of Section 10-6 of the By-Laws or (ii) the transitional rules adopted by the Exchange pursuant to Section 12-12 of the By-Laws. References herein to officer or partner, when used in the context of a member organization, shall include any person holding a similar position in any organization other than a corporation or partnership that has the status of a member organization.]

**Rule 4. Reserved.**

**[Member Organization Representative]**

[The term "Member Organization Representative" shall mean the officer (or person in a similar position) of a member organization designated by such member organization as such member organization's Member Organization Representative, who shall have the sole authority, with respect to the selection or removal of Designated Nominees and the On-Floor Vice Chairman of the Board of Governors, to exercise any and all rights and to take any and all actions on behalf of such member organization and each member who has designated such member organization as his primary affiliation.]

**Rule 5. Reserved.**

**[Non-member]**

[The term "non-member" includes, with respect to individuals, any person who is not a member and, with respect to entities, any organization that is not a member organization. For purposes of Rules 104, 604, 606, 607, 631, 677, 680, and 950 the term "non-member" shall not be deemed to include a foreign currency options participant or a foreign currency options participant organization.]

**Rule 7. Reserved.**

**[Security]**

[The term "security" or "securities" includes stocks, bonds, notes, certificates of deposit or participation, trust receipts, rights, options contracts, warrants Cash Index Participations and other similar instruments.]

**Rule 8. Reserved.**

**[Stock]**

[The term "stock" includes voting trust certificates, certificates of deposit for stocks, rights, warrants, and other securities classified for trading as stocks by the Committee on Stock List.]

**Rule 9. Reserved.**

**[Bond]**

[The term "bond" includes debentures, notes, certificates of deposit for bonds, debentures or notes, and other securities classified for trading as bonds by the Committee on Stock List.]

**Rule 10. Reserved.**

**[Floor]**

[The term "Floor" means the Floor of the Exchange.]

**Rule 11. Reserved.**

**[Delivery]**

[The term "delivery" means the delivery of securities on Exchange contracts, unless otherwise stated.]

**Rule 12. Reserved.**

**[Round Lot]**

[The term "round lot" means unit of trading.]

**Rule 13. Reserved.**

**[Foreign Currency Options Participant or Participant]**

[The term "foreign currency options participant" or "participant" includes a member of the Exchange who has purchased a foreign currency options participation and a non-member who has been admitted to the Exchange as a foreign currency options participant by the Admissions Committee. Except as otherwise specifically provided therein or unless exempted therefrom by the Board of Governors, each foreign currency options participant shall be subject to the provisions of the Rules that are applicable to a member of the Exchange and each reference to a member of the Exchange in the Rules shall be deemed to pertain also to a foreign currency options participant.]

**Rule 16. Reserved.**

**[Foreign Currency Options Participant Organization]**

[The term "foreign currency options participant organization" means corporation, partnership (general or limited), limited liability partnership, limited liability company, business trust or similar organization, transacting business as a broker or a dealer in securities and which has the status of a foreign currency options participant organization by virtue of (i) permission given to it by the Admissions Committee pursuant to the provisions of the Section 10-6 of the By-Laws or (ii) the transitional rules adopted by the Exchange pursuant to Section 12-12 of the By-Laws. References herein to officer or partner, when used in the context of a foreign currency options participant organization,

shall include any person holding a similar position in any organization other than a corporation or partnership that has the status of a foreign currency option participant organization.]

**Rule 17. Reserved.**

**[Lessor]**

[The term "lessor" means a holder of equitable title to a foreign currency options participation, including a former foreign currency options participant, who has leased legal title to his foreign currency options participation to a lessee and has retained equitable title to such foreign currency options participation.]

**Rule 18. Reserved.**

**[Lessee]**

[The term "lessee" means foreign currency options participant who has leased legal title to his foreign currency options participation from a lessor.]

**Rule 19. Reserved.**

**[Approved Lessor]**

[The term "approved lessor" means, with respect to a foreign currency options participation, a lessor approved by the Exchange under the by-Laws and rules of the Exchange.]

**Rule 20. Reserved.**

**[Person]**

[The term "person" shall mean an individual, partnership (general or limited) joint-stock company, corporation, limited liability company, trust or unincorporated organization, and a government or agency or political subdivision thereof.]

**Rule 21. Reserved.**

**[Inactive Nominee]**

[The term "inactive nominee" shall mean a natural person associated with and designated as such by a member organization and who has been approved by the Admissions Committee for such status and is registered as such with the Membership Services Department. An inactive nominee shall have no rights or privileges under a permit unless and until said inactive nominee becomes admitted as a member of the Exchange pursuant to the by-laws and rules of the Exchange. An inactive nominee merely stands ready to

exercise rights under a permit upon notice by the member organization to the Membership Services Department on an expedited basis.]

**Rule 22. Reserved.**

**[Permit]**

[The term "permit" shall mean a permit of any class, series or kind established from time to time by the Board of Governors and denominated as such.]

**Rule 98.**

**Emergency Committee**

An Emergency Committee, consisting of the Chairman of the Board of Governors, the On-Floor Vice Chairman of the Exchange, the Off-Floor Vice Chairman of the Exchange, and the Chairmen of the [Floor Procedure, ]Options, and Foreign Currency Options Committees, shall be established and authorized to determine the existence of extraordinary market conditions or other emergencies. When the Committee determines that such an emergency condition exists, the Committee may take any action regarding the following: 1) operation of [PACE]XLE, AUTOM, or any other Exchange quotation, transaction reporting, execution, order routing or other systems or facility; 2) operation of, and trading on, any Exchange floor; 3) trading in any securities traded on the Exchange; and 4) the operation of members' or member organizations' offices or systems. Any member of the Emergency Committee may request the Committee to determine whether an emergency condition exists. If the Committee determines that such an emergency exists and takes action, the Committee shall prepare a report of this matter and submit it promptly to the Securities and Exchange Commission and submit it to the Board of Governors at the Board's next regular meeting.

**Rule 100. Reserved.**

[Committee on Floor Procedure]

[The Committee on Floor Procedure shall administer Rules 101 to 499 inclusive and Rules 2000 to 2050 inclusive.]

**Hours of Business**

**Rule 101** No Change.

Supplementary Material:

.01 No Change.

.02 [Equity Trading Hours. Unless otherwise announced by the Exchange:]

[(i) The first trading session ("Primary Trading Session") will be conducted on the floor of the Exchange (1) during the same hours the security is traded on its primary market, if the Exchange is not the primary market for such security, provided, however, if the primary market for such security is the Pacific Stock Exchange, the Primary Trading Session for that security shall end no later than 4:00 P.M. Eastern time; or (2) from 9:30 A.M. to 4:00 P.M. Eastern time, Monday through Friday, if the Exchange is the primary market for such security.]

[(ii) The Post-Primary Session ("PPS") will operate from 4:00 to 4:15 P.M., for PPS-designated orders pursuant to Rule 232(b) for the purchase and sale of securities traded on the Primary Trading Session until 4:00 P.M.]

[(iii) The after hours trading facility for GTX orders will operate pursuant to Rule 232(c).]

XLE Trading Hours. XLE shall have three trading sessions each day the Exchange is open for business unless otherwise determined by the Exchange:

(1) Pre Market Session. The Pre Market Session shall begin at 8:00:00 A.M. and conclude at the commencement of the Core Session.

(2) Core Session. The Core Session shall take place for each security during that security's "regular trading hours" as that term is defined in Rule 600(b)(64) of Regulation NMS.

(3) Post Market Session. The Post Market Session shall begin following the conclusion of the Core Session and conclude at 6:00:00 P.M.

[.03 Universal Trading System Morning Session. The Exchange will operate a Morning Session utilizing the Universal Trading System ("UTS") for the electronic execution of large-sized equity orders at approximately 9:16 A.M. at the volume weighted average price ("VWAP"), pursuant to Rule 237.]

## **Rule 102.**

### **Dealings on Floor --Hours**

Dealings upon the Exchange shall be limited to the hours during which the Exchange is open for the transaction of business; and no member shall make any bid, offer or transaction upon the Floor[, or issue a commitment to trade through ITS from the Floor, or send or receive an order in a Nasdaq/NM Security for execution via telephone to a Nasdaq System market maker] before or after those hours, except that [a specialist may issue and receive pre-opening notifications and pre-opening responses, pursuant to the provisions of the plan relating to the Pre-Opening Application of the System, before the official opening of the Exchange and] loans of money or securities may be made after the official closing of the Exchange.

**Rule 103.**

**Dealings on the Exchange [Floor] --Securities**

Only such securities as shall be admitted to dealings on an "issued," "when issued," or "when distributed" basis shall be dealt in on the Exchange.

**Rule 104.**

**Dealings on Floor --Persons**

No member shall, while on the Floor, make a transaction with any non-member in any security admitted to dealings on the Exchange.

[Nothing in this rule to the contrary shall be construed to prohibit a commitment to trade received on the Floor through ITS, or any other Application of the System, from being accepted or rejected on the Floor, or to prohibit transactions permitted by Rule 233.]

**Rule 105. Reserved.**

**[Recognized Quotations]**

[The recognized quotations shall be public bids and offers in lots of one trading unit of stocks or bonds or multiples thereof. Bids and offers in other market centers which may be displayed on the Floor for the purposes of ITS, or in accordance with Rule 233 or other purposes shall have no standing in the trading crowds on the Floor. All bids made and all offers made shall be in accordance with the provisions of Rule 11Ac1-1 under the Securities Exchange Act of 1934, governing the dissemination of quotations for reported securities.]

*[Supplementary Material: ...]*

**[.01** In the event of unusual market conditions as determined by the Committee on Floor Procedure, quotations in a given issue will not be subject to firmness provided that the Exchange has notified the following specified persons:]

[1. Each quotation vendor]

[2. The processor for the consolidated system]

[3. The processor for the Options Price Reporting Authority (in the case of a notification with respect to a reported security which is a class of securities underlying options admitted to trading on any exchange).]

[4. The processor for Nasdaq/NM Securities]

[.02 Prior to making a determination that a particular security or securities be exempted from the firmness requirement, the Committee on Floor Procedure shall consider:]

[1. The level of trading activity in existence at the time on the Philadelphia Stock Exchange.]

[2. The level of trading activity in existence at the time at other exchanges on which the particular security is traded.]

[3. The condition of the Exchange's quotation dissemination system.]

**Rule 106. Reserved.**

**[Unit of Trading]**

[The unit of trading in stocks shall be 100 shares unless otherwise designated by the Committee. The unit of trading in bonds shall be \$1,000 in principal amount thereof.]

**Rule 107. Reserved.**

**[Bids and Offers --Other Than Unit of Trading]**

[All bids or offers for more than one trading unit of stocks or bonds shall be considered to be for the amount thereof or any less number of units; bids or offers for less than the trading unit shall specify the number of shares of stock or the principal amount of the bonds covered by the bid or offer.]

**Rule 108.**

**Bids and Offers to Be Made Within Six Feet of Post**

All bids and offers in any security on the floor shall be made within six feet of the post assigned to such security by the appropriate floor Committee.

**Rule 109. Reserved.**

**[Member May Bid for or Offer Round Lots in Open Market]**

[(a) Any member, either for his own account as principal, or holding an order as Floor broker, may bid for and offer round lots (units of trading) of any security in the open market, or may leave his order with the odd-lot dealer to act for him.]

[Odd-lot orders to be given to odd-lot dealer]

[(b) Odd lots (less than unit of trading) of any security in which there is a registered odd-lot dealer shall be bought from and sold to such odd-lot dealer subject to the provisions of Rule 205 and executed in accordance with the provisions of Rules 225 and 227.]

**Rule 110.**

**Bids and Offers –Precedence**

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. With regard to XLE, this Rule shall not apply to any bid, offer or member.

**Rule 111.**

**Bids and Offers Binding**

All bids made and accepted, [and] all offers made and accepted and all orders executed on XLE in accordance with these Rules shall be binding; and all contracts thereby effected shall be subject to the exercise by the Board of Governors and the Standing Committees of the Exchange, of the powers in respect thereto, vested in the Board of Governors and in the Standing Committees by the Certificate of Incorporation and the By-Laws and to all provisions of the rules adopted pursuant thereto.

**Rule 112.**

**Bids and Offers --"When Issued"**

Bids and offers in securities admitted to dealings on a "when issued" basis may be made only "when issued," i.e., for delivery when issued as determined by the Exchange [Committee on Stock List].

Bids and offers --"when distributed"

Bids and offers in securities admitted to dealings on a "when distributed" basis may be made only "when distributed," i.e., for delivery when distributed as determined by the Exchange [Committee on Stock List].

**Rule 113. Reserved.**

**[Bids and Offers –Stocks]**

[Bids and offers in stocks admitted to dealings on an "issued" basis may be made only as follows, but when made without stated conditions shall be considered to be "regular way":]

["Cash"]

[(a) "cash," i.e., for delivery upon the day of contract;]

["Regular way"]

[(b) "regular way," i.e., for delivery upon the third business day following the day of contract;]

["Seller's option"]

[(c) "seller's option," i.e., for delivery, at the option of the seller, within the time specified in the option, which time shall be not less than four days nor more than sixty days.]

**Rule 114. Reserved.**

[Bids and Offers –Bonds]

[Bids and offers in bonds (except convertible bonds and United States Government securities) admitted to dealings on an "issued" basis may be made only as follows, but when made without stated conditions shall be considered to be "regular way":]

["Cash"]

[(a) "cash," i.e., for delivery upon the day of contract;]

["Regular way"]

[(b) "regular way," i.e., for delivery on the third business day following the day of the contract; provided that the seller shall be permitted (unless the buyer specified "third day" when making his bid) to state at the time of closing the transaction on the Floor that the bonds are sold for delayed delivery, in which event delivery shall be due on the third day following the day of the contract;]

["Seller's option"]

[(c) "seller's option," i.e., for delivery, at the option of the seller, within the time specified in the option, which time shall be not less than four days nor more than sixty days.]

**Rule 115. Reserved.**

**[Bids and Offers --Convertible Bonds]**

[Bids and offers in convertible bonds admitted to dealings on an "issued" basis may be made only as follows, but when made without stated conditions shall be considered to be "regular way":]

["Cash"]

[(a) "cash," i.e., for delivery upon the day of contract;]

["Regular way"]

[(b) "regular way," i.e., for delivery on the third business day following the day of contract;]

["Seller's option"]

[(c) "seller's option," i.e., for delivery, at the option of the seller, within the time specified in the option, which time shall be not less than four days nor more than sixty days.]

**Rule 117. Reserved.**

**[Delivery on One Day's Notice --"Seller's Option"]**

[(a) When securities have been sold "seller's option," delivery shall be due on the day of the expiration of the option (unless such day is other than a business day, when delivery shall be due on the succeeding business day), but may be made at the option of the seller on any business day prior thereto upon one day's written notice. Such notice must be given by the seller before 4:00 p.m. and may not be given until the third full business day following the day of contract.]

["Regular way delayed delivery"]

[(b) When securities have been sold "regular way delayed delivery," delivery may be made at the option of the seller on any business day prior to the day when delivery is due, upon one day's written notice. Such notice must be given by the seller before 4:00 p.m. and may not be given until the third full business day following the day of the contract.]

**Rule 118. Reserved.**

**[Bids and Offers Outside Best Bid and Offer]**

[When a bid is clearly established, no bid or offer at a lower price shall be made. When an offer is clearly established, no offer or bid at a higher price shall be made.]

**Rule 119.**

**Precedence of Highest Bid**

(a)-(f) No Change.

(g) This Rule shall not apply to any bid on XLE.

**Rule 120.**

**Precedence of Offers at Same Price**

The lowest offer shall have precedence in all cases. Where offers are made at the same price the priority and precedence shall be determined in the same manner as specified in the case of bids in Rule 119 hereof. This Rule shall not apply to any offer on XLE.

**Rule 121. Reserved.**

**[Member as Principal Having Orders to Buy and Sell]**

[If a member as principal shall have orders both to buy and sell the same security, such orders may be executed prior to orders of other members at the same price, regardless of the provisions of Rules 119 and 120 hereof. This shall not apply to odd-lot orders in stocks in which there is a registered odd-lot dealer.]

**Rule 122. Reserved.**

**["Seller's Option"]**

[On offers to buy "seller's option," at the same price, the longest option shall have precedence; on offers to sell "seller's option" at the same price, the shortest option shall have precedence.]

**Rule 123. Reserved.**

**[Bids and Offers to Be Made Public]**

[A claim by a member who states that he had on the Floor a prior or better bid or offer shall not be sustained if the bid or offer was not made with the publicity and frequency necessary to make the existence of such bid or offer generally known at the time of the transaction.]

**Disputes**

**Rule 124.** (a) Disputes occurring on and relating to the trading floor, if not settled by agreement between the members interested, shall be settled, if practicable, by vote of the

members knowing of the transaction in question; if not so settled, they shall be settled by a Floor Official summoned to the trading crowd designated by Market Surveillance to rule on the dispute.

In issuing decisions for the resolution of trading disputes, Floor Officials shall institute the course of action deemed to be most fair to all parties under the circumstances at the time. A Floor Official may direct the execution of an order on the floor, or adjust the transaction terms or participants to an executed order on the floor. However, two Option Floor Officials may nullify a transaction if they determine the transaction to have been in violation of Rules 1014 (Obligations and Restrictions Applicable to Specialist and ROTs), 1015 (Quotation Guarantees), 1017 (Priority and Parity at Openings in Options), 1033 (Bids and Offers) or 1080 (AUTOM). [Two Equity Floor Officials may nullify a transaction if they determine the transaction to have been in violation of Rules 110 (Bids and Offers --Precedence), 111 (Bids and Offers --Binding), 118 (Bids and Offers Outside Best Bid and Offer), 119 (Precedence of Highest Bid), 120 (Precedence of Offers at Same Price), 126 (Crossing), 203 (Agreement of Specialists), 218 (Customer Order Receives Priority), 229 (PACE System), 232 (Handling Orders When the Primary Market is Not Open for Free Trading), or 455 (Short Sales).] This Rule 124(a) shall not apply to options transactions that are the result of an Obvious Error (as defined in Rule 1092). Options transactions that are the result of an Obvious Error shall be subject to the provisions and procedures set forth in Rule 1092.

(b)-(d)(iv) No Change.

(d)(v) As appropriate, the Chairman of the Options Committee, or of the Foreign Currency Options Committee, [or of the Floor Procedure Committee,] or their respective designees, shall refer a Referee that fails to make any ruling in accordance with Exchange rules to the Audit Committee for possible disciplinary action, including removal. A Floor Official that fails to make any ruling in accordance with Exchange rules may be subject to possible disciplinary action by the Exchange.

(d)(vi) No Change.

Commentary:

.01-.02 No change.

## **Rule 125.**

### **[Variations in Bids and Offers] Order Entry and Execution Increments**

[Bids or offers for equities quoting in decimals shall be made in a minimum increment of \$.01.]

(a) Except as described in paragraph (b) below:

(1) XLE shall not display, rank, or accept from any person an order in any NMS stock priced in an increment smaller than \$0.01 if that order is priced equal to or greater than \$1.00 per share; and

(2) XLE shall not display, rank, or accept from any person an order in any NMS stock priced in an increment smaller than \$0.0001 if that order is priced less than \$1.00 per share.

(b) The provisions of paragraphs (a)(1) and (2), as applicable, shall not apply to:

(1) any securities that have been exempted by the Securities and Exchange Commission from Rule 612 of Regulation NMS. In those cases, XLE shall display, rank and accept orders consistent with the fullest extent of the exemption granted to the security; and

(2) Orders marked Benchmark. Orders marked Benchmark may be entered in an increment no smaller than \$0.0001.

(c) Except as described in paragraph (d) below:

(1) executions on XLE at a price equal to or greater than \$1.00 per share will be in increments no smaller than \$0.01; and

(2) executions on XLE at a price less than \$1.00 per share will be in increments no smaller than \$0.0001.

(d) The provisions of paragraphs (c)(1) and (2), as applicable, shall not apply to:

(1) any securities that have been exempted by the Securities and Exchange Commission from Rule 612 of Regulation NMS. In those cases, XLE shall execute orders in increments no smaller than such securities may be displayed, ranked and accepted consistent with the fullest extent of the exemption granted to the security;

(2) Mid-Point Cross Orders. Mid-Point Cross Orders will be executed in increments no smaller than \$0.0001; and

(3) Order marked Benchmark. Orders marked Benchmark may be executed at the price at which the Order marked Benchmark is entered.

**Rule 126. Reserved.**

**["Crossing" Orders]**

[When a member has an order to buy and an order to sell the same security, he must offer

such security at a price which is higher than his bid by the minimum variation permitted in such security before making a transaction with himself.]

*[Supplementary Material: ...]*

[(a) When a member organization has both a customer's order to buy and a customer's order to sell the same security at the same price, no member may interfere with this cross by seeking to buy or sell securities for his own account at that price, except to the extent such member is a specialist or alternate specialist and acting in that capacity has entered a bid or offer at that price that has been publicly disseminated.]

[(b) When a member organization has a customer's order on one side only and the member organization (or another member organization) is acting as principal on the other side, no member may participate on the customer side of the trade for his own account except under the circumstances set forth in paragraph (a). Members are not required to yield priority to the member organization on the principal side of the cross.]

[(c) When one member organization has a customer's order on one side and another member organization has a customer's order on the other side, no member may interfere with this cross by seeking to buy or sell securities for his own account except under the circumstances set forth in paragraph (a).]

[(d) For purposes of this rule, a customer order shall include any order which a broker represents in an agency capacity, including any order of a market maker or other broker-dealer not affiliated with the broker; it shall not include any order of a broker-dealer affiliated with the executing broker, or any associated person of such broker-dealer.]

[(e) A specialist may not seek to avoid the operation of this rule by entering an order for the specialist's own account with another member in order to have the order placed on the specialist's own order to have the order placed on the specialist's own book; provided, however, that this shall not prevent a specialist from entering orders in securities traded by an unaffiliated specialist unit.]

[(f) When a member has an order to buy and an order to sell an equivalent amount of the same Trust Share, and both orders are of 25,000 Trust shares or more and are for the accounts of persons who are not members or member organizations, the member may "cross" those orders at a price at or within the prevailing quotation. The member's bid or offer shall be entitled to priority at such cross price, irrespective of pre-existing bids or offers at that price. The member shall follow the crossing procedures of Rule 451(d), and another member may trade with either the bid or offer side of the cross transaction only to provide a price which is better than the cross price as to all or part of such bid or offer. A member who is providing a better price to one side of the cross transaction must trade with all other market interest having priority at that price before trading with any part of the cross transaction, in whole or in part, at the cross price. A transaction effected the cross price in reliance on this Supplementary Material (f) shall be printed as "Stopped

Stock"]

[(g) Orders to cross 25,000 shares or more Trust Shares, where one or both sides of such cross is for the account of a member or member organization, will be permitted to establish precedence based on size so long as the orders are represented at the post when a sale removing all bids and offers from the Floor takes place. Once the precedence of such orders of 25,000 Trust shares or more has been established, the broker handling the cross must then bid and offer the security in accordance with Rule 451.]

[(h) If prior to presenting a cross transaction involving 5,000 shares or more, a member requests that the specialist post the current market for the security ("Updated Quotation"), the member may execute a cross transaction:]

[(i) at the Updated Quotation, if both sides of the cross transaction are agency orders and the Updated Quotation contains no agency orders; or]

[(ii) between the Updated Quotation, without interference by another member. In no event shall an agency order on the book having time priority, remain unexecuted after any other order at its price has been effected pursuant to this rule or otherwise.]

[(i) This section applies to the execution of certain transactions hereinafter referred to as VWAP crosses which are customer-to-customer crosses that are equal to any single market or consolidated market volume weighted average prices either for the entire trading day from 9:30 A.M. to 4:00 P.M., or for any portion of the trading day. VWAP crosses are not subject to the Exchange's auction market rules and thus, may not be broken-up upon entry to the Exchange. VWAP crosses must be identified as VWAP on each order ticket, entered by symbol and price, identified as 'agency' and, when applicable, identified as "short exempt". The basis upon which the VWAP is to be calculated (including the time of day in which the trades to be included in the VWAP formula must occur, and whether such trades are limited to those occurring on a particular market or include all trades on the consolidated market) must be documented upon receipt of the order. VWAP crosses may be executed only during the Exchange's Post Primary Session and reported with the identifier "b", to the nearest decimal eligible for reporting by the Exchange.]

**Rule 127. Reserved.**

**[Substitute Principal]**

[No party to a contract shall be compelled to accept a substitute principal unless the name proposed to be substituted shall be declared in making the bid or offer and as a part thereof.]

**Rule 130. Reserved.**

**[Offers Not Allowed on Floor]**

[No member shall offer publicly on the Floor]

[On stop]

[(a) to buy or sell securities "on stop" above or below the market;]

[At the close]

[(b) to buy or sell securities "at the close";]

[Dividends]

[(c) to buy or sell dividends;]

[Betting on market]

[(d) to bet upon the course of the market; or]

[Privileges]

[(e) to buy or sell privileges to receive or deliver securities.]

**Rule 134. Reserved.**

**[Stop Order Bans]**

[(a) Whenever the primary market for a stock admitted to dealings on the Exchange institutes a stop and stop limit order ban, or whenever the primary market institutes a stop or stop limit order ban on all stocks, the Exchange will also ban such orders until such time as the ban in the primary market is lifted.]

[(b) (i) Stop Order Ban Procedures]

[Any stop and stop limit orders residing on the specialists' book at the time the ban goes into effect will remain eligible for execution.]

[(c) Individual Stock Stop Order Ban --Whenever the primary market implements a stop order ban in an individual stock due to an unusually large accumulation of stop and stop limit orders, the PHLX will also ban such orders as follows:]

[(i) Upon notice from the primary market by indication over Consolidated Tape that stop and stop limit orders are banned in an individual stock, the Exchange will announce to the floor and PACE users that a stop order ban is in effect in the individual stock.]

[(ii) The entry of stop and stop limit orders will be banned until such time as the ban is lifted in the primary market and that information is disseminated over the Consolidated Tape. Any orders received through PACE will be rejected.]

[(iii) Any stop and stop limit orders residing on the specialists' book at the time the ban goes into effect may be cancelled by the Exchange whenever two Floor Officials, with the concurrence of a market regulation officer deem such action appropriate and in the interests of fair and orderly markets and to protect investors. Among the factors to be considered are:]

[(1) if the primary market cancels stop orders residing on their book or;]

[(2) other unusual conditions or circumstances.]

**Rule 150. Reserved.**

**[Definitions --U.S. Government Securities]**

[The terms defined in paragraphs (a) through (g), inclusive, shall have the meanings specified in such paragraphs for all purposes of the Rules of the Board of Governors and of the Rules and Regulations of Standing Committees of the Exchange and take precedence when conflicts arise with other Rules, specifically as they apply to government securities. Otherwise, the Rules of the Board of Governors or the Rules and Regulations of the Standing Committees of the Exchange will apply unless the context of a Rule or Regulation dictates otherwise.]

[(a) Government securities shall be defined as those marketable bills, bonds, notes and certain U.S. Government sponsored entity and federal agency issues which are issued by or guaranteed, either directly or implicitly, by the federal government and/or its sponsored entity or agencies. Furthermore, these bills, bonds, notes and government sponsored entity and federal agency issues are defined below.]

[(b) Treasury bills are defined as short term direct obligations of the United States and are usually issued with maturities of three (3) or six (6) months or one (1) year. None are due longer than twelve (12) months.]

[(c) U.S. Treasury Notes are defined as direct obligations of the United States and issued with maturities ranging from one (1) to seven (7) years.

[(d) U.S. Treasury Bonds are defined as direct obligations of the United States thought of as being issued with maturities longer than seven (7) years.]

[(e) Government sponsored entities or agency issues are defined as obligations of corporations or agencies, created or organized under specific federal legislation issued with varying maturities.]

[(f) Round-lot --by convention, a round-lot in a government security is defined as any transaction with a face amount of \$100,000 or more.]

[(g) Odd-lot --by convention, an odd-lot in a government security is defined as any transaction with a face amount of less than \$100,000.]

**Rule 151. Reserved.**

**[Recognized Quotations --U.S. Government Securities]**

[Recognized quotations will be public bids and offers based upon the size of the inquiry, in terms of the face value of the security being transacted, its availability and as follows:]

[(a) for Treasury Bills --quotations will be made in the form of a percentage discount from face value.]

[(b) for Treasury Bonds and Notes and Government sponsored entity and agency issues --quotations will be made based on a percentage of face value.]

[Quotations will be limited to the minimum denominations and multiples of the particular government security as specified by the treasury or the issuer.]

**Rule 152. Reserved.**

**[Bids and Offers --U.S. Government Securities]**

[Bids and offers in government securities admitted to dealings on an "issued" basis may be made only as follows, but when made without stated conditions shall be considered "regular way":]

**["Cash"]**

[(a) "Cash", i.e., for delivery upon the day of contract;]

**["Regular Way"]**

[(b) "Regular way", i.e., for delivery on the fifth business day following the day of contract.]

**["Skip Day"]**

[(c) "Skip day", i.e., for delivery on the second business day following the day of contract;]

**["Delayed Delivery"]**

[(d) "Delayed delivery", i.e., for delivery on a basis mutually agreeable to both the buyer and seller, where conditions in (a), (b), or (c) above, are not applicable. In cases where "delayed delivery" is employed the conditions of settlement must be specified and agreed upon at the time the trade is made.]

[Furthermore, bids and offers made on the floor will be for "bearer" securities unless otherwise specified.]

**Rule 153. Reserved.**

**[Computations of Interest --U.S. Government Securities]**

[The number of elapsed days calculated on government securities shall be computed in accordance with the directives of the U.S. Treasury or the prevailing customs of the industry. Specifically, the method of computing the number of elapsed days for these securities shall be as described below.]

[The amount of interest deemed to have accrued on contracts in bonds dealt in "and interest" shall be for government securities that portion of the interest on the bonds for the current full interest period, computed for the actual number of days elapsed since the last interest date on the basis of the actual number of days in the current interest period. In determining the number of days in a period, the actual elapsed days in each calendar month shall be used.]

[The following material is given to illustrate methods of computing elapsed days, in conformity with this rule:]

[For government securities:]

[From the 15th of a 28 day month to the 15th of the following month is 28 days.]

[From the 15th of a 30 day month to the 15th of the following month is 30 days.]

[From the 15th of a 31 day month to the 15th of the following month is 31 days.]

[The six months' interest period ending:]

[January 15 is 184 days]

[February 15 is 184 days]

[March 15 is 181\* days]

[April 15 is 182\* days]

[May 15 is 181\* days]

[June 15 is 182\* days]

[July 15 is 181\* days]

[August 15 is 181\* days]

[September 15 is 184 days]

[October 15 is 183 days]

[November 15 is 184 days]

[December 15 is 183 days]

*[Supplementary Material: ...]*

[It should be noted that, for certain government sponsored entity or agency issues, included in the category of government securities, the methods of computing interest do not follow the procedures outlined in this rule. In cases where discrepancies arise, such as the Government National Mortgage Association security (GNMA), the prevailing custom of the industry will be employed.]

**Rule 154. Reserved.**

**[Variations in Bids and Offers --U.S. Government Securities]**

[Bids and offers for odd-lot transactions in government securities shall not be made at less variation than one/one-hundredth of one percent (.01%) of the face amount of treasury bills, nor less than one/thirty-second (1/32) of one percent of the face amount of the treasury bond or note or agency issue.]

**Rule 155.**

**General Responsibility of Floor Brokers**

A Floor Broker handling an order is to use due diligence to execute the order at the best price or prices available to him in accordance with the Rules of the Exchange. [A Floor Broker may (a) enter an order into the Order Entry Window as provided in Rule 229B, or (b) take the order to the specialist in that security on the trading floor or, where there are competing specialists, to the primary specialist in that security.]

**Rule 160.**

**NMS Stock Execution on the Exchange**

Only orders for NMS stocks may be entered and executed on XLE. XLE is the only venue on the Exchange for the entry and execution of orders in NMS stocks. Nothing in

this rule is intended to limit a XLE Participant's activities otherwise than on an exchange or on another exchange.

The Exchange intends to operate XLE as an automated trading center for purposes of Rule 600(b)(4) of Regulation NMS.

**Rule 161.**

**Transmission of Bids or Offers**

No one having the right to trade on XLE and who has been a party to or has knowledge of an execution shall be under obligation to divulge, except to the Exchange, the name of the person buying or selling in any transaction.

**Rule 162.**

**Orders Deemed Regular Way**

(a) Except for two-sided orders that a XLE Participant marks as not for regular way settlement, all orders are for regular way settlement, which is for delivery upon the third business day following the day of execution.

(b) XLE Participants may mark a two-sided order not for regular way settlement with one of the following conditions:

- (1) Cash. Cash means a transaction for delivery on the day of execution.
- (2) Next Day. Next day means a transaction for delivery on the next business day following the day of execution. Next day settlement may also include deliveries within the time specified in the order which time may include the second full business day following the day of execution.
- (3) Seller's Option. Seller's option means a transaction for delivery within the time specified in the order, which time shall not be less than four (4) full business days nor more than 60 days following the day of execution; except that the Exchange may provide otherwise in specific issues of stocks or classes of stocks. When securities have been sold "seller's option," delivery shall be due on the day of the expiration of the option (unless such day is other than a business day, when delivery shall be due on the succeeding business day), but may be made at the option of the seller on any business day prior thereto upon one day's written notice. Such notice must be given by the seller before 4:00 p.m. and may not be given until the third full business day following the day of execution.

**Rule 163.**

**Clearly Erroneous Executions**

(a) Definition. For purposes of this Rule, the terms of a transaction executed on XLE are "clearly erroneous" when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. A transaction made in clearly erroneous error and cancelled by both parties may be removed, if the parties do not object, subject to the approval of Phlx.

(b) Request for Phlx Review. A XLE Participant that receives an execution on an order that was submitted erroneously to XLE for its own or customer account may request that Phlx review the transaction under this Rule. Such request for review shall be made via telephone, facsimile or e-mail and, absent unusual circumstances, submitted within twenty (20) minutes of the trade in question. Upon receipt, the counterparty to the trade, if any, shall be notified by Phlx as soon as practicable. Thereafter, an officer of Phlx or such other designee of Phlx ("Exchange Official") shall review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. Each party to the transaction shall provide, within thirty (30) minutes of the request for review, any supporting written information as may be reasonably requested by the Exchange Official to aid resolution of the matter. Either party to the disputed trade may request the supporting written information provided by the other party on the matter.

(c) Review Procedures.

(1) Unless both parties (or party, in the case of a cross order) to the disputed transaction agree to withdraw the initial request for review, the transaction under dispute shall be reviewed, and a determination shall be rendered by the Exchange Official. If the Exchange Official determines that the transaction is not clearly erroneous, the Exchange Official shall decline to take any action in connection with the completed trade. In the event that the Exchange Official determines that the transaction in dispute is clearly erroneous, the Exchange Official shall declare the transaction null and void or modify one or more of the terms of the transaction to achieve an equitable rectification of the error that would place the parties in the same position, or as close as possible to the same position that they would have been in, had the error not occurred. The parties shall be promptly notified of the determination.

(2) If a party affected by a determination made under this Rule so requests within the time permitted in Rule 124(d)(i), the Referee will review decisions made by the Exchange Official under this Rule, including whether a clearly erroneous execution occurred and whether the correct adjustment was made, pursuant to Rule 124(d) as if the decision of the Exchange Official was a Floor Official ruling.

(d) System Disruption and Malfunctions. In the event of any disruption or a malfunction in the use or operation of any electronic communications and trading facilities of the Phlx, or extraordinary market conditions or other circumstances in which the nullification or modification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest exist, the Exchange Official, on his or her own motion, may review such transactions and declare such

transactions arising out of the use or operation of such facilities during such period null and void or modify the terms of these transactions if the Exchange Official determines that the transaction(s) is clearly erroneous, or that such actions are necessary for the maintenance of a fair and orderly market or for the protection of investors and the public interest. Absent extraordinary circumstances, any such action of the Exchange Official pursuant to this subsection (d) shall be taken within thirty (30) minutes of detection of the erroneous transaction. Each XLE Participant involved in the transaction shall be notified as soon as practicable, and the XLE Participant aggrieved by the action may appeal such action in accordance with the provisions of subsection (c)(2).

(e) Trade Nullification and Price Adjustments for UTP Securities that are Subject of Initial Public Offerings ("IPOs"). Pursuant to SEC Rule 12f-2, as amended, the Phlx may extend unlisted trading privileges to a security that is the subject of an initial public offering when at least one transaction in the subject security has been effected on the national securities exchange or association upon which the security is listed and the transaction has been reported pursuant to an effective transaction reporting plan. A clearly erroneous error may be deemed to have occurred in the opening transaction of the subject security if the execution price of the opening transaction on XLE is more than the lesser of \$1.00 or 10% away from the opening price on the listing exchange or association. In such circumstances, the Exchange Official shall declare the opening transaction null and void or adjust the transaction price to the opening price on the listing exchange or association. Clearly erroneous executions of subsequent transactions of the subject security will be reviewed in the same manner as the procedure set forth in (c)(1). Absent extraordinary circumstances, any such action of the Exchange Official pursuant to this subsection (e) shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. Each party involved in the transaction shall be notified as soon as practicable by Phlx, and the party aggrieved by the action may appeal such action to the Referee in accordance with the provisions of subsection (c)(2) above.

#### **Rule 164.**

##### **Trading Halts**

(a) Except as otherwise stated in Rules 810 and 811, the Chairman and Chief Executive Officer of the Exchange or his designee, shall have the power to suspend trading in any and all securities traded on XLE whenever in his or his designee's opinion such suspension would be in the public interest. No such action shall continue longer than a period of two days, or as soon thereafter as a quorum of Governors can be assembled, unless the Board approves the continuation of such suspension.

(b) If trading in one or more securities is suspended or halted, all orders in those securities shall be cancelled. XLE shall not accept any orders, or any changes to orders (other than cancellations), in those securities during a trading suspension or halt. Immediately after the trading halt or suspension has ended, XLE shall begin accepting orders for processing.

**Rule 165.**

**Clearance and Settlement**

(a) Each member organization entering orders on XLE shall either:

- (1) be a clearing firm;
- (2) clear transactions on XLE through a clearing firm; or
- (3) clear transactions through an entity duly authorized by the Exchange.

(b) A member organization entering orders on XLE must give up the name of the clearing firm through which each transaction on XLE will be cleared. If there is a subsequent change in identity of the clearing firm through which the transaction on XLE will be cleared, the member organization shall report such change to the Exchange at least five (5) business days in advance.

(c) Each clearing firm must be admitted to the Exchange as a member organization and to SCCP as a SCCP Participant. The clearing firm shall be responsible for the clearance of the transactions effected by each member organization which gives up such clearing firm's name pursuant to a letter of authorization, letter of guarantee or other authorization given by such clearing firm to such member organization, which authorization shall be submitted to the Exchange.

(d) Notwithstanding any other provisions contained in the Rule to the contrary, the Board of Governors may extend or postpone the time of the delivery of a transaction on XLE whenever in its opinion, such action is called for by the public interest, by just and equitable principles of trade or by the need to meet unusual conditions. In such case, delivery shall be effected at such time, place and manner as directed by the Board of Governors.

**Rule 170.**

**Registration of Market Makers**

(a) No XLE Participant shall act as a Market Maker in any security unless such XLE Participant is registered as a Market Maker in such security by the Exchange pursuant to this Rule and the Exchange has not suspended or canceled such registration. Registered Market Makers are designated as dealers on the Exchange for all purposes under the Securities Exchange Act of 1934 and the rules and regulations thereunder.

(b) Only member organizations may apply to become Market Makers. An applicant for registration as a Market Maker shall file an application in writing on such form as the Exchange may prescribe. Applications shall be reviewed by the Exchange, which shall consider such factors including, but not limited to capital, operations, personnel, technical resources, and disciplinary history.

(c) An applicant's registration as a Market Maker shall become effective upon receipt by the member organization of notice of an approval of registration by the Exchange. In the event that an application is disapproved by the Exchange, the applicant shall have an opportunity to be heard upon the specific grounds for the denial, in accordance with the provisions of Rule 174.

(d) The registration of a Market Maker may be suspended or terminated by the Exchange upon a determination of any substantial or continued failure by such Market Maker to engage in dealings in accordance with Rule 173.

(e) Any registered Market Maker may withdraw its registration by giving written notice to the Exchange. Such withdrawal of registration shall become effective on the tenth business day following the Exchange's receipt of the notice. A Market Maker who fails to give a ten-day written notice of withdrawal to the Exchange may be subject to formal disciplinary action pursuant to Rule 960.1 et. seq. Subsequent to withdrawal, the member organization shall not be permitted to re-register as a Market Maker for a period of six months.

**Rule 171.**

**Obligations of Market Maker Authorized Traders**

(a) General. MMATs are permitted to enter orders only for the account of the Market Maker for which they are registered. All orders entered by a MMAT must contain the identification of the individual MMAT that entered the order.

(b) Registration of Market Maker Authorized Traders. The Exchange may, upon receiving an application in writing from a Market Maker on a form prescribed by the Exchange, register a member as a MMAT. Each MMAT must be a member of the Exchange at all times he or she is acting as a MMAT.

(1) MMATs may be officers, partners, employees or other associated persons of member organizations that are registered with the Exchange as Market Makers.

(2) The Exchange may require a Market Maker to provide additional information the Exchange considers necessary to establish whether registration should be granted.

(3) The Exchange may grant a member conditional registration as a MMAT subject to any conditions it considers appropriate in the interests of maintaining a fair and orderly market.

(4) A Market Maker must ensure that a MMAT is properly registered to perform market making activities.

(5) To be eligible for registration as a MMAT, a person must have served as a dealer-specialist or market maker on a registered national securities exchange or

association (or be deemed to have similar experience from having functioned as a trader) for at least one year within three years of the date of application, or, in the alternative, must successfully complete the General Securities Representative Examination (Series 7):

(c) Suspension or Withdrawal of Registration.

(1) The Exchange may suspend or withdraw the registration previously given to a person to be a MMAT if the Exchange determines that:

- (A) the MMAT has caused the Market Maker to not properly perform the responsibilities of a Market Maker in Rule 173(a);
- (B) the MMAT has failed to meet the conditions set forth under paragraph (b) above; or
- (C) the Exchange believes it is in the interest of maintaining fair and orderly markets.

(2) If the Exchange suspends the registration of a person as a MMAT, the Market Maker must not allow the person to submit orders on XLE.

(3) The registration of a MMAT will be withdrawn upon the written request of the member organization for which the MMAT is registered. Such written request shall be submitted on the form prescribed by the Exchange.

**Rule 172.**

**Registration of Market Makers in a Security**

(a) A Market Maker may become registered in a newly authorized security or in a security already admitted to dealings on XLE by filing a security registration form with the Exchange. Registration in the security shall become effective on the first business day following the Exchange's approval of the registration. In considering the approval of the registration of the Market Maker in a security, the Exchange may consider:

- (1) the financial resources available to the Market Maker;
- (2) the Market Maker's experience, expertise and past performance in making markets, including the Market Maker's performance in other securities;
- (3) the Market Maker's operational capability;
- (4) the maintenance and enhancement of competition among Market Makers in each security in which they are registered;

- (5) the existence of satisfactory arrangements for clearing the Market Maker's transactions;
- (6) the character of the market for the security, e.g., price, volatility, and relative liquidity.
- (b) A Market Maker's registration in a security may be terminated by the Exchange if the Market Maker fails to enter quotations in the security within five (5) business days after the Market Maker's registration in the security becomes effective.
- (c) Voluntary Termination of Security Registration. A Market Maker may voluntarily terminate its registration in a security by providing the Exchange with a one-day written notice of such termination. Such termination shall be effective on the first business day immediately following the business day the Exchange received the notice. A Market Maker that fails to give advanced written notice of termination to the Exchange may be subject to formal disciplinary action pursuant to Rule 960.1 et. seq.
- (d) The Exchange may suspend or terminate any registration of a Market Maker in a security or securities under this Rule whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action.
- (e) A member organization may seek review of any action taken by the Exchange pursuant to this Rule, including the denial of the application for, or the termination or suspension of, a Market Maker's registration in a security or securities, in accordance with Rule 174.

**Rule 173.**

**Obligations of Market Makers**

- (a) General. Member organizations that are registered as Market Makers in one or more securities traded on XLE must engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on XLE in accordance with this Rule. The responsibilities and duties of a Market Maker specifically include, but are not limited to, the following:
  - (1) Each Market Maker must use electronic system(s) to maintain continuously two-sided markets with at least one Limit Order to buy and at least one Limit Order to sell, each for at least a round lot, in those securities in which the Market Maker is registered to trade;
  - (2) Maintain adequate minimum capital in accordance with Rule 703;
  - (3) Remain in Good Standing with the Exchange;
  - (4) Inform the Exchange of any adverse material change in financial or operational condition or significant change in personnel.

- (5) Clear and settle transactions through the facilities of a registered clearing agency using the means described in Rule 165(a). This requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another member organization that clears trades through such agency.
- (b) A Market Maker must satisfy the responsibilities and duties as set forth in paragraph (a) of this Rule during the Core Session on all days in which XLE is open for business.
- (c) If the Exchange finds any substantial or continued failure by a Market Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, such Market Maker will be subject to suspension or revocation of the registration by the Exchange in one or more of the securities in which the Market Maker is registered. Nothing in this Rule will limit any other power of the Board of Governors under the Bylaws, Rules, or procedures of the Exchange with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Rule. In accordance with Rule 174, a member organization may seek review of actions taken by the Exchange pursuant to this Rule.
- (d) Temporary Withdrawal. A Market Maker may apply to the Exchange to withdraw temporarily from its Market Maker status in the securities in which it is registered. A Market Maker is required to apply for temporary withdraw to the Membership Services department even if the reason for the withdrawal is due to action taken by another Phlx department. The Market Maker must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on such request and, if the request is granted, the Exchange may temporarily reassign the securities to another Market Maker.

## **Rule 174**

### **Hearing and Review of Decisions by the Exchange Staff**

- (a) General Provisions. This Rule provides the procedure for persons aggrieved by any of the following actions taken by the Exchange staff to apply for an opportunity to be heard and to have the action reviewed. These actions are:
- (1) actions taken by the Exchange staff pursuant to Rule 172, including the denial of the application for, or the termination or suspension of, a Market Maker's registration in a security or securities; and
  - (2) actions taken by the Exchange staff pursuant to Rule 171 or Rule 173;

For purposes of this Section, a person must be "aggrieved" in an economic sense.

(b) A person who is aggrieved by any action of the Exchange staff within the scope of this Rule and who desires an opportunity to be heard may appeal to the Board of Governors pursuant to By-Law Article XI, Section 11-1(a) as if the action of the Exchange staff was a decision of a Standing Committee.

**Rule 180.**

**Access**

(a) General. XLE shall be available for entry and execution of orders by members, member organizations and Sponsored Participants with authorized access. To obtain authorized access to XLE, each member organization and Sponsored Participant must enter into a XLE Participant Agreement.

(b) Sponsored Participants. A Sponsored Participant may obtain authorized access to XLE only if such access is authorized in advance by one or more Sponsoring Member Organizations as follows:

(1) Sponsored Participants must enter into and maintain customer agreements with one or more Sponsoring Member Organizations establishing proper relationship(s) and account(s) through which the Sponsored Participant may trade on XLE. Such customer agreement(s) must incorporate the Sponsorship Provisions set forth in paragraph (2) below.

(2) For a Sponsored Participant to obtain and maintain authorized access to XLE, a Sponsored Participant and its Sponsoring Member Organization must agree in writing to the following Sponsorship Provisions:

(A) Sponsored Participant and its Sponsoring Member Organization must have entered into and maintained a XLE Participant Agreement with the Exchange. The Sponsoring Member Organization must designate the Sponsored Participant by name in its XLE Participant Agreement as such.

(B) Sponsoring Member Organization acknowledges and agrees that

- (i) All orders entered by the Sponsored Participants and any person acting on behalf of or in the name of such Sponsored Participant and any executions occurring as a result of such orders are binding in all respects on the Sponsoring Member Organization and
- (ii) Sponsoring Member Organization is responsible for any and all actions taken by such Sponsored Participant and any person acting on behalf of or in the name of such Sponsored Participant.

(C) Sponsoring Member Organization shall comply with the Exchange's Certificate of Incorporation, Bylaws, Rules and procedures with regard to XLE and Sponsored Participant shall comply with the Exchange's Certificate of Incorporation, Bylaws, Rules and procedures with regard to XLE, as if Sponsored Participant were a member organization.

(D) Sponsored Participant shall maintain, keep current and provide to the Sponsoring Member Organization a list of PAUs who may obtain access to XLE on behalf of the Sponsored Participant.

(E) Sponsored Participant shall familiarize its PAUs with all of the Sponsored Participant's obligations under this Rule and will assure that they receive appropriate training prior to any use or access to XLE.

(F) Sponsored Participant may not permit anyone other than PAUs to use or obtain access to XLE.

(G) Sponsored Participant shall take reasonable security precautions to prevent unauthorized use or access to XLE, including unauthorized entry of information into XLE, or the information and data made available therein. Sponsored Participant understands and agrees that Sponsored Participant is responsible for any and all orders, trades and other messages and instructions entered, transmitted or received under identifiers, passwords and security codes of PAUs, and for the trading and other consequences thereof.

(H) Sponsored Participant acknowledges its responsibility to establish adequate procedures and controls that permit it to effectively monitor its employees, agents and customers' use and access to XLE for compliance with the terms of this agreement.

(I) Sponsored Participant shall pay when due all amounts, if any, payable to Sponsoring Member Organization, the Exchange or any other third parties that arise from the Sponsored Participants access to and use of XLE. Such amounts include, but are not limited to applicable exchange and regulatory fees.

(3) The Sponsoring Member Organization must provide the Exchange with a Notice of Consent acknowledging its responsibility for the orders, executions and actions of its Sponsored Participant at issue.

(c) A member organization shall maintain a list of PAUs who may obtain access to XLE on behalf of the member organization or the member organization's Sponsored Participants. The member organization shall update the list of PAUs as necessary. Member organizations must provide the list of PAUs to the Exchange upon request.

(d) A member organization must have reasonable procedures to ensure that all PAUs comply with the trading Rules and procedures related to XLE and all other Rules of the Exchange.

(e) A member organization must suspend or withdraw a person's status as a PAU if the Exchange has determined that the person has caused the member organization to fail to comply with the Rules of the Exchange and the Exchange has directed the member organization to suspend or withdraw the person's status as a PAU.

(f) A member organization must have reasonable procedures to ensure that the PAUs maintain the physical security of the equipment for accessing the facilities of the Exchange to prevent the improper use or access to the systems, including unauthorized entry of information into the systems.

**Rule 181.**

**Order Entry**

XLE Participants may enter on XLE the types of orders listed in Rule 185; provided, however, no XLE Participant may enter a Limit Order or Reserve Order without "Do Not Route" instructions, or an SSO, unless the XLE Participant or the XLE Participant's Sponsoring Member Organization has entered into a Routing Agreement.

**Rule 182.**

**Order Marking**

Consistent with Rules of the Exchange, XLE Participants may enter Proprietary Orders, Professional Orders and Public Agency Orders. Proprietary Orders are subject to the same display and ranking processes as agency orders (Professional Orders and Public Agency Orders). XLE Participants that enter orders on XLE shall mark each order (or each side of a two-sided order) with the appropriate designator to identify the order (or the side of the order) as Proprietary, Professional or Public Agency.

**Rule 183.**

**Trading Sessions Customer Disclosure**

(a) No XLE Participant may accept an order from a non-XLE Participant for execution in the Pre Market or Post Market Session without disclosing to such non-XLE Participant that:

(1) an order must be designated specifically for trading in the Pre Market or Post Market Session to be eligible for trading in the Pre Market or Post Market Session; and

(2) expanded hours trading involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets,

an exaggerated effect from news announcements, wider spreads and any other relevant risk.

(b) The disclosures required pursuant to subparagraph (a)(2) may take the following form or such other form as provides substantially similar information:

1. Risk of Lower Liquidity. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in expanded hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.

2. Risk of Higher Volatility. Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in expanded hours trading than in regular market hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price in expanded hours trading compared to what you would have received during regular markets hours.

3. Risk of Changing Prices. The prices of securities traded in expanded hours trading may not reflect the prices either at the end of regular market hours, or upon the opening of the next morning. As a result, you may receive an inferior price in expanded hours trading than you would during regular market hours.

4. Risk of Unlinked Markets. Depending on the expanded hours trading system or the time of day, the prices displayed on a particular expanded hours system may not reflect the prices in other concurrently operating expanded hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one expanded hours trading system compared to what you would have received in another expanded hours trading system.

5. Risk of News Announcements. Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In expanded hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

6. Risk of Wider Spreads. The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in expanded hours trading may result in wider than normal spreads for a particular security.

**Rule 184.**

**Order Ranking and Display**

(a) Ranking. Orders of XLE Participants shall be ranked and maintained on XLE beginning with the highest priced bid and lowest price offer, based on the order's display price. Within each price level:

(1) Limit Orders, the display portion of Reserve Orders and Pegged Orders (including odd-lots) shall be ranked, as a group, based on the time (A) each order is received, (B) its price is updated, or (C) the display portion of a Reserve Order is reduced below a round lot and the display size is refreshed with shares from the undisplayed portion of the Reserve Order; followed by (2) the undisplayed portion of Reserve Orders ranked on the time each such order is received or its price is updated.

(b) Display. All orders in paragraph (a)(1) above at all price levels shall be displayed to all users of the depth of book feed on an anonymous basis.

(c) Dissemination. The best-ranked displayed order(s) to buy and the best ranked displayed orders(s) to sell on XLE and the aggregate displayed size of such orders associated with such prices shall be collected and made available to the appropriate market data reporting plans for dissemination pursuant to the requirements of Rule 602 of Regulation NMS.

#### **Rule 185.**

##### **Orders and Order Execution**

(a) Market Order. An order to buy or sell a stated amount of a security that is to be executed immediately and automatically against existing orders on XLE at their displayable price, in order of their ranking, up to and including the price of the best away Protected Quotation. Any unexecuted shares of the Market Order will be cancelled. If the Protected Bid is priced higher than the Protected Offer, the Market Order shall be cancelled.

(b) Limited price orders. The following orders are one-sided orders to buy or sell a stated amount of a security at a specified price or better. A limited price order to buy (sell) at or above (below) the best Protected Offer (Bid) is considered marketable.

(1) Limited price orders subject to Quote Management Instructions ("QMI"):

(A) Limit Order. A Limit Order is a limited price order. A XLE Participant may indicate during which contiguous XLE Trading Session(s) a Limit Order shall remain eligible for execution. Unless a XLE Participant indicates that a Limit Order is not routable by attaching "Do Not Route" instructions, Limit Orders may be routed, if marketable, to another market center by XLE.

(B) Reserve Order. A limited price order with at least a round lot portion of the size that is displayable and with at least a round lot portion of the size that is not displayable by XLE, provided that the portion of the Reserve Order that is not displayable shall have the same price as the portion that is displayable. A XLE Participant may indicate during which contiguous XLE Trading Session(s) a Reserve Order shall remain eligible for execution. Unless a XLE Participant indicates that a Reserve Order is not routable by attaching “Do Not Route” instructions, Reserve Orders may be routed, if marketable, to another market center by XLE, up to and including the full size.

(C) A marketable Limit Order or Reserve Order will be executed according to the sending XLE Participant’s QMI. XLE Participants may choose from the following QMI:

(i)Ship and Quote. Upon the order’s arrival, XLE will execute immediately and automatically against existing orders in XLE at their displayable price, in the order of their ranking, and route immediate-or-cancel intermarket sweep orders to any away Protected Quotations, up to and including the order’s limit price. If the order arrives during a time when a Protected Bid is priced higher than a Protected Offer, then XLE will not route orders to any away Protected Quotations. In either case, remaining shares in the incoming order will be displayable on XLE at the incoming order’s limit price.

(ii)Post Order and Participate (“POP”). Upon the order’s arrival, XLE will execute immediately and automatically against existing orders in XLE at their displayable price, in the order of their ranking, up to and including the price of the best away Protected Quotation and route immediate-or-cancel intermarket sweep orders to away Protected Quotations priced at the best away Protected Quotation. After XLE receives responses to such orders that were routed away, XLE will repeat this process by continuing to route immediate-or-cancel intermarket sweep orders to away Protected Quotations priced at the best away Protected Quotation until the incoming order is executed in its entirety or its limit price is reached. During this time, any unexecuted and unrouted shares of the incoming order will be displayable as a bid (offer) on XLE, in the case of a buy (sell) order, at \$.01 away from the best Protected Offer (Bid), unless (x) the Protected Bid is priced higher than the Protected Offer, then the incoming order will be displayable as a bid (offer) on XLE, in the case of a buy (sell) order, at the same price of best Protected Quotation Offer (Bid); or (y) the Protected Bid is priced equal to the Protected Offer and XLE is

displaying an order at the price of the Protected NBBO on the same side of the market as the incoming order, then the incoming order will be displayable at the Protected NBBO.

(D) All Limit Orders and Reserve Orders with Do Not Route instructions will be executed immediately and automatically against existing orders on XLE at their displayable price, in order of their ranking, up to and including the price of the best away Protected Quotation, and the shares of the such Limit or Reserve Order not so executed shall be displayable as a bid (offer) on XLE, in the case of a buy (sell) order, at \$.01 away from the best Protected Offer (Bid) regardless of the XLE Participant's QMI, unless: (1) the Protected Bid is priced equal to the Protected Offer and XLE is displaying an order at the price of the Protected NBBO on the same side of the market as the incoming order, then the incoming order will be displayable at the Protected NBBO, or (2) the Protected Bid is priced higher than the Protected Offer, then a buy (sell) order will be executed immediately and automatically against existing orders on XLE at their displayable price, in order of their ranking, without regard to away Protected Quotations, and the shares of such Limit or Reserve Order not so executed shall be displayable on XLE at the limit price.

(E) Except when otherwise mandated by the applicable short sale test, all Limit Orders and Reserve Orders, once displayable at a price, will not be displayable at an inferior price regardless of the movement of the away Protected Quotation.

(2) Limited price orders executed immediately on XLE:

(A) Immediate-or-Cancel ("IOC") Order. A limited price order that is to be executed immediately and automatically against existing orders on XLE at their displayable price, in order of their ranking, up to and including the price of the best away Protected Quotation unless the Protected Bid is priced higher than the Protected Offer, then XLE will ignore away Protected Quotations. The shares of the IOC Order not so executed shall be cancelled.

(B) Single Sweep Order ("SSO"). A limited price order that is to be executed immediately and automatically against existing orders on XLE at their displayable price, in order of their ranking, and/or routed away (using immediate-or-cancel intermarket sweep orders) to Protected Quotations, up to and including the order's limit price. Any shares of the SSO not immediately executed on XLE or on an away market shall be cancelled.

(C) Intermarket Sweep Order ("ISO"). A limited price order that is to be executed immediately and automatically against existing orders on XLE at their displayable price, in order of their ranking, and the shares of the ISO

not so executed shall be cancelled. An ISO will be executed on XLE without regard to any away Protected Quotations. XLE Participants entering an ISO must ensure that the ISO meets the requirements of Reg NMS Rule 600(b)(30).

(3) Pegged Order. A round or mixed lot limited price order to buy or sell, only on XLE, a stated amount of a security at a display price set to track (up, down or at) the current best Protected Bids or Offers (on either side of the market) in an amount specified by the XLE Participant in an increment permitted by Rule 125. The tracking of the relevant Protected Bid or Offer for Pegged Orders will occur on a real-time basis, except that when the calculated price for the Pegged Order would exceed its limit price, it will no longer track and will remain displayed at its limit price. A Pegged Order must have at least a round lot portion of the size that is displayable and may have at least a round lot portion of the size that is not displayable by XLE, provided that the portion of the Pegged Order that is not displayable shall have the same price as the portion that is displayable. A XLE Participant may indicate during which contiguous XLE Trading Session(s) a Pegged Order shall remain eligible for execution. A XLE Participant may not submit any Pegged Order marked sell short unless the applicable short sale test for that security has been suspended or is otherwise not in effect.

(c) Two-sided orders. The following orders have instructions to match immediately and automatically on XLE the identified buy-side with the identified sell-side.

(1) Mid-Point Cross Order. A two-sided order that executes, in its entirety, at the midpoint of the Protected NBBO.

(A) If the Protected Bid is priced equal to the Protected Offer, a Mid-Point Cross Order entered by an Approved Dealer will execute on XLE at the price of the locked Protected NBBO, unless there is a Public Agency Order on XLE disseminated pursuant to Rule 184(c) at the price of the locked Protected NBBO, then it will cancel.

(B) If the Protected Bid is priced equal to the Protected Offer, a Mid-Point Cross Order entered by a XLE Participant other than an Approved Dealer will execute on XLE at the price of the locked Protected NBBO, unless there is an order on XLE disseminated pursuant to Rule 184(c) at the price of the locked Protected NBBO, then it will cancel.

(C) If the Protected Bid is priced higher than the Protected Offer, the Mid-Point Cross Order shall be cancelled.

Notwithstanding subsections (A) and (B), XLE will not cancel a Mid-Point Cross Order with a calculated price equal to the price of the best order on XLE disseminated pursuant to Rule 184(c) in which neither side of the Order is marked as Proprietary if it is at least 5,000 shares, has an aggregate value of at least

\$100,000 and is larger than the aggregate size on XLE disseminated pursuant to Rule 184(c) at that price.

(2) IOC Cross Order. A two-sided order that executes, in its entirety, at the specified price, provided that XLE will cancel an IOC Cross Order at the time of order entry if:

(A) the specified price would trade through the price of the best order on XLE disseminated pursuant to Rule 184(c);

(B) for IOC Cross Orders entered by an Approved Dealer, the specified price would trade at the price of the best Public Agency Orders on XLE disseminated pursuant to Rule 184(c);

(C) for IOC Cross Orders entered by a XLE Participant other than an Approved Dealer, the specified price would trade at the price of the best order on XLE disseminated pursuant to Rule 184(c); or

(D) the specified price would cause an execution at a price that would trade-through the price of the Protected NBBO, unless the Protected Bid is priced higher than the Protected Offer or the IOC Cross Order is marked by the XLE Participant entering the order as meeting the requirements of an intermarket sweep order in Reg NMS Rule 600(b)(30), as Benchmark or as a Qualified Contingent Trade.

Notwithstanding subsections (B) and (C), XLE will not cancel an IOC Cross Order with a specified price equal to the price of the best order on XLE disseminated pursuant to Rule 184(c) in which neither side of the Order is marked as Proprietary if it is at least 5,000 shares, has an aggregate value of at least \$100,000 and is larger than the aggregate size on XLE disseminated pursuant to Rule 184(c) at that price.

(3) Benchmark Orders and Qualified Contingent Trades. An IOC Cross Order may be marked Benchmark if it meets the requirements of Reg NMS Rule 611(b)(7). An IOC Cross Order may be marked Qualified Contingent Trade if it meets the requirements of an exemption to Reg NMS Rule 611.

(4) Two-sided orders marked non-regular way. A two-sided order that a XLE Participant marks as not for regular way settlement may execute at any price, without regard to the Protected NBBO or any other orders on XLE, notwithstanding subparagraphs (c)(1)-(3), provided that Mid-Point Cross Orders marked as not for regular way settlement will be cancelled when the Protected Bid is priced higher than the Protected Offer.

(d) If a XLE Participant enters an order that, at the time of entry, would cross the best Protected Bid or Offer by 20% or more, the order will be rejected by XLE, provided, however, for orders priced under \$1.00, such orders will be rejected by XLE if they cross the best Protected Bid or Offer by \$0.20 or more.

(e) XLE will not execute nor display at a price at which it could not execute any order marked short in violation of the applicable short sale test, including any exemptions, applicable to that security.

(f) The Exchange will disseminate an order's displayable price to the appropriate market data reporting plans, pursuant to Rule 184(c), if the displayable price is the Exchange's best bid or best offer with at least 100 shares remaining. The Exchange will disseminate an order's displayable price to its depth of book feed, pursuant to Rule 184(b), at all times regardless of the remaining share size.

(g) Routing. As described above, under certain circumstances, the Exchange will route orders entered into XLE to other markets for execution. The Exchange shall enter into an agreement with a third party, to be a facility of the Exchange ("Routing Facility"), to provide these routing services. The Routing Facility will receive routing instructions from XLE, route orders to broker-dealers to route to another trading center and report such executions back to XLE. The Routing Facility cannot change the terms of an order or the routing instructions, nor does the Routing Facility have any discretion about where to route an order.

(1) The Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and the Routing Facility, and any other entity, including any affiliate of the Routing Facility, and, if the Routing Facility or any of its affiliates engages in any other business activities other than providing routing services to the Exchange, between the segment of the Routing Facility or affiliate that provides the other business activities and the routing services.

(2) The books, records, premises, officers, directors, agents, and employees of the Routing Facility, as a facility of the Exchange, shall be deemed to be the books, records, premises, officers, directors, agents, and employees of the Exchange for purposes of and subject to oversight pursuant to the Exchange Act. The books and records of the Routing Facility, as a facility of the Exchange, shall be subject at all times to inspection and copying by the Exchange and the Commission.

## **Rule 186.**

### **Locking or Crossing Quotations in NMS Stocks**

(a) Definitions. For purposes of this Rule, the following definitions shall apply:

(1) The terms automated quotation, effective national market system plan, intermarket sweep order, manual quotation, NMS stock, protected quotation, regular trading hours, and trading center shall have the meanings set forth in Rule 600(b) of Regulation NMS under the Securities Exchange Act of 1934.

(2) The term crossing quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that is higher than the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that is lower than the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(3) The term locking quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(b) Prohibition. Except for quotations that fall within the provisions of paragraph (d) of this Rule, members of the Exchange shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective national market system plan.

(c) Manual quotations. If a member of the Exchange displays a manual quotation that locks or crosses a quotation previously disseminated pursuant to an effective national market system plan, such member of the Exchange shall promptly either withdraw the manual quotation or route an intermarket sweep order to execute against the full displayed size of the locked or crossed quotation.

(d) Exceptions.

(1) The locking or crossing quotation was displayed at a time when the trading center displaying the locked or crossed quotation was experiencing a failure, material delay, or malfunction of its systems or equipment.

(2) The locking or crossing quotation was displayed at a time when a protected bid was higher than a protected offer in the NMS stock.

(3) The locking or crossing quotation was an automated quotation, and the member of the Exchange displaying such automated quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of any locked or crossed protected quotation.

(4) The locking or crossing quotation was a manual quotation that locked or crossed another manual quotation, and the member of the Exchange displaying the locking or crossing manual quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of the locked or crossed manual quotation.

**Rule 187.**

### **Odd and Mixed Lots**

(a) Odd Lots. All odd lot orders submitted by XLE Participants to XLE must be Limit Orders, IOC Orders or two-sided orders. Odd lot orders must be in whole share amounts, no fractional share orders are permitted.

(b) Mixed Lots. Mixed lot orders submitted by XLE Participants to XLE may be any order type supported by XLE. Mixed lot orders must be in whole share amounts, no fractional share orders are permitted.

(c) Ranking and Execution. Round lot, mixed lot and odd lot orders are treated in the same manner on XLE.

(d) Prohibitions. It shall be considered conduct inconsistent with just and equitable principles of trade for XLE Participants to engage in the following actions:

(1) Unbundling round lots for the purpose of entering odd lot limit orders in comparable amounts;

(2) Failing to aggregate odd lot orders into round lots when such orders are for the same account or for various accounts in which there is a common monetary interest; and

(3) Entering both buy and sell odd lot limit orders in the same stock before one of the orders is executed for the purpose of capturing the spread in the stock when such orders are for the same account or for various accounts in which there is a common monetary interest.

### **Rule 188.**

#### **Trade Execution and Reporting**

Executions occurring as a result of orders matched on XLE shall be reported by the Exchange to an appropriate consolidated transaction reporting system. XLE will identify trades executed pursuant to an exception or exemption to Rule 611 of Regulation NMS in accordance with specifications approved by the operating committee of the relevant national market system plan for an NMS Stock. Executions occurring as a result of orders routed away from the Exchange shall be reported to an appropriate consolidated transaction reporting system by the relevant self-regulatory organization. The Exchange shall promptly notify XLE Participants of all executions of their orders as soon as the Exchange is notified that such executions have taken place.

### **Rule 189.**

#### **Clearance and Settlement and Anonymity**

(a) The details of each transaction executed within XLE shall be automatically processed for clearance and settlement on a locked-in basis. XLE Participants need not separately

report their transaction to the Phlx for trade comparison purposes. All transactions effected by a Sponsored Participant shall be cleared and settled, using the relevant Sponsoring Member Organization's mnemonic (or its clearing firm's mnemonic as applicable).

(1) All orders must be entered with a valid clearing account number and two-sided orders must be entered with valid clearing account numbers for both sides of the order.

(b) Except as provided herein, transactions executed on XLE will be processed anonymously. The transaction reports will indicate the details of the transaction, but will not reveal contra party identities.

(c) Phlx will reveal the identity of the member organization or the member organization's clearing firm in the following circumstances:

(1) for regulatory purposes or to comply with an order of a court or arbitrator;

(2) when the NSCC or SCCP ceases to act for a member organization or the member organization's clearing firm; and NSCC or SCCP determines not to guarantee the settlement of the member organization's trades; or

(3) on risk management reports provided to the contra party of the member organization or the member organization's clearing firm which disclose trading activity on an aggregate dollar value basis.

(d) Phlx will reveal to a member organization, no later than the end of the day on the date an anonymous trade was executed, when that member organization submits an order that has executed against an order submitted by that same member organization.

(e) In order to satisfy the member organization's record keeping obligations under SEC Rules 17a-3(a)(1) and 17a-4(a), (i) Phlx shall, with the exception of those circumstances described below in (ii), retain for the period specified in Rule 17a-4(a) the identity of each member organization that executes an anonymous transaction described in paragraph (b) of this rule, and (ii) member organizations shall retain the obligation to comply with SEC Rules 17a-3(a)(1) and 17a-4(a) whenever they possess the identity of their contra party. In either case, the information shall be retained in its original form or a form approved under Rule 17a-6.

**Rule 201.** Reserved.

**[Specialist]**

[The Committee shall designate the post at which a specialist shall operate. The term

specialist wherever used in the By-Laws and Rules in connection with securities traded on the equity floor shall also mean odd-lot dealer and odd-lot dealer specialist.]

**Rule 201A. Reserved.**

**[Alternate Specialists --Appointment, Assignment and Termination]**

[(a) Appointment. Upon application by a member, the Allocation, Evaluation and Securities Committee may appoint such member as an alternate specialist after consultation with the Floor Procedure Committee. Applications to become an alternate specialist shall be in a form prescribed by the Allocation, Evaluation and Securities Committee and shall ensure, among other things, that approved applicants substantially meet the same financial adequacy standards required for equity specialists, options specialists or registered options traders.]

[(b) Assignment. The Allocation, Evaluation and Securities Committee may assign one or more alternate specialists in a particular equity issue and may assign an alternate specialist to one or more equity issues after consultation with the Floor Procedure Committee.]

[(c) Termination. The appointment of an alternate specialist may be suspended or terminated by the Allocation, Evaluation and Securities Committee upon a determination of any substantial or continued failure by such alternative specialist to engage in dealings in accordance with the Certificate of Incorporation, by-laws or rules of the Exchange.]

*[Supplementary Material: ... ]*

[.01 In considering the application of a member to become an alternate specialist and the assignment of equity issues to those so appointed, the Allocation, Evaluation and Securities Committee may consider the factors set forth in Rule 511(b) of the Rules of the Board of Governors.]

**Rule 202. Reserved.**

**[Registrant]**

[No member shall act as a specialist in a security unless such member is registered as a specialist in such security by the Exchange, except that any registered specialist may accept orders in a security in which there is no registered specialist, provided he guarantees execution of such orders in accordance with the provisions and under the restrictions of Rules 203 to 250 inclusive. A specialist's registration may be revoked or suspended at any time by the Exchange.]

**Rule 202A. Reserved.**

**[Responsibilities of Alternate Specialists]**

[(a) An alternate specialist is an individual member of the Exchange registered as an equity specialist on the floor who, in addition to those securities for which he serves as specialist, has agreed to provide liquidity on demand in the execution of customer orders in certain other securities on the Exchange. Upon appointment as an alternate specialist in a security the member is required to provide a bid and/or offer in the security upon the request of a floor broker or specialist holding a customer order and to only participate in the execution of such orders in a manner reasonably calculated to contribute to the maintenance of a fair and orderly market. For each alternate assignment, the alternate specialist is considered a specialist as defined in the Securities Exchange Act of 1934.]

[(b) Subject to Exchange approval, each such member may maintain an alternate specialist assignment in any security on the Exchange, but no member may be assigned in more than 60 securities at any one time. Once a member has been assigned as an alternate, the member must maintain such assignment for at least 30 business days, after which the member may terminate the assignment by providing written notification to the Exchange in a form prescribed by the Exchange. Terminations become effective as of the opening of trading on the equity floor on the business day following the submission.]

[(c) In order to qualify and maintain the status of alternate equity specialist on the Exchange, the member must:]

[(i) Maintain compliance with applicable provisions of Rule 703 of the Exchange;]

[(ii) Maintain compliance as an equity specialist in such number of securities as determined by the Floor Procedure Committee;]

[(iii) Coordinate with the assigned specialist in the execution of orders for the alternate account, including clear the Exchange post before sending orders over ITS;]

[(iv) Maintain an adequate presence in the Exchange's market with respect to assigned alternate issues and related trade activities for the alternate account. At least 50% of trades placed in the alternate specialist account each calendar quarter must derive from trades effected on the Exchange. For purposes of this Rule, trades for the alternate account not effected directly on the Exchange but effected on other national securities exchanges sent from the Exchange via the Intermarket Trading System ("ITS") qualify as trades effected on the Exchange; except that trades in the account occurring directly on the Exchange must outnumber the number of ITS trades in the account occurring elsewhere by a minimum ratio of three to one. ITS trades in excess of that ratio are not eligible for use in meeting the 50% requirement;]

[(v) Except in unusual circumstances, no alternate specialist shall initiate a transaction on the Exchange in his alternate specialist account from off the floor. Such transaction must be approved by two members of the Floor Procedure Committee. A written report thereof shall be submitted to the Market Surveillance Department stating the nature of the

unusual circumstances and containing the signatures of the approving members of the Floor Procedure Committee;]

[(vi) An alternate specialist may accept orders in any security to which he has been assigned that have been presented to the specialist and not accepted by him. Limit orders and market orders accepted by an alternate specialist shall be handled by him in accordance with Exchange rules governing the handling of such orders by specialists;]

[(vii) Only those positions which have been established as a direct result of bona fide alternate specialist activity qualify for exempt credit treatment.]

**Rule 203. Reserved.**

**[Agreement of Specialists]**

[(a) Upon being appointed as a specialist, such specialist shall agree to execute all orders in his security, including odd-lots, in accordance with the regulations herewith prescribed and shall appoint an assistant to act for him when absent from the floor. Such assistant, while acting for the specialist, shall be subject to the same regulations and duties as the specialist.]

[The appointment of an assistant by a specialist confers authority upon such assistant to make transactions in the dealers registered securities for the dealers account.]

[(b) As a condition of a member's being registered as a specialist in one or more securities, it is to be understood that, in addition to the execution of commission orders entrusted to him and the performance of his obligations as an odd-lot dealer in such securities, a specialist is to engage in a course of dealings for his own account to assist in the maintenance, insofar as reasonably practicable, of a fair and orderly market on the Exchange in such securities in accordance with and when viewed in relation to the criteria set forth in paragraphs (c) and (d) of this rule and, where applicable, Rules 225 through 228. If the Exchange shall have found any substantial or continued failure by a specialist to engage in such a course of dealings, the registration of such specialist shall be subject to suspension or revocation by the Exchange in one or more of the securities in which he is registered. Nothing herein shall limit any other power of the Board of Governors under the By-Laws or any rule of the Exchange with respect to the registration of a specialist or in respect of any violation by a specialist of the provisions of this rule.]

[(c) A specialist or his member organization shall not effect on the Exchange purchases or sales of any security in which such specialist is registered, for any account in which he or his member organization is directly or indirectly interested, unless such dealings are reasonably necessary to permit such specialist to maintain a fair and orderly market.]

[(d) In connection with the function of a specialist in relation to assisting in the maintenance, insofar as reasonably practicable, of a fair and orderly market in the securities in which he is registered, it is ordinarily expected that a specialist will engage,

to a reasonable degree under the existing circumstances, in dealings for his own account in round lots when lack of price continuity or lack of depth in the round lot market or temporary disparity between supply and demand in either the round lot or the odd-lot market exists or is reasonably to be anticipated. Transactions on the Exchange for his own account effected by a specialist in the securities in which he is registered are to constitute a course of dealings reasonably calculated to contribute to the maintenance of price continuity with reasonable depth, and to the minimizing of the effects of temporary disparity between supply and demand, immediate or reasonably to be anticipated, in either the round lot or the odd-lot market. Transactions in such securities not part of such a course of dealings are not to be effected by a specialist for his own account.]

[(e)(i) At an opening, all market orders, (whether entrusted to or left with the specialist or represented by a broker or brokers in the Trading Crowd) including at the opening market orders, shall have precedence over limit orders and shall be executed at one price.]

[(ii) In connection with an opening:]

[(A) A limited price order to buy which is at a higher price than the price at which the security is to be opened, and a limited price order to sell which is at a lower price than the price at which the security is to be opened, are to be treated as market orders.]

[(B) A market order to sell short is not to be treated as other market orders, but is to be treated as a limited price order to sell at the price of the first permissible short sale. A limited price order to sell short which is at a lower price than the price at which the security is to be opened, is to be treated as a limited price order to sell at the price of the first permissible short sale. Such orders are to be treated as market orders only if the opening price is higher than the first permissible short sale price. This subsection (B) does not apply to market orders or limited price orders that are marked "sell short exempt".]

**Rule 204.** Reserved.

**[Hours]**

[A specialist, or his assistant specialist, and a floor broker or his substituting floor broker representing a member organization on an agency basis, either independently or as a general partner or officer thereof, shall be at his post or assigned location on the Floor on each business day by such time and shall remain on the Floor until such time as the Committee may direct.]

**Rule 205.** Reserved.

**[Odd-Lot Orders Must Be Given to Specialist]**

[(a) Odd-lot orders shall be shown to the regular specialist before being shown to the alternate specialist. If the regular specialist's offered execution of odd-lot orders, as so

determined, will equal or better that of the alternate specialist, he shall purchase or sell for his own account such odd-lot orders in the security in which he is registered in accordance with the Provisions of Rules 225, 227 and 229, as applicable.]

**Rule 206.** Reserved.

**[Written Orders --Day Orders]**

[All hand-held (non-PACE-delivered) orders given to a specialist shall be in writing and shall be timed by him when received and filed in his book. They shall be good for the day only unless otherwise marked.]

**Rule 207.** Reserved.

**[Open Orders]**

[When an open order is not executed on the day on which it is given to a specialist it shall be handled, except as to priority, as a day order entered before the opening on each day thereafter until the order is executed or cancelled.]

**Rule 208.** Reserved.

**[No Commission Charged]**

[The specialist, when executing an odd-lot order, shall not charge a commission on such order, when he purchases, or sells the security for his own account.]

**Rule 209.** Reserved.

**[Open Orders Ex-dividend]**

[After the close on the day preceding the day on which a security sells ex-dividend, specialists shall reduce all open orders to buy and open orders to sell on stop by the nearest multiple of the variation of trading in such security covering the full amount of the dividend.]

**Rule 210.** Reserved.

**[Unusual Situations]**

[Specialists shall refer any unusual situations which arise to a member of the Committee for decision.]

**Rule 211.** Reserved.

**[Books Closed]**

[Specialists shall hold all orders confidentially, and shall not disclose any information pertaining thereto except to a member of the Committee.]

**Rule 212.** Reserved.

**[Joint Accounts]**

[No specialist, and no firm of which he is a partner, and no partner of any such firm, shall, directly or indirectly, acquire or hold any interest or participation in any joint account for buying or selling on the Exchange, or through ITS or any other Application of the System, any security in which such specialist is registered, except a joint account with a partner of such specialist, a member of the Exchange, or a firm of which a member is a partner.]

**Rule 213.** Reserved.

**[Puts and Calls]**

[No specialist, no organization of which he is a partner or officer and no partner or officer of such organization shall acquire, hold or grant, directly or indirectly, any interest in any put, call, straddle, or option in any security in which such specialist is registered by the Exchange, unless such put, call, straddle or option position is in an exchange-traded option issued by the Options Clearing Corporation and is immediately reported to the Exchange.]

**Rule 214.** Reserved.

**[Violations of Rules]**

[Specialists and their assistants shall at all times be subject to the supervision of the Committee, and such regulations as it may prescribe.]

**Rule 216.** Reserved.

**[Records to Be Kept]**

[Every specialist shall keep a legible record of all orders placed with him in the securities in which he is registered or trading securities pursuant to Rule 233 as a specialist (except PACE-delivered orders for which no written record is generated) and of all executions, modifications and cancellations of orders, and shall preserve such records and all memoranda relating thereto in accordance with Regulation 240.17a-4 of the Securities and Exchange Commission.]

**Rule 217.** Reserved.

**[Discretionary Order]**

[No specialist shall accept a discretionary order in any security in which he is registered.]

**Rule 218.** Reserved.

**[Customer's Order Receives Priority]**

[A specialist shall give precedence to orders entrusted to him for execution in any stock in which he is registered before executing at the same price any purchase or sale in the same stock for an account in which he has an interest.]

**Rule 219.** Reserved.

**[Seller Must Be Identified]**

[Orders on which a non-member commission will not be charged the purchaser or seller must be identified to the specialist when entered for execution on the Exchange.]

[To be included in this category are orders entered by an Exchange member, or a general partner or officer of a member organization, or any employee acting in a principal capacity for a member organization, etc., and on which a non-member commission is not charged for the execution.]

**Rule 220.** Reserved.

**[Stopping Stock]**

[(a) Stop Constitutes Guarantee --An agreement by a member or member organization to "stop" securities at a specified price shall constitute a guarantee of the purchase or sale by such member or member organization of the securities at the price or its equivalent in the amount specified. The stopped order will expire at the end of the trading day on which it was granted.]

[(b)(1) Stopping stock --A specialist may stop stock when a member acting on behalf of either a public customer's account or an account in which such member or another member has an interest, makes an unsolicited request that a specialist grant him a stop. Where the spread in the quotation is greater than the minimum variation of trading in the stock, the specialist is required to reduce the spread by bidding (offering) at a price higher (lower) than the prevailing bid or offer. Specifically each order on the book which has been stopped by the Specialist must be displayed, including a representative size, at its price or better if not executed immediately after being stopped.]

[(2) A specialist is prohibited from trading for his own account with any order he stopped while he is in possession of an order at an equal or better price than the price of the

stopped order and, in each such case, the specialist must exercise due diligence to match the stopped order with such other order in his possession in accordance with Exchange Rule 119 and 120.]

[(c) Liability for Stopped Orders --If an order is executed at a less favorable price than that agreed upon, the member or member organization which agreed to stop the securities shall be liable for an adjustment of the difference between the two prices.]

[(d) Stopping stock in minimum variation markets --In the case of minimum variation markets, a stopped sell order will be filled when a transaction takes place at the bid price or lower on the primary exchange, or when the Exchange's displayed share volume at the offer has been exhausted. A stopped buy order will be filled when a transaction takes place at the offering price or higher on the primary exchange, or when the Exchange's displayed share volume at the bid has been exhausted. Notwithstanding the foregoing, all orders stopped pursuant to this paragraph shall be executed by the end of the trading day on which such order was stopped at no worse than the stopped price. In granting a stop in a minimum variation market, a specialist should change the quoted bid (offer) size in order to reflect the size of the order being stopped.]

**Rule 225. Reserved.**

**[Odd-Lot Orders in Securities Which the Exchange Is the Primary Market]**

[(a) Odd-lot orders in securities for which the Exchange is the primary market shall be executed subject to the provisions of Rules 203 and 205 and in the manner prescribed below:]

[Order to buy at market]

[(i) An order to buy at the market shall be executed on the next round-lot transaction of the security, plus the differential if any is charged.]

[Order to sell at market]

[(ii) An order to sell at the market marked "long" or "sell short exempt" shall be executed on the next round-lot transaction of the security, minus the differential if any is charged.]

[An order to sell at the market marked "short" (but not marked "sell short exempt") shall be executed at the price of the next round-lot transaction which is higher than the last different round-lot price, minus the differential if any is charged.]

[Order to buy at limit]

[(iii) The effective transaction for a limited order to buy shall be the next round-lot transaction which is either at or below the specified limit by the amount of any differential if charged or by a greater amount. The order shall be filled at the price of the

effective transaction, plus the differential if any is charged.]

[Order to sell at limit "long"]

[(iv) The effective transaction for a limited order to sell marked "long" or "sell short exempt" shall be the next round-lot transaction which is either at or above the specified limit by the amount of any differential if charged by a greater amount. The order shall be filled at the price of the effective transaction, minus the differential if any is charged.]

[Order to sell at limit "short"]

[The effective transaction for a limited order to sell marked "short" (but not "sell short exempt") shall be the next round-lot transaction which is either at or above the specified limit by the amount of any differential if charged, or by a greater amount, and which is also higher than the last different round-lot transaction (a "plus" or "zero-plus" tick). The order shall be filled at the price of the effective transaction, minus the differential if any is charged.]

[Buy stop order]

[(v) A buy stop order shall become a market order when a round-lot transaction takes place at or above the stop price. The order shall then be filled at the price of the next transaction, plus the differential if any is charged.]

[Sell stop order marked "long"]

[(vi) A sell stop order marked "long" or "sell short exempt" shall become a market order when a round-lot transaction takes place at or below the stop price. The order shall then be filled at the price of the next transaction, minus the differential if any is charged.]

[Sell stop order marked "short"]

[A sell stop order marked "short" (but not "sell short exempt") shall become a market order when a round-lot transaction takes place at or below the stop price. The order shall then be filled at the price of the next transaction, which is higher than the last different round-lot price, minus the differential if any is charged.]

[Buy stop limited order]

[(vii) A buy stop limited order shall become a limited order when a round-lot transaction takes place at or above the stop price. The order shall then be filled in the manner prescribed for handling a limited order to buy.]

[Sell stop limited order marked "long"]

[(viii) A sell stop limited order marked "long" or "sell short exempt" shall become a

limited order when a round-lot transaction takes place at or below the stop price. The order shall then be filled in the manner prescribed for handling a limited order to sell, marked "long."]

[Sell stop limited order marked "short"]

[A sell stop limited order marked "short" (but not "sell short exempt") shall become a limited order when a round-lot transaction takes place at or below the stop price. The order shall then be filled in the manner prescribed for handling a limited order to sell, marked "short."]

[Buy on offer]

[(ix) An order to buy on the offer shall be filled at the round-lot offer price prevailing at the time the specialist receives the order, plus the differential if any is charged.]

[Sell on bid]

[(x) An order to sell on the bid marked "long" or "sell short exempt" shall be filled at the round-lot bid price prevailing at the time the specialist receives the order, minus the differential if any is charged. An order to sell on the bid marked "short" (but not "sell short exempt") shall not be accepted.]

[Buy "on close"]

[(xi) An order to buy "on close" shall be filled at the price of the closing round-lot offer, plus the differential if any is charged.]

[Sell "on close"]

[(xii) An order to sell "on close" marked "long" or "sell short exempt" shall be filled at the price of the closing round-lot bid, minus the differential if any is charged. An order to sell "on close" marked "short" (but not "sell short exempt") shall not be accepted.]

[Limited order to buy marked "or at market on close"]

[(xiii) A limited order to buy marked "or at the market on close" which remains unfilled at the close of business on the Exchange, shall be filled at a price equal to the closing round-lot offer, plus the differential if any is charged.]

[Limited order to sell marked "long" and "or at market on close"]

[(xiv) A limited order to sell marked "long" or "sell short exempt" and marked "or at market on close" which remains unfilled at the close of business on the Exchange, shall be filled at a price equal to the closing round-lot bid, minus the differential if any is charged.]

[A limited order to sell marked "short" (but not "sell short exempt") and marked "or at market on close" shall not be accepted.]

[Limited order to buy on the offer]

[(xv) A limited order to buy on the offer shall be filled at a price equal to the round-lot offer price prevailing at the time the specialist receives the order, plus the differential if any is charged, but only if the offer price plus the differential if any is charged, is at or below the limit of the order. If the order cannot be filled forthwith, it shall be canceled and the originating member or member organization shall be informed regarding the quotation and the cancellation.]

[Limited order to sell on the bid marked "long"]

[(xvi) A limited order to sell on the bid marked "long" or "sell short exempt" shall be filled at a price equal to the round-lot bid price prevailing at the time the specialist receives the order, minus the differential if any is charged, but only if the bid price minus the differential if any is charged, is at or above the limit of the order. If the order cannot be filled forthwith, it shall be cancelled and the originating member or member organization shall be informed regarding the quotation and the cancellation.]

[Limited order to buy marked "immediate or cancel"]

[(xvii) A limited order to buy marked "Immediate or Cancel" shall be handled in the manner specified in (xv) above for the handling of a limited order to buy on the offer. A limited order to sell marked "Immediate or Cancel" shall be handled in the manner specified in (xvi) above for the handling of a limited order to sell on the bid.]

[Buy or sell on closing bid or offer]

[(xviii) At the request of a customer an order may be filled after the close at a price based on the closing round-lot bid or offer provided that the order was received prior to the close and could have been filled, in the case of a buy order, if a sale had occurred at the offer price and, in the case of a sell order, if a sale had occurred at the bid price; the request is made within a reasonable time after the close; and nothing has occurred after the close which could affect the market value of the stock.]

[A buy order shall be filled at the price of the closing round-lot offer, plus the differential if any is charged.]

[A sell order marked "long" or "sell short exempt" shall be filled at the price of the closing round-lot bid, minus the differential if any is charged. A sell order marked "short" (but not "sell short exempt") may not be accepted for filling after the close.]

["Cash" or "seller's option"]

[(xix) Odd-lot orders for "cash" or "seller's option" may be filled only by agreement between customer and odd-lot dealer.]

["Delayed sale" or "sold sale"]

[(xx) When a "delayed sale" or "sold sale" occurs (printed on the ticker tape followed by the symbol "SLD"), the specialist shall make every effort to ascertain the approximate time the transaction took place. If there is some doubt as to whether or not this transaction in any way effects the execution of an odd-lot order, the firm that entered the order should be notified, informed of the circumstances, and given the opportunity to accept or reject a report based on the transaction.]

**Rule 226. Reserved.**

**[Round Lot Orders Before the Opening in Nasdaq/NM Securities and in Securities For Which the Exchange Is the Primary Market]**

[(a) Round-lot orders in Nasdaq/NM Securities and securities for which the Exchange is the primary market accepted by a specialist before 9:30 a.m. shall be executed subject to the provisions of Rule 203 on the opening sales, the price and volume of which shall be determined by the specialist. The reporting of such opening transactions to the Exchange by the specialist shall be made prior to other transactions in such security.]

**Rule 227. Reserved.**

**[Odd-Lot Orders in Securities For Which Another Exchange Is the Primary Market and in Nasdaq/NM Securities]**

[(a) Odd-lot Orders in Securities for Which Another Exchange is the Primary Market shall be executed in accordance with Rules 203 and 205 and in the manner prescribed below:]

[Orders before opening sale]

[(i) Market orders, including the odd-lot portion of partial round-lot (PRL) orders, accepted by a specialist before 9:25 o'clock a.m. shall be executed on the opening sale for such security in the primary market. Market orders, including the odd-lot portion of partial round-lot (PRL) orders, accepted after 9:25 o'clock a.m., and prior to the opening sale of the security in the primary market, shall be executed on the opening sale, provided such opening sale shall take place at a time which would reasonably effect such orders, otherwise they shall be executed on succeeding sales as the time thereof shall warrant.]

[Limit orders accepted by a specialist prior to the opening sale for such security in the primary market shall be executed at the limit price when a sale takes place in the primary market at the limit price.]

[Orders after opening sale]

[(ii) After the opening transaction, specialists shall execute odd-lot market orders on the PACE quote as defined in Rule 229.]

[After the opening transaction, specialists shall execute the odd-lot portion of PRL orders at the same price as the round-lot portion. In the case of a PRL, the round-lot portion(s) of which is executed at more than one price, the odd-lot portion shall be executed at the same price as the last round-lot portion is executed.]

[After the opening transaction, specialists shall execute odd-lot limit orders at the limit price when a sale takes place in the primary market at the limit price.]

[Committee to decide disputed price]

[(iii) The Committee shall determine the price of executed orders which are in dispute; and in the case of orders dependent on sales in the primary market before 9:40 o'clock a.m. and after 3:50 o'clock p.m. shall determine a fair and reasonable price for such orders regardless of the time such sales appeared on the tape. (b) Odd-lot market orders in Nasdaq/NM securities shall be executed at a price equal to or better than the best bid disseminated pursuant to SEC Rule 11Ac1-1 on a sell order, or the best offer disseminated pursuant to SEC Rule 11Ac1-1 on a buy order, which are in effect at the time the order is presented at the specialist post. Odd-lot limit orders in Nasdaq/NM securities shall be executed at the limit price or better when the consolidated best bid or offer disseminated pursuant to SEC Rule 11Ac1-1 is at the limit price on a sell or buy order respectively.]

**Rule 228. Reserved.**

**[Round Lot Orders in Securities For Which Another Exchange Is the Primary Market]**

[a. Round-lot orders in securities for which another exchange is the primary market shall be executed in accordance with Rule 203 and in the manner prescribed below:]

[Orders before opening sale]

[(i) Orders accepted by a specialist before 9:55 o'clock a.m. shall be executed at the price of the opening sale of the security in the primary market. Orders accepted after 9:55 o'clock a.m. and prior to the opening sale of the security in the primary market shall be executed at the price of the opening sale, provided such opening sale shall take place at a time which would reasonably include such orders; otherwise they shall be executed at prices of succeeding sales as the time thereof shall warrant. The reporting to the Exchange of such opening transactions by the specialist shall be made prior to other transactions in such securities.]

[Bids and offers by odd-lot dealer]

[(ii) After the opening transactions, the specialist shall at all times make a market for round lots in his securities. Bids and offers, when not supplied by orders in his book shall be maintained by the specialist for his own account; he shall quote the highest bid and lowest offer commensurate with his position, and shall endeavor to maintain the same bid and offer prices current in the primary market.]

[Special agreements as to execution of orders]

[(iii) The specialist, within the limits of the bid and offer, may also agree in connection with the execution of orders accepted by him, to purchase or sell at the price of the next sale in the primary market; or to purchase or sell if a subsequent sale in the primary market exceeds the price of a limited order; or to purchase or sell if a certain volume sells at the price of the order in the primary market; or to purchase or sell if a similar order is simultaneously entered in the primary market and is executed thereon.]

[ITS Specialist Purchases on another Participating Market Center]

[(iv) Whenever a specialist effects a principal purchase of a specialty stock, in another participating market center through ITS, at or above the price at which he holds orders to sell that stock, such orders which remain unexecuted on the Floor must be filled by the specialist buying the stock for his own account, at the same price at which he effected his principal transaction through ITS unless, effecting such a principal transaction on the Floor, at that price, would (i) be inconsistent with the maintenance of fair and orderly markets; or (ii) result in the election of stop orders.]

[ITS Specialist Sales on another Participating Market Center]

[(v) Whenever a specialist effects a principal sale of a specialty stock, in another participating market center through ITS, at or below the price at which he holds orders to buy that stock, such orders which remain unexecuted on the Floor must be filled by the specialist by selling the stock for his own account, at the same price at which he effected his principal transaction through ITS subject to the same conditions as set forth in (f)(i) and (ii) above and provided further that effecting such a principal transaction on the Floor, at that price, would not be precluded by the short selling rules; or would not result in a sale to a stabilizing bid.]

[Committee to decide disputed prices]

[(vi) The Committee shall determine the price of executed orders which are in dispute; and in the case of orders dependent on sales in the primary market before 10:10 o'clock a.m. and after 3:20 o'clock p.m. shall determine a fair and reasonable price for such orders regardless of the time such sales appeared on the tape.]

**Rule 229. Reserved.****[Philadelphia Stock Exchange Automated Communication and Execution System (PACE)]**

[PACE provides a system for the automatic execution of orders on the Exchange equity floor under predetermined conditions. Orders accepted under the system may be executed on a fully automated or manual basis in accordance with the provisions of this Rule. Securities admitted to dealings on the equity floor are eligible for trading on the PACE System in which equity specialists and member organizations may choose to participate. The conditions under which orders will be accepted and executed are set forth below. When used in the Rule, PRL means a combined round-lot and odd-lot order, and PACE Quote means the best bid/ask quote among the American, Boston, Cincinnati, Chicago, New York, Pacific or Philadelphia Stock Exchange, or the Intermarket Trading System/Computer Assisted Execution System ("ITS/CAES") quote, as appropriate. The PACE rules, conditions and guidelines do not apply to orders not on the system, and existing rules governing orders not on the system are not affected hereby.]

[Supplementary Material: ...]

**[General]**

[The following PACE execution parameters are minimum standards applicable to agency orders received through PACE. Orders transmitted to the floor through the PACE system can be executed on a basis better than the applicable minimum standard:]

**[.01** Member organizations wishing to participate in PACE may send to the Philadelphia trading floor market, limit and at the opening orders up to the maximum number of shares in securities traded under PACE as shall be fixed by the Exchange from time to time. All orders in eligible securities shall be executed in whole or in part on a first in first out basis. An at-the-opening order is a market, or limited price order which is to be executed on the opening trade or not at all, and any such order or the portion thereof not so executed is to be treated as cancelled.]

**[.02** Specialists are required to provide, at a minimum, PACE execution parameters, as defined by the Rule, to agency orders received through the system, except as provided below.]

[Although specialists are not required to provide PACE execution parameters, except enhanced matching in Supplementary Material .04A, to non-agency orders received through PACE, if the specialists choose to execute non-agency orders automatically through PACE, they must provide the same PACE executions to non-agency orders as they provide to agency orders. If however, the specialists choose to execute non-agency orders manually, they must adhere to existing Exchange rules governing orders not on the system with respect to such orders.]

[For purposes of the PACE System, an agency order is any order entered on behalf of a public customer, and does not include any order entered for the account of a broker-dealer, or any account in which a broker-dealer or an associated person of a broker-dealer has any direct or indirect interest. Non-agency orders are not permitted on PACE except where the Exchange has been provided with a Specialist Agreement, signed by the respective specialist, acknowledging the acceptance of such non-agency orders from the specific firm(s), and any minimum execution parameters (order size guarantees) agreed to be provided to such orders by the respective specialist. Any such Specialist Agreement must provide the same minimum execution parameters to all non-agency orders by that specialist and will not provide for greater order size guarantees to non-agency orders than those provided to agency orders. Specialists' agreements to execute non-agency orders on PACE, and the termination of such agreements, shall be in accordance with the procedures set by the Exchange.]

[The specialist may choose to accept orders through PACE, without participating in the PACE execution guarantees for agency orders except enhanced matching in Supplementary Material .04A, where the entering member organization has generally elected not to receive automatic execution or primary market print protection, except enhanced matching in Supplementary Material .04A, for electronically delivered limit orders, in accordance with the procedures established by the Floor Procedure Committee.]

**[.03** Floor brokerage or service charges on orders executed under PACE are subject to negotiation by the specialist and the participating member organization. An automated execution program, by nature, involves set parameters. The Exchange permits such a program, but does not require its members to participate in it. Thus, fees are ultimately subjected to competitive determination. Members may choose to deal on the program, not on the program, or on other markets.]

**[.04** It is the responsibility of the specialist to reflect the prices of limit orders entered by member organizations in PACE, floor brokers representing member organizations not participating in the system, and competing market-makers in the Philadelphia quote on PACE and allow any agency order in the crowd to participate in the transaction occurring on PACE.]

**[.04A** (a) Definitions. For purposes of this Supplementary Material:]

[(i) Midpoint Price means the midpoint of the Modified PACE Quote as rounded, if applicable. Rounding will be applicable if the midpoint of the Modified PACE Quote is not a penny increment, in which case the Midpoint Price shall be rounded down (up) to the nearest penny if the existing Phlx order is an order to buy (sell). When the Modified PACE Quote is locked, the Midpoint Price is the locked price.]

[(ii) Modified PACE Quote means the PACE Quote, unless the PACE Quote is comprised of another market's quote of 100 shares or less ("100 Share Away

Quote"), in which case the Modified PACE Quote will be 1 cent away from such 100 Share Away Quote.]

**[(b) Enhanced Matching]**

[(i) Round-lot market and limit orders (except as provided in (ii) below) and the round-lot portion of non-all-or-none PRL market and limit orders entered after the opening when the PACE Quote is not crossed will execute against existing round-lot market and limit orders and the round-lot portion of non-all-or-none PRL market and limit orders that have not been marked for lay-off and are executable at or within the Modified PACE Quote, if any, before being processed according to Supplementary Material .05, .07(b), (c)(i)-(ii) or .10(a)(i) of this rule or Rule 229A.]

[(ii) If the round-lot order entered after the opening is an all-or-none order, then such order will only receive the treatment described in the previous sentence if the size of the first potential existing order it would execute against is equal to or greater than such order.]

[(iii) No order for which the entering member organization has elected primary market high-low protection (as provided in .07(a)(ii)) will be matched in (i) above, if the execution price of such execution would be outside the primary market high-low range for the day.]

[(iv) Enhanced Matching Priority. Notwithstanding Supplementary Material .01 regarding priority, existing Phlx orders will be executed in price/time priority with the highest bid/lowest offer executed first, with existing market orders, for purposes of enhanced matching priority, being treated as limit orders priced at the Midpoint Price.]

**[(c) Execution Price]**

[(i) If the orders to be matched in (b) above are both market orders, then the execution price of these orders is the Midpoint Price.]

[(ii) If the orders to be matched in (b) above are both limit orders, then the execution price of these orders is the price closest to the Midpoint Price that will allow both orders to execute.]

[(iii) If the orders to be matched in (b) above are a market order and a limit order, the execution price of these orders is the price closest to the Midpoint Price that will allow the limit order to execute.]

**[Execution of Market Orders]**

[.05 Subject to Supplementary Material Section .07, all round-lot market orders up to 500 shares and PRL market orders up to 599 shares entered after the opening will be automatically executed at the PACE Quote.]

[Subject to these procedures, the specialist may voluntarily agree to execute round-lot market orders of a size greater than 500 shares and PRL market orders of a size greater than 599 shares upon entry into the system. Where the specialist has voluntarily agreed to automatically execute market orders greater than 599 shares and the market order size is greater than 599 shares, but less than or equal to the size of the PACE Quote, the order is automatically executable at the PACE Quote; if such order is greater than the size of the PACE Quote, the order shall receive an execution at the PACE Quote up to the size of the PACE Quote, either manually or automatically (once this feature is implemented) with the balance of the order available to be executed as an existing order pursuant to Supplementary Material .04A(b)(i) above, or receiving a professional execution, in accordance with Supplementary Material, .10(b) below; provided that the specialist may guarantee an automatic execution at the PACE Quote up to the entire size of such specialist's automatic execution guarantee (regardless of the size of the PACE Quote).]

[When the PACE Quote is locked, automatically executable market orders entered after the opening will be automatically executed at the locked price, if all the specialists assigned to a security determine to elect this feature for a particular security.]

[.06 Market orders entered prior to the opening will be executed at the New York market opening price, unless such order is marked sell short or is laid off at another market center prior to the actual New York market opening. Market orders that are equal to or smaller than the Directed Specialist's automatic execution guarantee size, or larger orders entered two minutes or more (or such shorter time, for example, one minute or more, as chosen by the Directed Specialist for all securities traded by the Directed Specialist) prior to the actual New York market opening will be executed automatically against:]

[(a) available contra-side orders received by the same Directed Specialist that are to be executed at the opening, otherwise they will be executed automatically against the Directed Specialist; or]

[(b) the Directed Specialist, if such orders are odd-lot orders, partial round lot all-or-none orders, round lot all-or-none orders when a single contra-side order with sufficient volume is not available and the odd lot portion of PRL orders executed in (a) above.]

[In the case of delayed openings, execution will occur at the New York opening price. Market orders not executed automatically, as above, will be available, after the opening, to be executed as an existing order pursuant to Supplementary Material .04A(b)(i) above, or receive a professional execution in accordance with Supplementary Material, .10(b) below.]

[.07 (a) Member organizations which enter market orders after the opening may elect to have such orders executed (i) in accordance with the procedures set forth in Supplementary Material Section .05 or, (ii) if such execution price would be outside the New York market high-low range for the day manually at or within the New York market high-low range of the day.]

[(b) Market orders (round-lots of 600 to 2000 shares or such greater size which the specialist agrees to accept and PRL's of 601 to 2099 shares or such greater size which the specialist agrees to accept) which are entered after the opening and which the specialist has not agreed to accept for automatic execution shall not be subject to the execution parameters set forth in Supplementary Material .05 and shall be available to be executed as an existing order pursuant to Supplementary Material .04A(b)(i) above, or executed in accordance with Supplementary Material .10(b) and other applicable rules of the Philadelphia Stock Exchange; provided, however, that the odd-lot portion of PRL's of 601 or more shares shall be executed at the same price as the round-lot portion. In the case of a PRL order, the round-lot portion(s) of which is executed at more than one price, the odd-lot portion shall be executed at the same price as the first round-lot portion is executed.]

[(c) Price Improvement for PACE Orders]

[(i) Automatic Price Improvement --Where the specialist voluntarily agrees to provide automatic price improvement to all customers and all eligible market orders in a security, automatically executable market and marketable limit orders in New York Stock Exchange and American Stock Exchange listed securities received through PACE for 599 shares or less shall be provided with automatic price improvement from the PACE Quote when received either \$ .01 or a percentage of the PACE Quote when the order is received for equities trading in decimals beginning at 9:30 A.M., except where:]

[(A) A buy order would be improved to a price less than the last sale (except as provided in (E) below) or a sell order would be improved to a price higher than the last sale (except as provided in (D) below); or]

[(B) A buy order would be improved to the last sale price which is a downtick (except as provided in (E) below) or a sell order would be improved to the last sale price which is an uptick (except as provided in (D) below). The PACE System will determine whether the last sale price is a downtick or an uptick. The PACE System does not recognize changes from the previous day's close.]

[In these situations, the order is not eligible for automatic price improvement, and is, instead, automatically executed at the PACE Quote. A specialist may voluntarily agree to provide automatic price improvement to larger orders in a particular security to all customers under this provision.]

[A specialist may choose to provide automatic price improvement of: (i) \$ .01 where the PACE Quote is either \$ .05 or greater, or \$ .03 or greater, or (ii) where the PACE Quote

is \$ .02 or greater, a percentage of the PACE Quote when the order is received, up to 50%, rounded to the nearest penny, and at least \$ .01, in a particular security to all customers.]

[(C) Automatic price improvement will not occur for odd-lot orders, nor where the execution price before or after the application of automatic price improvement would be outside the primary market high/low range for the day, if so elected by the entering member organization.]

[(D) Sell Order Enhancement I --A specialist may choose to give automatic price improvement to all sell orders of 100 shares or more, as determined by the specialist, in a particular security which would be improved to the last sale on an uptick; or]

[Sell Order Enhancement II --A specialist may choose to give automatic price improvement to all sell orders of 100 shares or more, as determined by the specialist, in a particular security which would be improved to a price higher than the last sale.]

[(E) Buy Order Enhancement - A specialist may choose to give automatic price improvement to all buy orders, as determined by the specialist, in any security that is exempted from or otherwise not subject to Securities Exchange Act Rule 10a-1.]

[(ii) Mandatory Manual Double-up/Double-down Price Protection --Where the specialist does not agree to provide automatic price improvement in a security, the specialist must provide manual double-up/double-down price protection in any instance where the bid/ask of the PACE Quote is \$.05 or greater for equities trading in decimals, beginning at 9:30 A.M., to all customers and all eligible orders in a security, whereby the PACE System shall stop eligible automatically executable market and marketable limit orders of 599 shares or less in New York Stock Exchange or American Stock Exchange listed securities received through PACE in double-up/down situations in order to receive an opportunity for price improvement over the PACE Quote when received. Orders are "stopped" by the specialist at the PACE Quote when received, meaning that the order is guaranteed to receive at least that price by the end of the trading day. A specialist may voluntarily agree to provide manual double-up/double-down price protection to larger orders in a particular security to all customers under this provision. Where the execution (stop) price would be outside the primary market high/low range for the day, if so elected by the entering member organization, the order will be handled manually pursuant to paragraph (a) above. Odd-lot orders are not eligible for double-up/double-down manual price protection.]

[A double-up/double-down situation is defined as a trade that would be at least:]

[(i) \$.10 (up or down) for equities trading in decimals from the last regular way sale on the primary market; or]

[(ii) \$.10 for equities trading in decimals from the regular way sale that was the previous intra-day change on the primary market.]

[(iii) Member organizations entering orders may elect to participate in manual double-up/double-down price protection. Failure to elect will result in the activation of the double-up/double-down feature for that User, but specialists determine whether to provide automatic price improvement in a particular security.]

[(iv) Extraordinary Circumstances --Both automatic price improvement and manual double-up/double-down price protection may be disengaged in a security or floor-wide in extraordinary circumstances with the approval of two Floor Officials. In addition to fast market conditions, for purposes of this paragraph, extraordinary circumstances also include systems malfunctions and other circumstances that limit the Exchange's ability to receive, disseminate or update market quotations in a timely and accurate manner.]

**[.08** Odd-lot market orders entered after the opening will be executed on the PACE Quote. When the PACE Quote is locked, odd-lot market orders and marketable limit odd-lot orders entered after the opening will be executed at the locked price. If the PACE Quote is crossed, and the bid is higher than the offer by \$.05 or less, odd-lot market and marketable limit orders will be executed at the mean of the crossed bid and offer. If the mean does not fall at a one-cent increment, the execution will be rounded up to the nearest \$.01. If a crossed market exists and the bid is higher than the offer by more than \$.05, then the odd-lot order will not be automatically executed by the PACE system, but will be executed manually at the price of the next unlocked and uncrossed PACE Quote.]

#### **[Execution of Limit Orders]**

**[.09** Odd-lot limit orders will be executed at the limit price when a sale takes place on the New York market at the limit price. The odd-lot portion of PRL limit orders up to 2099 shares will be executed at the same price as the round-lot portion. In the case of a PRL, the round-lot portion(s) of which is executed at more than one price, the odd-lot portion shall be executed at the same price as the first round-lot portion is executed. An odd-lot stop order which becomes a market order will be executed on the PACE quote. An odd-lot stop limit order which becomes a limit order will be executed on the next sale in the New York market at the limit price plus or minus a differential if any is charged.]

**[.10** (a) (i) Marketable Limit Orders--round-lot orders up to 500 shares and the round-lot portion of PRL limit orders up to 599 shares which are entered at the PACE Quote shall be executed at the PACE Quote. Such orders shall be executed automatically unless the member organization entering orders otherwise elects. Specialists may voluntarily agree to execute marketable limit orders greater than 599 shares. Where the specialist has voluntarily agreed to automatically execute marketable limit orders greater than 599 shares and the order size is greater than 599 shares, but less than or equal to the size of the PACE Quote, the marketable limit order is automatically executable at the PACE Quote; if the order size is greater than 599 shares and greater than the size of the PACE Quote, the marketable limit order shall manually receive an execution at the PACE Quote up to the size of the PACE

Quote, with the balance of the order available to be executed as an existing order pursuant to Supplementary Material .04A(b)(i) above, or receiving a professional execution, in accordance with Supplementary Material, .10(b) below; provided that the specialist may guarantee an automatic execution at the PACE Quote up to the entire size of such specialist's automatic execution guarantee.]

[When the PACE Quote is locked, automatically executable marketable limit orders entered after the opening will be automatically executed at the locked price, if all the specialists assigned to a security determine to elect this feature for a particular security.]

[Marketable limit orders may be eligible for automatic price improvement or manual double-up/double-down price protection pursuant to Supplementary Material .07(c) above.]

[(ii) Non-Marketable Limit Orders --Unless the member organization entering orders otherwise elects, round-lot limit orders up to 500 shares and the round-lot portion of PRL limit orders up to 599 shares which are entered at a price different than the PACE Quote will be executed in sequence at the limit price when an accumulative volume of 1000 shares of the security named in the order prints at the limit price or better on the New York market after the time of entry of any such order into PACE. For each accumulation of 1000 shares which have been executed at the limit price on the New York market, the specialist shall execute a single limit order of a participant up to a maximum of 500 shares for each round-lot limit order up to 500 shares or the round-lot portion of a PRL limit order up to 599 shares.]

[(iii) Other --If 100 or more shares print through the limit price on any exchange(s) eligible to compose the PACE Quote after the time of entry of any such order into PACE, the specialist shall execute all such orders at the limit price without waiting for an accumulation of 1000 shares to print at the limit price on the New York market. This paragraph shall not apply to exchange-traded funds that are the subject of Securities Exchange Act Release No. 46428 (August 28, 2002) (Order Pursuant to Section 11A of the Securities Exchange Act of 1934 and Rule 11Aa3-2(f) thereunder Granting a *De Minimis* Exemption for Transaction in Certain Exchange-Traded Funds from the Trade-Through Provisions of the Intermarket Trading System for so long as the exemption granted by such Order remains in effect with respect to such exchange-traded funds.)

[(iv) Limit orders, unless such orders are marked sell short or laid off at another market center prior to the actual New York market opening, that are traded through by the New York market opening price and that are entered two minutes or more (or such shorter time, for example, one minute or more, as chosen by the Directed Specialist for all securities traded by the Directed Specialist) prior to the actual New York market opening will be executed automatically, at the New York market opening price, against:]

[(A) available contra-side orders received by the same Directed Specialist that are to be executed at the opening, otherwise they will be executed automatically against the Directed Specialist; or]

[(B) the Directed Specialist, if such orders are odd-lot orders, partial round lot all-or-none orders, round lot all-or-none orders when a single contra-side order with sufficient volume is not available and the odd lot portion of PRL orders executed in (A) above.]

[Limit orders not executed automatically, as above, will be available, after the opening, to be executed as an existing order pursuant to Supplementary Material .04A(b)(i) above, or receive a professional execution in accordance with Supplementary Material, .10(b) below.]

[Out-of-Range Protection --Member organizations which enter limit orders after the opening may elect to have such orders executed manually at or within the New York market high-low range of the day.]

[(b) Professional Execution Standards --Round-lot limit orders and PRLs entered after the opening shall be provided a professional execution, consistent with prevailing market conditions, fair and orderly markets and other applicable Exchange rules, as well as in accordance with the following standards:]

[1. Circumstance: Limit order price is between the PACE quote when received by the specialist.]

[Standard: Each time the primary market prints a trade at the limit order's price, a portion of the limit order equal to the size of the primary market print shall be entitled to be executed.]

[2. Circumstance: Limit order price is away from the PACE Quote when received by the specialist; limit order price is on the PACE quote when received by the specialist.]

[Standard: The primary market quotation size associated with the PACE bid or offer which matches the limit price shall be ascertained (hereinafter referred to as the Reference Quote). The limit order shall be entitled to an execution when the primary market prints a trade(s) equaling the limit price and aggregating to the size of the Reference Quote, after which, each time the primary market prints a trade at the limit order's price, a portion of the limit order equal to the size of the primary market print must be executed.]

[3. Circumstance: Order is received by the specialists two (2) minutes or less prior to the close.]

[Standard: A reasonable effort will be made to execute the order.]

[4. Orders executed under this paragraph (b) will be executed at or within the primary market high-low range existing at the time of execution.]

[(c) The odd-lot portion of PRL's of 601 to 2099 shares shall be executed at the same price as the round-lot portion. In the case of a PRL, the round-lot portion(s) of which is executed at more than one price, the odd-lot portion shall be executed at the same price as the first round-lot portion is executed.]

**[Miscellaneous]**

**[.11** Reserved..]

**[.12** In the case of a trading halt in the New York market, orders will be executed at the re-opening price.]

**[.13** Under unusual market conditions, such as an imbalance in the influx of orders, specialists can seek relief during the trading day from performance conditions. In such case, only a Floor Procedure Committee member may authorize such relief. Prior to granting such relief, however, the alternate specialist in such security must be requested to accept a portion of such orders as may be deemed appropriate by the Floor Procedure Committee member.]

**[.14** Under certain circumstances, such as in the case of an error, it is permissible for the participants to adjust PACE executions upon mutual agreement of the parties or approval of a Floor Procedure Committee member.]

**[.15** Orders to which special conditions are attached may be accepted under PACE. The following are the types of orders which will be accepted under PACE:]

[All or none]

[Do not increase]

[Do not reduce]

[Limit]

[Market]

[Open (GTC, day, etc.)]

[Round-lot, odd-lot, partial round-lot]

[Stop]

[Stop limit]

[With or without]

[At-the-opening order]

**[.16]** For securities in which the Exchange is the primary market or for over-the-counter securities which the Exchange trades on an unlisted trading privileges basis, the specialist in that security may receive orders over the PACE System, in which case such orders will be subject to enhanced matching in Supplementary Material .04A but such orders will not be subject to the other automatic execution parameters set forth in this rule.]

**[.17]** Orders received by the end of the Primary Trading Session, as determined electronically by the PACE system are eligible for execution. Orders received after such time will be rejected and returned to the order entry firm. From 4:00 to 4:15 p.m., Eastern Standard Time, PACE may also be used as a routing system for PPS eligible orders.]

**[.18]** Any established pattern of trading via PACE generating short-term trading profits by unjustly exploiting PACE volume execution guarantees is prohibited. Specifically, it is deemed an unjust use of PACE to place an order to buy at the primary market's bid price and simultaneously or shortly thereafter place an order to sell for a related account at the primary market's offer price, or vice-versa, with the intent to capitalize on the expectation that transactions on the primary market at the respective limit prices will elect the limit orders on the PHLX requiring their execution and thus generate a short-term trading profit without the need for a change in the quoted price of the issue on the primary market. Three such occurrences in the same security within a one-month period will constitute an established pattern in violation of this provision.]

**[.19]** Orders received by a member from a customer may not be unbundled for the purposes of availing upon PACE volume and size execution guarantees, nor may a firm solicit a customer to unbundle an order for the purpose of availing upon PACE volume and size execution guarantees.]

**[.20]** Reserved.]

**[.21]** Reserved.]

**[.22]** In addition to the quoting capability in the Exchange's PACE workstation a specialist may establish a special connection to price equity securities, which is known as a Specialized Quote Feed.]

**Rule 229A. Reserved.**

**[Operation of PACE System when Competing Specialists are Trading]**

[(a) Applicability. This Rule 229A applies only where a Competing Specialist (as defined below) has been approved by the Equity Allocation, Evaluation and Securities Committee

pursuant to Rule 460 and has commenced its competing specialist operations. This rule applies to orders which are entered into the PACE system pursuant to Rule 229, Philadelphia Stock Exchange Automated Communication and Execution System.]

[(b) Defined Terms.]

[(1) "Directed order" shall mean an order that a member organization directs to a particular specialist pursuant to an agreement with that specialist in which the member organization agrees to place orders in the security with that specialist.]

[(2) "Non-Directed Order" shall mean an order which is not directed to a particular specialist.]

[(3) "Directed Specialist" shall mean the specialist to whom a Directed Order is directed. In any given case the Directed Specialist may be the Primary Specialist (as defined below) or a Competing Specialist.]

[(4) "Non-Directed Specialist" shall mean any specialist other than the specialist to whom a Directed Order is directed.]

[(5) "Primary Specialist" shall mean the primary specialist identified as such by the Equity Allocation, Evaluation and Securities Committee. The Primary Specialist may be either the Directed Specialist or the Non-Directed Specialist in the case of any particular Directed Order. The Primary Specialist shall be deemed to be the Directed Specialist with respect to any Non-Directed Order.]

[(6) "Competing Specialist" shall mean any competing specialist identified as such by the Equity Allocation, Evaluation and Securities Committee pursuant to Rule 460. A Competing Specialist may be either the Directed Specialist or the Non-Directed Specialist in the case of any particular Directed Order.]

[(7) "PACE" shall mean the Exchange's automatic order routing, delivery, execution and reporting system for equity securities which is governed by Rule 229, Philadelphia Stock Exchange Automated Communication and Execution System.]

[(8) "API" shall mean the PACE automatic price improvement feature which specialists may elect to activate pursuant to Rule 229, Supplementary Material .07(c)(i).]

[(9) "Extend API" shall mean the PACE quote feature which a Directed Specialist may elect to activate and which will commit the Directed Specialist to extend the maximum size of his API guarantee up to the volume specified in the Directed Specialist's manual principal quote when the quote is at or part of the NBBO and at the same time greater than his automatic execution level.]

[(10) "API Execution Price" shall mean the execution price of an order which is better than the NBBO price as a result of the application of API.]

[(11) "API Situation" shall mean a situation where (a) Extend API applies, or (b) the Directed Specialist has elected to activate API and where the size of the NBBO spread and the size of the order are such that an API Execution Price is available pursuant to the terms of Rule 229, Supplementary Material Rule .07(c).]

[(12) "Calculated Automatic Execution Level" shall mean the lower of (a) the automatic execution level established by the Specialist under Rule 229, Supplementary Material .05, or (b) the size of the NBBO market if the Specialist has activated Volume Check (as defined below); provided, however, that in no event shall the Calculated Automatic Execution Level be less than the minimum automatic execution level established by the Exchange under Rule 229.]

[(13) "Step-Up API" shall mean the PACE system's quote feature whereby a Non-Directed Specialist commits to trade against any Directed Specialist's Directed Orders at the Directed Specialist's API Execution Price.]

[(14) "Specialist" all references in this rule to a specialist, including references to a Directed Specialist, a Non-Directed Specialist, a Primary Specialist, or a Competing Specialist, shall be deemed to be references to a specialist unit and not to an individual specialist.]

[(15) "Volume Check" shall mean the PACE system feature which may be activated by a specialist on a security by security basis and which, when activated, will prevent the automatic execution of incoming orders (within the Directed Specialist's automatic execution level) if the size of the NBBO market is less than the size of the incoming order.]

[(c) PACE Guarantees. Each specialist shall determine his minimum PACE acceptance (delivery) and automatic execution guarantees with respect to a security as provided in Rule 229. An order may be automatically executed up to the aggregate of the Directed Specialist's automatic execution guarantee combined with the quoted size of each Non-Directed Specialist. The price of any order automatically executed against either the Directed Specialist or any Non-Directed Specialist shall be (1) the NBBO, or (2) if the Directed Specialist has activated API, the API Execution Price established by the Directed Specialist. Notwithstanding Rule 229 Supplementary Material .02 which would otherwise permit each specialist to determine whether to provide automatic execution parameters to non-agency orders, both agency and non-agency orders under Rule 229A will be executed against Non-Directed Specialist as provided herein, without distinction.]

[(d) PACE Delivered Orders Executed Manually. All orders which are to be executed manually pursuant to the terms of Rule 229 shall be executed manually by the Directed Specialist.]

[(e) PACE Order Execution Rules for Market and Marketable Limit Orders. In circumstances where orders are not to be executed manually pursuant to subsection (d)

above, where the bid (offer) is comprised of an order on the book or agency interest represented in a Directed or Non-Directed Specialist's Quote, then consistent with Rules 119, 120 and 218, an incoming eligible sell (buy) market or marketable limit order is executable based on price and time priority first against such book or agency interest and then as follows:]

[(1) No Non-Directed Specialist Quoting at NBBO. If at the time the order is received, there are no Non-Directed Specialists quoting at the NBBO, the order is executed against the Directed Specialist as provided in Rule 229.]

[(2) Non-Directed Specialist Quoting at the NBBO and Directed Specialist Not Quoting at the NBBO. If at the time the order is received, any Non-Directed Specialist is quoting at the NBBO and the Directed Specialist is not quoting at the NBBO, orders are to be executed as follows:]

[(A) In cases that are not an API Situation,]

[(i) If the Directed Specialist has not activated API or if the spread is too small to permit API to occur pursuant to Rule 229, then the order is to be automatically executed against the Non-Directed Specialist up to the Non-Directed Specialist quote size. Any remainder shall (a) if such remainder is equal to or less than the Directed Specialist's Calculated Automatic Execution Level, be automatically executed against the Directed Specialist, up to the Directed Specialist's Calculated Automatic Execution Level, or (b) if such remainder is greater than the Directed Specialist's Calculated Automatic execution Level, then be executed manually by the Directed Specialist; or]

[(ii) If the Directed Specialist has activated API and if the spread is sufficiently wide to permit API pursuant to Rule 229 Supplementary Material Rule .07(c), but the size of the order is greater than the Directed Specialist's Calculated Automatic Execution Level, then the order would be executed manually by the Directed Specialist.]

[(B) In an API Situation, the order shall be executed as follows.]

[(i) If the Non-Directed Specialist has activated Step-Up API, the order shall be executed against the Non-Directed Specialist up to the Non-Directed Specialist's quote size.]

[Any remainder shall, if such remainder is equal to or less than the Directed Specialist's Calculated Automatic Execution Level, be automatically executed against the Directed Specialist.]

[(ii) If the Non-Directed Specialist has not activated Step-Up-API, the order shall be executed against the Directed Specialist as provided in Rule 229.]

[(3) Directed Specialist and any Non-Directed Specialist Both Quoting at NBBO. If at the time the order is received both the Directed and any Non-Directed Specialists are Quoting at the NBBO, then, regardless of which specialist first quoted at the NBBO prior

to the time the order was received:]

[(A) In cases that are not an API Situation, the order is to be executed as follows.]

[(i) If the Directed Specialist has not activated API or if the spread is too small to permit API to occur pursuant to Rule 229, then the order is to be executed automatically against the Directed Specialist if the order is less than or equal to the Directed Specialist's Automatic Execution Level, otherwise (a) against the Directed Specialist up to an amount (the "Directed Specialist's Component") equal to (I) his quoted size, plus (II) the remainder of the order size less the Non-Directed Specialist's quoted size, and (b) against the Non-Directed Specialist up to the Non-Directed Specialist's quoted size.]

[(ii) If the Directed Specialist has activated API and if the spread is sufficiently wide to permit API pursuant to Rule 229 Supplementary Material Rule .07(c), but the size of the order is greater than the Directed Specialist's Calculated Automatic Execution Level and]

[(I) if the Directed Specialist's quote size is less than or equal to the Directed Specialist's automatic execution level established pursuant to Rule 229, Supplementary Material .05, then the order would be executed manually by the Directed Specialist, or]

[(II) if the Directed Specialist's quote size is greater than the Directed Specialist's automatic execution level established pursuant to Rule 229, Supplementary Material .05, then the order would be executed automatically up to the Directed Specialist's quote size, with the remainder handled manually by the Directed Specialist.]

[(B) In an API Situation, the order shall be executed as follows:]

[(i) If the Non-Directed Specialist has not activated Step-Up API, the order shall be executed as provided in Rule 229.]

[(ii) If the Non-Directed Specialist has activated Step-Up API, the order is to be executed as provided in Section (e)(3)(A) above.]

[(4) Multiple Non-Directed Specialists. In any case under (1) through (3) above where an order is executable in full or in part against multiple Non-Directed Specialists because they are each quoting at the NBBO, the portion of the order to be executed against such Non-Directed Specialists will be automatically executed against them based upon time priority.]

**Rule 229B. Reserved.**

**[Alternative Electronic Order Entry]**

[(a) Floor Brokers and Specialists may elect to enter orders through an order entry window (the "Order Entry Window" or "OEW"), which will route orders to the appropriate specialist, in accordance with Rule 229A, with all OEW orders treated as

Non-Directed Orders, as that term is defined in Rule 229A. Specialists may enter orders only in those stocks that they have been approved to trade as a specialist by the Equity Allocation, Evaluation and Securities Committee. Orders sent through the OEW will be displayed to the specialist for a period of time to be determined by the Exchange. During that time, the specialist can choose to interact with the OEW order. At the end of the time period, absent previous specialist action, the OEW order will be automatically executed or cancelled.]

[(b) Specialists and Floor Brokers may enter cross transactions electronically in accordance with Phlx Rule 126(h).]

**Rule 230.** Reserved.

**[ITS Pre-Opening Notification]**

[(a) The criteria set forth herein shall only apply to instances in which the Exchange opens a security for trading at a price requiring an ITS Pre-opening notification, the primary market for which is the NYSE or AMEX, prior to the opening of the security for trading on the NYSE or the AMEX.]

[(b) The specialist may not open such a security unless the [such] opening is approved by two floor officials. Any such opening transaction made (i) at one point or more away from the last previous sale when the previous sale is under \$20 per share or (ii) at two points or more away from the last previous sale when the previous sale is at \$20 per share or more, may not be published on the tape without the prior approval of the two floor officials.]

[(c) In the case of a stock which is traded through the Intermarket Trading System ("ITS"), the specialist shall send or cause to be sent (i) a tape indication through the ITS high speed line and (ii) and ITS Pre-opening notification.]

[(d) The criteria set forth herein shall only apply to orders delivered to the specialist by means other than the PACE system. (Orders delivered to the specialist by means of the PACE system shall be executed when they become eligible for execution at or following the NYSE or AMEX opening, as appropriate.)]

[(e) Unless specially designated as eligible for a PHLX opening, all non-PACE orders shall be executed when they become eligible for execution at or following the NYSE or AMEX opening, as appropriate. A specially designated order ticket shall be left with the specialist for orders eligible to be executed on an opening other than that of the NYSE and AMEX.]

**Rule 231.** Reserved.

**[Inactive Securities]**

[The Committee may designate as "cabinet securities" any securities which are inactive and in which there is no registered odd-lot dealer, and may prescribe the method of dealing therein; provided, however, that such designation shall not prevent a member from becoming an odd-lot dealer in such securities, in which event such securities shall be removed from the cabinet.]

**Rule 232. Reserved.**

**[Handling Orders When Primary Market is Not Open For Free Trading (EXP, PPS, GTX Orders)]**

[Orders that are properly designated are eligible for execution during those periods where the primary market is not open for free trading. The proper designation of orders is determined by paragraphs (a)-(c). All orders not properly designated are only eligible for execution when the primary market is open for free trading.]

[(a) Opening Before the Primary Market --Orders that are so designated shall be eligible for execution when the PHLX is open for normal free trading in an issue not open for free trading on the primary market due to a delay in opening or a **non-regulatory** halt in trading. Orders are designated for execution when the PHLX is open for trading in an issue not open on the primary market by use of the designator "EXP" on the order ticket. Orders received through the PACE system are not eligible for execution unless the primary market is open for trading.]

[(b) Post Primary Session ("PPS") --To be eligible for execution during PPS, an order must be designated "PPS." The PPS is an extension of the Exchange's auction market, and, as such, Exchange rules applicable to floor trading during the Exchange's primary session, as established by Rule 101, continue to apply.]

[(c) GTX Orders --Agency limit orders in New York Stock Exchange, Inc. ("NYSE") or American Stock Exchange, Inc. ("AMEX") listed securities traded on the Philadelphia Stock Exchange, Inc. ("PHLX") may be designated as "GTX" orders and entered during regular PHLX trading hours. A "GTX" order is an order that is good until canceled, eligible for primary market protection based on volume that prints on the NYSE or AMEX after-hours trading session. During regular trading hours, GTX orders may be executed as any other limit orders, but if not executed by the close of regular PHLX trading hours, GTX orders are executable after the close of the PHLX's PPS.]

[In this regard, PHLX specialists will execute unfilled GTX orders in whole or in part based on priority and precedence of those orders and on a share for share basis as measured by volume that prints in the NYSE's or AMEX's after-hours trading session at the limit price unless it can be demonstrated that the PHLX GTX orders would not have been executed had they been transmitted to the NYSE or to the AMEX or unless the broker and PHLX specialist agree upon a specific volume related or other criteria for requiring a fill.]

**Rule 233. Reserved.**

**[Trading in Nasdaq/NM Securities]**

[(a) Definitions.]

[(i) The term "Nasdaq/NM Security" shall mean any security (1) designated as a national market system security pursuant to the National Association of Securities Dealers, Inc.'s ("NASD") "National Market System Securities Designation Plan with respect to Nasdaq Securities", filed with and approved by the Securities and Exchange Commission pursuant to SEC Rule 11Aa2-1 under the Exchange Act and (2) which is either listed on the Exchange pursuant to Exchange Rules or as to which unlisted trading privileges have been granted pursuant to Section 12(f) of the Exchange Act.]

[(ii) The term "Nasdaq System" shall mean the NASD's Automated Quotation System.]

[(b) Any order received on the Floor via telephone from a Nasdaq System market maker or any hand-held order received from a floor broker on the trading floor, shall be effected in accordance with the rules applicable to the making of bids and offers and transactions on the Floor. (ii) The Exchange will display on its trading floor the quotes distributed by the processor for Nasdaq/NM Securities.]

[(c) Comparison of transactions effected with a Nasdaq System market maker via telephone access will be made pursuant to procedures to be established between the NASD and the Exchange.]

**Rule 236. Reserved.**

**[Reports of Positions of Specialists and Alternate Specialists in Securities for which the Exchange is the Primary Market]**

[In a manner prescribed by the Exchange, each Specialist and Alternate Specialist in securities for which the Exchange is the primary market shall, no later than 10:00 a.m. on each business day, report to the Exchange his closing position on the previous business day in such securities. The report shall also designate the name of the bank, broker-dealer or clearing corporation carrying and providing financing (margin) for such positions.]

***[Supplementary Material: ...]***

**[.01** For purposes of this Rule, a security for which the Exchange is the primary market, shall mean a security which is listed on one or more regional stock exchanges and which is not listed on either the American or New York Stock Exchanges.]

**[.02** With respect to a specialist and/or alternate who utilizes the services of a clearing corporation or broker-dealer to clear and settle his transactions, compliance with this Rule may be achieved through an arrangement whereby the clearing

corporation or broker dealer files the prescribed information with the Exchange on behalf of the specialist or alternate specialist.]

**Rule 237. Reserved.**

**[The eVWAP™ Morning Session]**

[The Morning Session. The Exchange shall conduct a daily equity order matching morning session ("Morning Session") prior to the opening of the regular session for the execution of eligible orders in eligible securities on a volume weighted average price ("eVWAP™") basis. Unless the Floor Procedure Committee deems otherwise in the event of extraordinary circumstances or systems malfunctions, the Morning Session will be available each trading day from 5:00 A.M. to 9:15 A.M., at approximately 9:16 A.M. for order execution and at approximately 9:20 A.M. for confirmation and reporting, as set forth below. The Morning Session will be conducted as a one year pilot program, effective for a period until November 30, 2001.]

[The order matching time is the Morning Session's effective execution time. The final eVWAP will be calculated at approximately 4:15 P.M., and reported at approximately 4:20 P.M.]

[To the extent that the provisions of this Rule are inconsistent with other Exchange rules, this Rule takes precedence with respect to matters regarding the Morning Session. All times in this Rule reflect Eastern Time (ET).]

[(a) The eVWAP System. The receipt and handling of orders and commitments for the Morning Session will be handled electronically through the eVWAP System ("eVWAP" or "System").<sup>1</sup>]

[Only those orders placed through eVWAP will be eligible for execution during the Morning Session. The System will:]

[(i) accept orders and commitments;]

[(ii) match buyers with sellers;]

[(iii) give execution reports to matched participants;]

[(iv) calculate the back-up eVWAP for each traded security;]

[(v) report eVWAP trades to the entering Participant; and]

[(vi) create the necessary audit trail, recording order and commitment entry and execution of Morning Session orders.]

[Other Exchange systems will calculate the official VWAP and report trades to the

appropriate reporting authority.]

[(b) Eligible Securities. The following securities will be eligible for execution in the System:]

[(i) Any component issues of the Standard & Poor's 500 index and/or NASDAQ 100 Index and any issue that has been designated by the compiler of such index for inclusion in such index.]

[(ii) Any of 300 New York Stock Exchange (NYSE) issues selected as follows: the 400 NYSE issues with the highest market capitalization excluding the 100 issues that have the lowest average daily dollar trading volume over 20 days preceding the eligibility determination, with eligibility determined at least semi-annually.]

[(iii) Any Exchange-Traded Fund/Shares that are eligible for trading on the Exchange.]

[(c) Reporting. Morning Session transactions will first be reported to the appropriate reporting authority at approximately 9:20 A.M. in the form of individual prints for each security for which there was an eVWAP transaction traded during the Morning session on that day. At that time, eVWAP transactions will be reported to Participants, as defined in paragraph (c), reflecting the number of shares traded by the Participant through the UTS in each issue. Once the final eVWAP has been calculated after 4:15 P.M., each transaction will also be reported, trade-by-trade, including the eVWAP calculation price, to the appropriate reporting authority, as well as to the Participant. The eVWAP System will not disseminate orders or commitments, including eVWAP bid/ask sizes, prior to the Morning Session match or eVWAP imbalances remaining after the Morning Session match, except to the entering participant.]

[(d) eVWAP Participation --Committers and Users. Participation in the eVWAP Morning Session may occur by way of a commitment from a Committer or an order from a User (collectively, Participants) Committers and Users may subscribe directly to the eVWAP System or participate through other subscribers, such as brokers or an eVWAP floor terminal. Exchange members may participate as either Committers and Users but may not participate as both Committer and User in the same security for the same account during the same Morning Session.]

[(i) **Committers:** A commitment is the number of shares of an eligible security that a Committer agrees to provide on a proprietary basis as contra-side liquidity for the execution of Morning Session orders. Commitments are only executable through the eVWAP System.]

[Committers must be members of the Exchange and must register with the Exchange in a prescribed manner prior to acting in the capacity of a Committer. Committers may be either Exchange Floor Traders or Off-Floor Liquidity Providers. Exchange Floor members qualify as Floor Traders if registered as either the Specialist or an Alternate Specialist in the respective security on the Exchange. Off-Floor Liquidity Providers may

only engage as Committers for their proprietary accounts.]

[Committers shall specify to the Exchange their two-sided commitment in each respective security, with a minimum volume guarantee of 2,500 shares on each side of the market. Commitments may be entered and modified in the eVWAP during the Order Entry Time Period, as defined in paragraph (e) below, and also during any other periods which the Exchange may make available for that purpose. Committers may make contra-side liquidity commitments through eVWAP System as day or good-till-cancelled (GTC) commitments. Commitments will not be matched for execution with other commitments. Commitments may be restricted to execution against non-members only.]

[(ii) **Users:** A Morning Session order is the instruction to buy or sell at the eVWAP calculation price through the eVWAP System a specified number of shares, greater than or equal to 5,000 shares, of an eligible security for either the proprietary or customer account of an approved User. Orders may be matched with either other orders or commitments, as described in the paragraph (f) of this Rule.]

[Users are enrolled and approved in a manner prescribed by the Exchange. Users may be either members or non-members; however, individual orders placed directly for non-members require a Stock Clearing Corporation of Philadelphia ("SCCP") member's give-up to ensure that a SCCP member, who must also be an Exchange member, has assumed responsibility for the order. Arrangements for the use of give-ups by non-members must be made in advance and reported to the Exchange in a manner prescribed by the Exchange. In addition, each nonmember must have a three-way agreement between the Exchange, the non-member and an Exchange member whereby the Exchange member, agrees to be jointly and severally liable for actions by the non-member relating to the eVWAP, and that the non-member acknowledges a responsibility to and the applicability of the By-Laws and Rules of the Exchange.]

[Exchange floor members may participate as Users in specialty issues only.]

[(iii) **Subscribers:** eVWAP access is available through direct subscription or through other subscribers, acting as brokers. The participation method may affect matching priority pursuant to paragraph (f) below. An eVWAP terminal may be available on the equity trading floor for the entry and reporting of eVWAP orders and commitments.]

[(iv) **Guarantors:** A guarantor is a member of the Exchange who is the identified facilitator for a facilitation order as defined in paragraph (e) below.]

[(v) **Institutions:** For purposes of eVWAP order entry shall be defined as "an entity" not registered as a broker dealer doing business as a hedge fund that serves in fiduciary capacity. Such entities include but are not limited to:]

[1) Qualified pension plans]

[2) Investment companies registered under the Investment Company Act of 1940]

[3) Bank trust departments]

[4) Corporations which purchase securities for a corporate purpose]

[5) Insurance companies]

[(e) Order Entry. eVWAP orders will only be accepted during the eVWAP Order Entry Time Period from 5:00:00 A.M. to 9:15:00 A.M. except the Exchange may establish a different period respecting the eVWAP trading floor terminal. Morning Session orders will only be eligible for execution on the day the order is placed and only through the eVWAP System. The minimum order size is 5,000 shares except for unconditional facilitation and cross orders, for which the minimum order size is 100 shares. The minimum commitment size is 2,500 shares. All orders and commitments must be in 100 share increments including any "AON" or "MON" designations, as defined below. The Exchange may determine whether different sizes should be established.]

[(i) The following is a list of eligible non-member and member order types:]

[(A) Basic orders]

[(1) Unconstrained --execute to the extent possible.]

[(2) Constrained]

[(I) All-or-none (AON) --execute all shares of the order or none at all (II) Minimum-or-none (MON) --execute at least a specified number of shares or none at all]

[(3) Restricted --execute against non-members only]

[(B) Facilitation orders: an order placed with the instructions to execute against the identified member contra-side as facilitator/guarantor, which may be submitted separately.]

[(1) Unconditional --execute against an identified guarantor or not at all.]

[(2) Conditional --execute against an identified guarantor after attempting to execute against non-members to the extent possible.]

[(3) Last resort --execute against an identified guarantor only after attempting to execute against all other orders and commitments to the extent possible.]

[(4) Facilitation orders may be unconstrained or constrained, as defined in sub-paragraph (A) above, but not restricted.]

[(C) Cross: an order placed by a non-member with the instructions to execute against the

identified contraside, which may be submitted separately.]

[(ii) Orders, commitments and cancellations for the Morning Session must be received by the Exchange through the eVWAP System to be eligible for execution. Orders may be cancelled through the System until 9:15:00 A.M. using the appropriate designator. "CXL" Orders and commitments placed through the System must be submitted with the following information:]

[(A) buy/sell;]

[(B) volume;]

[(C) security symbol;]

[(D) participant status: Committer or User;]

[(E) Committer account "commit" status: Off-Floor Liquidity Provider, Specialist or Alternate Specialist;]

[(F) User account/order status: member or non-member; and order type (basic facilitation or cross);]

[(G) Clearing account number;]

[(H) Exchange executing account number; and]

[(I) Subscriber identification, number.]

[(f) eVWAP: Priority of Orders. In matching eVWAP orders for execution during the Morning Session, the following execution priority will be determined in accordance with this paragraph.]

[The System will not match commitments with other commitments.]

[Generally, User orders are afforded priority]

[(i) by account type;]

[(ii) by order size (largest first); and]

[(iii) for orders of the same size and account type, on a chronological basis by time-of-entry.]

[Similarly, commitments are prioritized:]

[(i) first, on the basis of sub-account types, to Off-Floor Liquidity Providers then

Specialists and then Alternate Specialists; then, on the basis of order size (largest first); and among those commitments at the same size, priority rotates among committers with the fewest aggregate eVWAP shares (in all securities) matched at that time.]

[Liquidity Rotation Parameter: Even though priority is based on size, order and commitment, participation will rotate in 25,000 share increments, to more fairly allocate order flow, as opposed to filling the largest first. The Floor Procedure Committee may establish a different size.]

[Specifically, execution priority is determined in accordance with the 23 matching steps below:]

[(1) Certain two-sided orders are matched first: non-member/non-member crosses, then non-member/member unconditional facilitation orders and then member/member unconditional facilitation orders; any unmatched residue due to excess size entered by one side remains unexecuted:]

[(2) Match non-member unconstrained orders (basic and facilitation) with each other;]

[(3) Match remaining non-member unconstrained orders with non-member constrained (AON and MON) orders, and then match the non-member constrained orders with each other;]

[(4) Match remaining non-member orders with non-member institutions' orders participating through a broker and then with each other;]

[(5) Match remaining non-member orders with non-member non-institution orders participating through a broker, and then with each other;]

[(6) Match remaining non-member orders with non-member broker-dealers subscribing directly, and then with each other;]

[(7) Remove any remaining non-member orders that are restricted to matching with non-members only; these are unmatched, except as provided in sub-paragraph (23) below;]

[(8) Match non-member conditional facilitation orders with their conditional guarantors (facilitating members);]

[(9) Match remaining non-member orders with member orders participating through brokers, and then remove those member orders;]

[(10) Match remaining non-member orders with off-floor members, and then remove those member orders;]

[(11) Match remaining non-member orders with floor members, and then remove those member orders;]

[(12) Match remaining non-member orders with commitments of Off-Floor Liquidity Providers, and then remove those commitments;]

[(13) Match remaining non-member orders with commitments of Specialists, and then remove those commitments;]

[(14) Match remaining non-member orders with commitments of Alternate Specialists, and then remove-those commitments;]

[(15) Match remaining non-member orders with member facilitation orders (those with conditional or last resort guarantors);]

[(16) Match non-member last resort facilitation orders with their identified last resort guarantors;]

[(17) Remove remaining non-members; these are unmatched, except as provided in sub-paragraph (23) below;]

[(18) Match member conditional facilitation orders with their identified conditional guarantor;]

[(19) Match all remaining member orders (not restricted to non-members only) with each other (from steps 9-11 and 15, meaning member orders participating through brokers, off-floor member orders and floor members' orders, and member last resort facilitation orders);]

[(20) Match remaining member orders (not restricted to non-members only) with commitments (not restricted to non-members only) of Off-Floor Liquidity Providers, and then with commitments of Specialists and Alternate Specialists;]

[(21) Match member last resort facilitation orders with their identified last resort guarantor;]

[(22) Remaining member orders and commitments are unmatched except as provided in sub-paragraph (23) below;]

[(23) Perform matching rounds: if any unmatched orders remain, the largest unsatisfied constrained order is removed, the matches after step 1 are unmatched and the matching process starts again; among unsatisfied orders of the same size, member orders would be removed before non-member orders, and among two members (or non-members), the latest in time is removed first. Additional matching rounds occur, each removing another unsatisfied constrained order, until no unsatisfied constrained orders remain.]

[(g) Volume Weighted Average Price --eVWAP. All transactions occurring in the Morning Session will be priced on an eVWAP basis. The eVWAP calculation for each

eligible security will be conducted by the Exchange. In the case where a transaction occurs in the Morning Session in a security which does not, for any reason, open for trading on the primary market by 3:00 P.M., the respective Morning Session transaction will be voided and a report to that effect will be sent through the eVWAP System immediately thereafter. If a security opens for trading but is the subject of a halt and does not resume trading for the remainder of the day, the Morning Session transaction is based on the prints that occurred before the halt.]

[The eVWAP price for each eligible security shall be calculated by: (i) including all regular way trades (including sold and late sales) reported by the appropriate reporting authority as occurring within regular trading session hours of 9:30 A.M. and 4:00 P.M. (no trade reports are accepted after 4:15 P.M.) and all corrections of such trades reported 9:30 A.M. until 4:15 P.M.; (ii) multiplying each such trade price by the total number of shares traded at that price; (iii) adding each such calculated value to compile an aggregate sum; and (iv) dividing the aggregate sum by the total number of reported shares used in step (i) in the security.]

[The resulting eVWAP will be reported in the form of a decimal carried to the nearest penny.]

[The eVWAP determined for each security by the calculation above and reported by the Exchange's designated reporting authority is the official eVWAP. Unless the Exchange directs otherwise, every value as initially reported by the reporting authority is conclusively presumed to be accurate and deemed to be final, even if the value is revised or subsequently determined to have been inaccurate.]

[(h) Short Sales. eVWAP Morning Session orders are exempt from the short sale "tick test" restrictions of Rule 455. Positions resulting from eVWAP Morning Session transactions are effective for the purposes of determining long or short status for the remainder of the trading day immediately upon notification to the Participant of an eVWAP execution, notwithstanding that the eVWAP price has not yet been determined.]

[(i) Disputes. Disputes respecting eVWAP Morning Session participation or eligibility of orders or participants are to be resolved by the Exchange, in accordance with Rule 124.]

[(j) Limitation of Liability. Pursuant to By-Law Article 12-11, the Exchange shall not be liable for any damages, claims, losses or expenses caused by any errors, omissions, or delays resulting from any act, condition, or cause beyond the reasonable control of the Exchange including but not limited to an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction arising from the use of the eVWAP System, the calculation of the eVWAP or any and all other matters respecting the operation of the System or Morning Session.]

[(k) Trading Halts. Nothing in this Rule shall be construed to limit the ability for the Exchange to otherwise halt or suspend trading in any security traded through the eVWAP

System.]

[(l) Extraordinary Circumstances. The Exchange may determine, due to extraordinary circumstances to adjust or modify any of the times referenced by this rule respecting the order entry period, order matching period or any aspect of the transaction reporting procedures. In addition to fast market conditions, for purposes of this paragraph, extraordinary circumstances also include systems malfunctions and other circumstances that limit the Exchange's ability to receive, disseminate or report eVWAP information in a timely and accurate manner.]

[(m) Credit Limit Feature. The Credit Limit Feature provides automated validation of credit limits imposed by SCCP/Phlx members on Users and/or Committers. The Credit Limit Feature is engaged when SCCP/Phlx member provides credit limit instructions on a form prescribed by the Exchange.]

[<sup>1</sup> eVWAP and VWAP® are trademarks of UTTC.]

**Rule 251. Reserved.**

**[Duty to Report Transactions]**

[It shall be the duty of every member to report each of his transactions as promptly as possible to his office, where he shall furnish opportunity for prompt exchange of tickets or comparison.]

**Rule 252. Reserved.**

**[Exchange of Tickets]**

[In all transactions which take place through the exchange facility, an exchange of tickets or comparison shall be made.]

[Exchange confirmation –error]

[The Exchange will prepare a confirmation of each such transaction, and distribute a copy to both buyer and seller. Any error therein must be promptly reported to the Exchange.]

**Rule 253. Reserved.**

**[Duty of Buyer and Seller]**

[It shall be the duty of the buyer and seller to exchange tickets or written contracts or to make comparison in respect of each transaction through the exchange facility not later than one hour after the closing of the Exchange. Nothing in these Rules shall be construed to justify a refusal to compare before the closing of the Exchange.]

["Don't knows"]

[When a comparison or ticket or written contract is received, pertaining to a transaction of which the recipient has no knowledge, it shall be marked "Don't Know", dated and signed by the person so marking the same and the comparison or ticket or written contract, so marked, shall be returned immediately to the other party to the transaction. (See also Form 23).]

**Rule 254. Reserved.**

**[Written Contracts]**

[On all transactions "seller's option" in stocks, and on all transactions in bonds "when issued," "regular way delayed delivery," or "seller's option," written contracts shall be exchanged on the day of the transaction.]

[Form of contract]

[The buyer and seller shall each send to the other a contract (Form No. 24 or 25) properly filled out and signed by the member or member organization.]

[Liability]

[When written contracts shall have been exchanged, only the signers thereof shall be liable.]

**Rule 255. Reserved.**

**[Comparing with a "Give-up"]**

[An original party to a transaction who has acted therein as broker for another member or members, may give up to the other original party to said transaction the name or names of such other member or members; but such giving-up or the acceptance of such give-up or give-ups shall not constitute a substitution of principals. The member or members so given up shall have the same duties in the matter of comparison as devolve upon original parties; and no original party shall refuse to compare with the member or members so given up.]

**Rule 256. Reserved.**

**[Effect of Comparison, Exchange of Tickets, Notices, etc.]**

[No exchange of tickets or comparison or failure to exchange tickets or to compare, shall have the effect of creating or of cancelling a contract, or of changing the terms thereof, or of releasing the original parties from liability.]

**Rule 257. Reserved.**

**[Failure to Exchange Tickets or Effect Comparison]**

[The neglect or failure of a member or member organization to exchange tickets or to effect comparison as provided in Rules 251 to 258, inclusive, shall constitute a default, and such defaulted contract may be closed as provided in Rules 401 to 420, inclusive.]

**Rule 271. Reserved.**

**[Delivery Time]**

[Deliveries of securities shall be due before 2:15 o'clock p.m.]

**Rule 272. Reserved.**

**[Delivery Time on "Cash" Contracts]**

[Deliveries against transactions made for "cash" before 2:00 o'clock p.m. shall be due before 2:15 o'clock p.m.]

[Deliveries against transactions made for "cash" after 2:00 o'clock p.m. shall be due within thirty minutes after the time of the transaction.]

**Rule 273. Reserved.**

**[Failure to Deliver]**

[If securities due on any particular day are not delivered within the time specified in Rule 271, the contract may be closed as provided in Rules 401 to 420 inclusive. If not so closed, and in the absence of any notice or agreement, the contract shall continue without interest until the following business day; but in every case of non-delivery of securities, the party in default shall be liable for any damages which may accrue thereby. All claims for such damages shall be made promptly.]

**Rule 275. Reserved.**

**[Unit of Delivery]**

[The buyer shall accept any portion of a lot of securities contracted for if tendered in lots of one trading unit or multiples thereof, and may buy in the undelivered portion as provided in Rules 401 to 420 inclusive, but on sales made "seller's option" or "regular way delayed delivery," the buyer shall not be required to accept, before the date of the expiration of the option, a portion of a lot of securities contracted for.]

**Rule 276. Reserved.**

**[Stamp Taxes]**

[Each delivery of securities subject to tax on transfer or sale must be accompanied by a sales ticket stamped in accordance with the regulations of the applicable jurisdiction; provided, however, that as to securities delivered pursuant to the rules of a registered clearing agency, the rules of such clearing agency shall govern the payment of any such tax, unless otherwise provided by law.]

**Rule 277.** Reserved.

**[Damages Not to Be Deducted]**

[Parties receiving securities shall not deduct from the purchase price any damages claimed for non-delivery, except with the consent of the party delivering the same.]

**Rule 278.** Reserved.

**[Contracts Falling Due on Nonbusiness Day]**

[All contracts falling due on a day other than a business day shall mature on the succeeding business day, unless otherwise specified.]

**Rule 291.** Reserved.

**[Maturity of Security Loans]**

[Unless otherwise agreed, securities loaned shall be deliverable on the third business day following the day on which the loan is made.]

**Rule 292.** Reserved.

**[Payment of Interest or Premium]**

[When securities are loaned, the premium rate payable by the borrower, or the interest rate payable by the lender, as agreed upon, shall accrue on the day on which delivery from the lender to the borrower is due, whether such securities are delivered or not.]

**Rule 293.** Reserved.

**[Duration of Premium and Interest Payment]**

[Premiums shall be paid for each full business day on which the borrower has the use of the securities, not including the day on which the return is due.]

[Interest shall be paid for each day (including holidays and Saturdays) on which the

lender has the use of the money paid by the borrower, not including the day on which the return is due.]

**Rule 294.** Reserved.

**[Notice for Return of Loans]**

[Unless otherwise agreed, notice for the return of loans of securities shall be given before 2:30 o'clock p.m. and such return shall be made on the third full business day following the day on which such notice is given.]

[A notice given pursuant to the provisions of this Rule shall be considered as in full force until delivery is made.]

**Rule 301.** Reserved.

**[Delivery by Certificate or Transfer --Personal Liability]**

[In settlement of round-lot contracts other than those to be settled pursuant to the rules of a registered clearing agency, the receiver of shares of stock shall have the option of requiring the delivery to be made either in certificates therefor or by transfer thereof; except that in cases where personal liability attaches to ownership, the seller shall have the right to make delivery by transfer.]

[In settlement of odd-lot contracts other than those to be settled pursuant to the rules of a registered clearing agency, the seller shall have the option of making delivery either in certificates therefor or by transfer thereof.]

[The right to require receipt or delivery by transfer shall not obtain while the transfer books are closed.]

**Rule 302.** Reserved.

**[Expense of Making Transfer]**

[If the transfer of securities entails any expense (such as transfer fees, additional taxes, etc.) which is not ordinarily payable on a sale of such securities, the expense shall be borne by the party at whose instance the transfer is made.]

**Rule 303.** Reserved.

**[Unit of Delivery; Stocks]**

[Unless otherwise agreed, stock certificates delivered in settlement of round-lot contracts shall be for the exact amount of the trading unit or for smaller amounts aggregating the trading unit.]

[Unless otherwise agreed, stock certificates delivered in settlement of odd-lot contracts shall be for the exact amount of the contract or for smaller amounts aggregating the amount of the contract.]

**Rule 304.** Reserved.

**[Unit of Delivery; Coupon Bonds]**

[Unless otherwise agreed, coupon bonds shall be delivered in denominations of \$1,000 or \$500 each, except that in the case of United States Government bonds \$5,000 and \$10,000 pieces, when exchangeable for \$500 or \$1,000 pieces, shall be deliverable.]

**Rule 305.** Reserved.

**[Unit of Delivery; Registered Bonds]**

[Unless otherwise agreed, registered bonds shall be delivered in denominations of not less than \$500 and not more than \$10,000.]

**Rule 306.** Reserved.

**["Small" and "Large" Bonds]**

[Coupon bonds, in denominations of less than \$500, shall be designated as small bonds and in denominations of more than \$1,000, as large bonds and shall be a delivery only when dealt in specifically as such.]

**Rule 307.** Reserved.

**["Part-Paid" Securities]**

[Securities which have been partly paid for on subscription shall be designated as Part-Paid securities.]

[The settlement price of contracts in Part-Paid securities shall be determined by deducting from the contract price the unpaid portion of the subscription price, and contracts shall be made on the same basis.]

[(Note: If the subscription price on an issue of stock is \$97 per share and \$50-Paid receipts are dealt in (\$47 per share remaining to be paid) and if a contract is made at or \$98.50, the price at which the contract should be settled is \$51.50, i.e., \$98.50 less \$47.)]

**Rule 308.** Reserved.

**["Part-Redeemed" Bonds]**

[Bonds which have been redeemed or repaid in part shall be designated as Part-Redeemed bonds.]

[The settlement price of contracts in Part-Redeemed bonds shall be determined by multiplying the contract price by the unredeemed principal amount, and contracts shall be made on the same basis.]

[(Note: If a bond has been 25% redeemed, a \$1,000 piece would actually represent a total principal amount of \$750; if a sale is made at 80 the settlement price would be 80% of \$750, or \$600.)]

**Rule 309.** Reserved.

**[Municipal Securities]**

[Notwithstanding the provisions of Rules 304, 305, 306 and 308, all exchange contracts in municipal securities must be compared, settled and cleared in accordance with the applicable regulations of the Municipal Securities Rulemaking Board.]

**Rule 320.** Reserved.

**[Assignment Required for Each Certificate]**

[A certificate of stock, registered bond, or other registered security shall be accompanied by a proper assignment, executed either on the certificate itself or on a separate paper, in which latter case there shall be a separate assignment for each certificate or bond.]

**Rule 321.** Reserved.

**[Separate (Detached) Assignments]**

[A separate assignment shall contain provision for the irrevocable appointment of an attorney, with power of substitution, and a full description of the security, and shall conform to the form prescribed by the Committee. The number of shares of stock or the par value of a bond shall be expressed in words and numerals. (Form No. 2 or 3.)]

**Rule 322.** Reserved.

**[Powers of Substitution]**

[When the name of an individual or organization has been inserted in an assignment, as attorney, a power of substitution shall be executed in blank by such individual or organization.]

[When the name of an individual or organization has been inserted in a power of substitution, as substitute attorney, a new power of substitution shall be executed in blank by such substitute attorney. (Form No. 1.)]

**Rule 323. Reserved.**

**[Alterations or Corrections]**

[Any alteration or correction in an assignment, power of substitution, or other instrument, shall be accompanied by an explanation on the original instrument, signed by the person or organization executing the same.]

**Rule 324. Reserved.**

**[Signatures]**

[The signature to an assignment or power of substitution shall be technically correct, i.e., it shall correspond with the name as written upon the certificate in every particular without alteration or enlargement, or any change whatever, except that "and" or "&," "Company" or "Co." may be written either way.]

**Rule 325. Reserved.**

**[Corporate Assignments]**

[A certificate in the name of a corporation (except as provided in Rule 327 hereof) or an institution, or in a name with official designation, shall be a delivery only if the statement "Proper papers for transfer filed by assignor" is placed on the assignment and signed by the transfer agent.]

**Rule 326. Reserved.**

**[Assignments --By Persons Since Deceased, Trustees, Guardians, etc.]**

[A certificate with an assignment or a power of substitution shall not be a delivery except as noted under (1), (2) or (3) when executed by a: (a) person since deceased, (b) trustee or trustees, except trustees acting in the capacity of a board of directors of a corporation or association, in which case Rule 325 shall apply, (c) guardian, (d) infant, (e) executor, (f) administrator, (g) receiver in bankruptcy, (h) agent, or (i) attorney.]

[Exceptions:]

[(1) Domestic individual executor/s or administrator/s.]

[(2) Domestic individual trustee/s under inter vivos or testamentary trusts.]

[(3) Domestic guardian/s, including committees, conservators and curators.]

*[Supplementary Material: ...]*

**[.01 "Exceptions --Domestics."** The above exceptions to the Rule are to cover transfers that will be effected by transfer agents without additional documentation. Such exceptions apply only to securities of a domestic issuer (one organized under the laws of any state of the United States, and the District of Columbia) which bear the domestic registrations set forth in (1), (2) and (3). Certificates bearing such registrations must be properly assigned and the signature(s) to the assignment must be guaranteed pursuant to Rule 339.]

**Rule 327. Reserved.**

**[Assignments --By Member Organizations]**

[(a) A member, member organization or Qualified Clearing Agency or nominee thereof may (i) assign registered securities in its name and on its behalf, (ii) guarantee the signature to an assignment of registered securities, (iii) execute powers of substitution and (iv) effect other certifications and guarantees incident to the transfer, payment, exchange, purchase or delivery of registered securities, including, but not limited to, erasure guarantees, one-and-the-same guarantees and situs certificates, by applying a manually stamped or mechanically reproduced medallion or stamp adopted as provided in this Rule 327. A security registered in the name of a member, member organization or Qualified Clearing Agency or nominee thereof shall be a delivery provided the assignment is executed by applying the medallion or stamp of such member, member organization, Qualified Clearing Agency or nominee adopted in accordance with this Rule 327.]

[(b) A member, member organization or Qualified Clearing Agency or nominee thereof may use a medallion or stamp as provided by these Rules, provided the member, member organization or Qualified Clearing Agency or nominee thereof is a member of or participant in a "signature guarantee program" within the meaning of SEC Rule 17Ad-15 under the Securities Exchange Act of 1934.]

*[Supplementary Material: ...]*

**[.01** Assignments by member, member organizations and others under Exchange signature programs in effect prior to October 26, 1992. The Exchange, until October 26, 1992, provided programs pursuant to which it distributed specimen signatures and machine imprinted facsimile signatures of members, member organizations and Qualified Clearing Agencies to transfer agents and others. Registered securities with respect to which such distributed signatures effected assignments, powers of substitution, signature guarantees and other certificates and guarantees prior to October 26, 1992 are not a delivery on or after October 26, 1992. Instead, on and

after October 26, 1992, the Exchange requires the use of a medallion or other stamp in accordance with Rule 327.]

**Rule 328. Reserved.**

**[Insolvents]**

[A certificate with an assignment or power of substitution executed by an insolvent shall be a delivery only during the closing of transfer books, when such a certificate held by others than the insolvent must be accompanied by an affidavit that the said certificate was held on a date prior to the insolvency, and must bear a guarantee by a member or member organization in good standing pursuant to Rule 339.]

**Rule 329. Reserved.**

**[Dissolved Organizations]**

[A certificate with an assignment or a power of substitution executed by an organization that has ceased to exist shall be a delivery only during the closing of the transfer books provided the execution of the assignment or power of substitution is properly acknowledged and the signature thereto is guaranteed by a member or member organization in good standing pursuant to Rule 339. (Form No. 6 or 7.)]

**Rule 330. Reserved.**

**[Dissolved Organizations, Succeeded by New Organizations]**

[A certificate with an assignment or a power of substitution executed by a member organization that has since dissolved or ceased to be a member organization and is succeeded by a member organization or organizations having as general partners or holders of voting stock one or more of the general partners or holders of voting stock of the dissolved or former member organization shall be a delivery only if the new member organization or one of the new member organizations shall have applied its medallion imprint or stamp in the vicinity of the assignment or power of substitution pursuant to Rule 339 under a date subsequent to the formation of the new member organization.]

**Rule 331. Reserved.**

**[Change in Organization Name]**

[A certificate with an assignment or power of substitution executed by a member organization, the name of which has since been changed, shall be a delivery only if such member organization shall have applied its medallion imprint or stamp pursuant to Rule 339 bearing its new name to the certificate in the vicinity of the assignment or power of substitution under a date subsequent to the change in name.]

**Rule 332. Reserved.**

**[Joint Tenants; Tenants in Common]**

[A certificate with an inscription to indicate joint tenancy, or with a qualification, restriction or special designation, shall not be a delivery.]

[A certificate with an inscription to indicate tenancy in common, shall be a delivery only if signed by all co-tenants.]

**Rule 333. Reserved.**

**[Certificates Issued in Two or More Names]**

[A certificate issued in the names of two or more individuals or organizations shall be a delivery only if signed by all the registered owners.]

**Rule 338. Reserved.**

**[Signature Guarantee]**

[A signature guarantee acceptable to the Corporation shall be effected by a medallion imprint or stamp which is executed by: (1) a member or member organization, (2) clearing agencies registered under the Securities Exchange Act of 1934, (3) banks, or (4) other entities that are members of or participants in a signature guarantee program under SEC Rule 17Ad-15 of the Securities Exchange Act of 1934.]

**Rule 339. Reserved.**

**[Guarantee Required]**

[Except with respect to registered securities of the United States Government or securities to be delivered pursuant to the rules of a Qualified Clearing Agency, the signature to an assignment of a certificate (not in the name of a participant in a signature guarantee program under Rule 17Ad-15 under the Securities Exchange Act of 1934) shall be guaranteed by an entity which is a participant in a signature guarantee program under said Rule. Each power of substitution executed by other than a participant in a signature guarantee program under said Rule shall be guaranteed in a like manner.]

**Rule 340. Reserved.**

**[Endorsement or Guarantee of Signature by Member]**

[A guarantee of an assignment or a power of substitution, shall be a guarantee of the signature to such assignment or power of substitution; a guarantee of a signature shall be a warranty that at the time of signing the signature was genuine, the signer was an

appropriate person to endorse and the signer had legal capacity to sign, but shall not be a warranty of the rightfulness of that particular transfer.]

**Rule 341. Reserved.**

**[Guarantee by Insolvent Member]**

[A certificate with an assignment or power of substitution guaranteed by a member or member organization under suspension for insolvency shall be a delivery only if reguaranteed by a member or member organization in good standing.]

**Rule 342. Reserved.**

**[Transfer Books Closed Indefinitely]**

[The Committee may, by specific ruling, require that assignments and powers of substitution on certificates of a company whose transfer books are closed indefinitely be properly acknowledged. (Forms Nos. 4 to 12.)]

**Rule 343. Reserved.**

**[Assignments Filled in for Transfer in Error]**

[A certificate of stock on which the name of a transferee has been filled in in error shall be a delivery during the closing of the transfer books provided statements as follows have been placed on the back of the certificate, signed and properly acknowledged:]

[(a) BY TRANSFEREE:]

["I (or we) have no interest in the within certificate of stock."]

[(b) BY ASSIGNOR:]

["Above power of attorney canceled by me (or us) and new detached assignment and power issued in lieu of it."]

[(c) BY ATTORNEYS: (If any)]

[A separate statement as follows, with proper acknowledgment, by each Attorney:]

["I (or we) have no interest in the within certificate of stock, and within power of substitution dated .....is hereby canceled."]

[(Acknowledgment Forms Nos. 13, 14 or 15.)]

[The person or organization in whose name the stock stands shall then execute a separate detached assignment. (Form No. 2.)]

[The papers shall then be presented to the Committee and, if found correct, the certificate will be a delivery until the books open.]

**Rule 344. Reserved.**

**[Acknowledgments, Affidavits, etc.]**

[Acknowledgments, affidavits, or depositions shall be executed before an officer having authority to take acknowledgments under the laws of the state in which such instruments are executed and shall bear the seal of the signing officer.]

[Any alteration or correction in an acknowledgment shall be properly noted by the signing officer.]

**Rule 350. Reserved.**

**[Proper Coupons, etc., Must Be Attached]**

[Coupon bonds shall have securely attached proper coupons, warrants, etc., of the same serial number as the bond. The money value of a coupon missing from a bond may be substituted only with the consent of the Committee for each delivery.]

**Rule 351. Reserved.**

**[Bonds Registered as to Principal]**

[Coupon bonds which may be registered as to principal shall be a delivery only if registered to bearer, or, while the transfer books are closed, if otherwise registered, if accompanied by a proper assignment for each bond.]

[Coupon bonds which are "registered for voting purposes only" may be delivered without an assignment or release, if such registration does not affect the negotiability of the bonds.]

**Rule 352. Reserved.**

**[Endorsed Bonds]**

[A coupon bond bearing an endorsement of a definite name of a person, firm, corporation, association, etc., in conjunction with words of condition, qualification,

direction, or restriction, not properly pertaining thereto as a security, shall not be a delivery unless sold specifically as an "endorsed bond."

[This Rule shall also apply to bonds with coupon bearing such endorsements.]

**Rule 353.** Reserved.

**[Endorsements for Banking or Insurance Requirements]**

[A coupon bond bearing an endorsement indicating that bond was deposited in accordance with a governmental requirement pertaining to banking institutions or insurance companies shall not be a delivery. If released, with such release acknowledged before an officer authorized to take acknowledgments, it may be delivered if sold specifically as a "released endorsed bond."]

**Rule 354.** Reserved.

**[Mutilated Bonds]**

[A coupon bond which has become mutilated shall not be a delivery unless specifically passed by the Committee.]

**Rule 355.** Reserved.

**[Mutilated Coupons]**

[A coupon bond bearing a coupon which has been mutilated as to the bond number or signature of which has been canceled in error shall not be a delivery unless the proper endorsement is made on the back of the coupon and signed by an officer or representative of the obligor.]

[In the case of coupons attached to domestic bonds, the endorsement shall be made by an officer of the obligor, and in the case of coupons attached to foreign bonds, the endorsement shall be made either by an officer of the obligor or a duly authorized American agent.]

[Detailed instructions may be obtained from the Committee.]

**Rule 356.** Reserved.

**[Called Bonds]**

[Bonds shall cease to be a delivery upon publication of notice of call for redemption, except when an entire issue is called for redemption and except against transactions in called bonds dealt in specifically as such.]

**Rule 361.** Reserved.

**["And Interest" Bonds]**

[Bonds dealt in "and interest" shall continue to be dealt in on that basis until the Committee rules otherwise.]

**Rule 362.** Reserved.

**[Settlement of Contracts in "and Interest" Bonds]**

[In settlement of contracts in bonds dealt in "and interest," there shall be added to the contract price interest at the rate specified in the bonds which shall be computed up to but not including the day on which delivery is due, except that in the case of contracts made "regular way delayed delivery," such interest shall be computed only up to but not including the third business day following the day of the contract; and in the case of contracts made "seller's option," such interest shall be computed only up to but not including the day when delivery would have been due if the contract had been made "regular way."]

**Rule 363.** Reserved.

**[Settlement of Contracts in "and Interest" Registered Bonds]**

[When registered bonds dealt in "and interest" are delivered between the record date fixed for the purpose of determining holders entitled to receive interest and the interest payment date, a due-bill, signed by the party in whose name the bond stands, or by a member or member organization, for the full amount of the interest to be paid by the obligor, shall accompany the bond until interest is paid.]

**Rule 364.** Reserved.

**[Settlement of Contracts in "Flat" Registered Bonds]**

[When registered bonds dealt in "flat" are delivered after the record date fixed for the purpose of determining holders entitled to receive interest, in settlement of a contract made prior to the date on which the issue of bonds is quoted ex-interest by ruling of the Committee, a due-bill, signed by the party in whose name the bond is registered, or by a member or member organization, for the full amount of the interest to be paid by the obligor, shall accompany the bond.]

[The Committee may, however, in any particular case, direct otherwise.]

**Rule 365.** Reserved.

**[Computation of Interest]**

[Interest at the rate specified in a bond dealt in "and interest" shall be computed on a basis of a 360-day-year, i.e., each calendar month shall be considered to be 1/12 of 360 days, or 30 days, and each period from a date in one month to the same date in the following month shall be considered to be 30 days.]

[(Note: The number of elapsed days should be computed in accordance with the examples given in the following table:)]

[From 1st to 30th of the same month to be figured as 29 days.]

[From 1st to 31st of the same month to be figured as 30 days.]

[From 1st to 1st of the following month to be figured as 30 days.]

[Where interest is payable on 30th or 31st of the month:]

[From 30th or 31st to 1st of the following month to be figured as 1 day.]

[From 30th or 31st to 30th of the following month to be figured as 30 days.]

[From 30th or 31st to 31st of the following month to be figured as 30 days.]

[From 30th or 31st to 1st of second following month to be figured as 1 month, 1 day.))]

**Rule 366.** Reserved.

**[Fractions of Cents]**

[In all transactions involving the payment of interest, fractions of a cent equaling or exceeding five mills shall be regarded as one cent; fractions of a cent less than five mills shall be disregarded.]

**Rule 367.** Reserved.

**[Deliveries on Interest Dates]**

[Bonds dealt in "and interest," delivered on or after the date on which interest is due and payable, shall be without the coupons due on such date.]

**Rule 368.** Reserved.

**[Income Bonds]**

[Income bonds, unless otherwise directed by the Committee, shall be dealt in "flat."]

**Rule 369.** Reserved.

**[Unpaid Coupons, "Flat" Bonds]**

[Bonds dealt in "flat" shall carry all past due and unpaid coupons, unless the Committee rules otherwise.]

**Rule 370.** Reserved.

**["Flat" Bonds, Ex-interest]**

[Bonds dealt in "flat" shall be ex-interest as directed by the Committee.]

**Rule 371.** Reserved.

**[Basis of Adjustment for Coupons]**

[(a) In the settlement of contracts in bonds dealt in "and interest," where delivery is due prior to the interest-payment date and is made on or after the interest-payment date, and in the settlement of "delayed delivery" contracts in such bonds, made prior to the third business day preceding the interest-payment date, for delivery on or after the interest-payment date, there shall be a cash adjustment for coupons paid during the pendency of the contract on the basis of the greatest net amount obtainable for the coupons either in United States currency or in other currencies converted at the exchange rate prevailing at 10:00 o'clock a.m. on the interest-payment date.]

[(b) In the settlement of "seller's option" contracts in bonds dealt in "and interest," made prior to the third business day preceding the interest-payment date for delivery on or after the interest-payment date, there shall be a cash adjustment for coupons paid during the pendency of the contract on the basis of the greatest net amount obtainable for the coupons either in United States currency or in other currencies converted at the exchange rate prevailing at 10:00 o'clock a.m. on the date delivery becomes due.]

[The greatest net amount obtainable for coupons in other currencies converted at the prevailing exchange rate may be demanded only if all bondholders have the option of collecting interest on the same basis.]

**Rule 375.** Reserved.

**[Unit of Delivery]**

[Unless otherwise agreed, warrants delivered in settlement of round-lot contracts in rights to subscribe shall be for the exact amount of the trading unit or for smaller amounts aggregating the trading unit.]

[Unless otherwise agreed, warrants delivered in settlement of odd-lot contracts in rights to subscribe shall be for the exact amount of the contract or for smaller amounts aggregating the amount of the contract.]

**Rule 376.** Reserved.

**[Unclaimed Rights]**

[In cases where members or member organizations find that on the last day for subscription they have more rights to subscribe than their customers appear to be entitled to in accordance with the records of the members or organizations, the excess amount of rights shall be sold in the best available market and the proceeds of such sales shall be held subject to the claims of the persons entitled to such rights to subscribe.]

**Rule 377.** Reserved.

**[Assignment of Registered Warrants]**

[The Rules herein set forth shall apply to assignments of registered warrants for rights to subscribe, except that warrants assigned by a married woman, widow, or unmarried woman are a delivery without notarial acknowledgment. Warrants for rights to subscribe assigned by a trustee, guardian, executor, administrator, conservator, assignee, receiver in bankruptcy, or a corporation, are not a delivery unless the notation "Approved for Transfer" is placed on the assignment, and signed by the transfer agent.]

**Rule 380.** Reserved.

**[Definition]**

[The term "due-bills," as used in these Rules, means an assignment or other instrument employed for the purpose of evidencing the transfer of title to any dividend, interest or rights pertaining to securities contracted for, or evidencing the obligation of a seller to deliver such dividend, interest or rights to a subsequent owner.]

**Rule 381.** Reserved.

**[Form]**

[Due-bills shall be in form as prescribed by the Committee, (Form No. 17, 18, 19, 20 or 21), except that with specific permission of the Committee, odd-lot certificates issued after the record date, in the names of members or member organizations, may be accompanied by a special form of odd-lot due-bill. (Form No. 22.)]

**Rule 382.** Reserved.

**[Due-Bills on Failures to Deliver]**

[A security sold before it sells ex-dividend, or ex-rights and delivered after the record date shall be accompanied by a due-bill for the distribution to be made.]

**Rule 383.** Reserved.

**[Signatures, Guarantees, etc.]**

[A due-bill which is used pursuant to a specific ruling pertaining to a particular security shall be signed by the holder of record entitled to receive the distribution from the corporation. The signature shall correspond with the name on the face of the security to which the due-bill is attached. When executed by a non-member, it shall be guaranteed in the same manner as assignments of securities.]

**Rule 384.** Reserved.

**[Redemption]**

[When, by direction of the Committee, a security is not quoted ex-dividend or ex-rights, as the case may be, on the date such event would ordinarily take place, and due-bills are required to accompany deliveries, the due-bills shall be redeemable on the date fixed by the Committee.]

[When due-bills are used without specific ruling of the Committee, by reason of deliveries made too late to allow purchasers who are entitled to dividends or rights to effect a transfer of the securities, or otherwise, the due-bills shall be redeemable on the date of payment or distribution of the dividend or rights, except that in the case of rights to subscribe which are admitted to dealings on the Exchange on a "when issued" basis, such due-bills shall be redeemable on the date fixed by the Committee for settlement of "when issued" contracts in the rights.]

[When due-bills are used on deliveries of registered bonds pursuant to Rules 363 or 364, the due-bills shall be redeemable on the date of payment of the interest, except that in the case of registered bonds dealt in "flat," which are delivered after the date on which the issue of bonds is quoted ex-interest by ruling of the Committee, such due-bills shall be redeemable on the date when delivery of the bonds is made.]

[Due-bills shall be redeemed by the members or member organizations by whom they are signed or guaranteed.]

**Rule 388.** Reserved.

**[Definition]**

[The term "reclamation," as used in these Rules, means a claim for the right to return, or to demand the return of, a security previously accepted.]

**Rule 389.** Reserved.

**[Time for Delivery on Reclamation]**

[A security with an irregularity having been delivered may be returned or reclaimed on the day of delivery up to 3:00 o'clock p.m. On subsequent business days delivery on reclamation shall be made at or before 1:30 o'clock p.m.]

**Rule 390.** Reserved.

**[Manner of Settlement]**

[When a security is returned or reclaimed, the party who delivered it shall immediately give the party presenting it either the security in proper form for delivery in exchange for the security originally delivered or the current money value thereof. In the latter case, unless otherwise agreed, the party to whom the security is returned shall be deemed to be failing to deliver the security until such time as a proper delivery is made.]

**Rule 391.** Reserved.

**[Minor Irregularities]**

[Reclamation for an irregularity which affects only the currency of the security in the market shall be made within ten days from the day of original delivery.]

**Rule 392.** Reserved.

**[Endorsed Bonds]**

[Reclamation on bonds bearing endorsements referred to in Rules 352 and 353 shall be made within ten days from the day of original delivery.]

**Rule 393.** Reserved.

**[Wrong Form of Certificate]**

[Reclamation, by reason of the fact that a form of certificate was delivered which was not a proper delivery, but which is exchangeable without charge for a certificate which is a delivery, shall be made within ten days from the day of original delivery.]

**Rule 394.** Reserved.

**[Wrong Security]**

[Reclamation, by reason of the fact that the wrong security was delivered, may be made without limit of time.]

**Rule 395.** Reserved.

**[Lost and Stolen Securities; Imperfect Title]**

[Reclamation, by reason of the fact that title to a security is called in question or a security is reported to have been lost or stolen, may be made without limit of time, and such security may be returned to the party who introduced it into the market.]

**Rule 396.** Reserved.

**[Called Securities]**

[Reclamation, by reason of the fact that a security was delivered after publication of notice of call for its redemption, may be made without limit of time and such security may be returned to the party who held it at the time of such publication.]

*[Supplementary Material: ...]*

**[.01]** This Rule does not apply when an entire issue is called for redemption nor when the securities involved were dealt in specifically as called securities.]

**Rule 397.** Reserved.

**[Special Circumstances]**

[The Committee may make special rulings in circumstances not specifically referred to in these Rules. The Committee may also make special rulings in particular cases, in spite of any general Rule herein contained if, in the opinion of the Committee, there are equitable considerations therefor.]

**[Forms --Pertaining to Exchange Contracts]**

[1. Power of Substitution.]

[Power of Substitution to be Used When Attorney Has Been Designated in an Assignment.]

["I (or we) hereby irrevocably constitute and appoint .....my (or our) substitute to transfer the within named Stock under the foregoing Power of Attorney, with like Power of Substitution."]

[ Dated .....

.....]

[2. Assignment Separate from Certificate.]

[For value received .....hereby sell, assign and transfer unto ..... Shares of the ..... Capital Stock of the .....standing in .... name on the books of said .....represented by Certificate No. ....herewith and do hereby irrevocably constitute and appoint .....attorney to transfer the said stock on the books of the within named company with full Power of Substitution in the premises.]

[ Dated .....

.....]

[3. Assignment Separate from Bond.]

[For value received .....hereby sell, assign and transfer unto .....one bond of the .....for .....(\$ .....), No. ....herewith, standing in .....name on the books of said .....and do hereby irrevocably constitute and appoint .....attorney to transfer the said bond on the books of the within named company, with full power of substitution in the premises.]

[Dated .....

.....]

[4. Acknowledgment --When Assignment on a Certificate Is Executed by an Individual.]

[State of .....

[ss.]

[County of .....

[On this .....day of .....19 .. before me a Notary Public for the County of .....personally appeared .....to me known, and known to me to be the individual named in the within Certificate, and who executed the foregoing Assignment and Power of Attorney, and acknowledged to me that he executed the same.]

[[SEAL] .....  
.....]

[5. Acknowledgment --When Power of Substitution Is Executed by an Individual.]

[State of .....]

[ss.]

[County of .....]

[On this .....day of .....19 .. before me a Notary Public for the County of .....personally appeared .....to me known, and known to me to be the individual named in the foregoing Power of Attorney and who executed the foregoing Power of Substitution, dated .....19 .., and acknowledged to me that he executed the same.]

[[SEAL] .....  
.....]

[6. Acknowledgment --When Assignment on a Certificate Is Executed by a Firm.]

[State of .....]

[ss.]

[County of .....]

[On this .....day of .....19 .. before me a Notary Public for the County of .....personally appeared .....to me known, and known to me to be a member of (or authorized to sign under a power of attorney filed with the Philadelphia Stock Exchange for) the firm of .....named in the within certificate, and who executed the

foregoing Assignment and Power of Attorney, and acknowledged to me that he executed the same as the act and deed of said firm.]

[[SEAL] .....  
.....]

[Note. --If used for a firm that has ceased to exist, omit the word "be" in the third line and substitute the words "have been on .....19 ..."]

[7. Acknowledgment --When Power of Substitution Is Executed by a Firm.]

[State of .....]

[ss.]

[County of .....]

[On this .....day of .....19 .. before me a Notary Public for the County of .....personally appeared .....to me known, and known to me to be a member of (or authorized to sign under a power of attorney filed with the Philadelphia Stock Exchange for) the firm of .....named in the within certificate, and who executed the foregoing Power of Substitution, dated .... .....19 .., and acknowledged to me that he executed the same as the act and deed of said firm.]

[[SEAL] .....  
.....]

[Note. --If used for a firm that has ceased to exist, omit the word "be" in the third line and substitute the words "have been on .....19 ..."]

[8. Acknowledgment --For Wife and Husband for Assignment on a Certificate in Name of a Married Woman.]

[State of .....]

[ss.]

[County of .....]

[On this .....day of .....19 .. before me a Notary Public for the County of .....personally appeared .....and .....her husband, both of them known to me, and they severally acknowledged that they executed the foregoing Assignment and Power of Attorney, for the purpose therein mentioned.]

[[SEAL] .....]

.....]

[9. Acknowledgment --For Assignment on a Certificate in Name of an Unmarried Woman not Inscribed "Miss."]

[State of .....]

[ss.]

[County of .....]

[On this .....day of .....19 .. before me a Notary Public for the County of .....personally appeared .....to me known, and known to me to be an unmarried woman and the person named in the within certificate of stock and who executed the foregoing Assignment and Power of Attorney, and acknowledged to me that she executed the same.]

[[SEAL] .....]

.....]

[10. Acknowledgment --For Assignment on a Certificate in Name of a Widow.]

[State of .....]

[ss.]

[County of .....]

[On this .....day of .....19 .. before me a Notary Public for the County of

.....personally appeared .....to me known, and known to me to be a widow and the person named in the within certificate of stock and who executed the foregoing Assignment and Power of Attorney, and acknowledged to me that she executed the same.]

[[SEAL] .....]

.....]

[11. Acknowledgment --When Separate Assignment Is Executed by an Individual.]

[State of .....]

[ss.]

[County of .....]

[On this .....day of .....19 .. before me a Notary Public for the County of .....personally appeared .....to me known, and known to me to be the individual named in the annexed Certificate of Stock (or Bond ) and who executed the foregoing Assignment and Power of Attorney, and acknowledged to me that he executed the same.]

[[SEAL] .....]

.....]

[12. Acknowledgment --When Separate Assignment Is Executed by a Firm.]

[State of .....]

[ss.]

[County of .....]

[On this .....day of .....19 .. before me a Notary Public for the County of .....personally appeared .....to me known, and known to me to be a member of (or authorized to sign under a power of attorney filed with the Philadelphia Stock Exchange for) the firm of .....named in the annexed Certificate of Stock (or Bond ) and who

executed the foregoing Assignment and Power of Attorney, and acknowledged that he executed the same as the act and deed of said firm.]

[[SEAL] .....

.....]

[Note. --If used for a firm that has ceased to exist, omit the word "be" in third line and substitute the words "have been on .....19 ..."]

[13. Acknowledgment --For an Individual. (Cancellation of Assignment.)]

[State of .....

[ss.]

[County of .....

[On this .....day of .....19 .. before me a Notary Public for the County of .....personally appeared .....to me known, and known to me to be the individual described in and who executed the above Instrument, and acknowledged to me that he executed the same.]

[[SEAL]

.....]

[14. Acknowledgment --For a Firm. (Cancellation of Assignment.)]

[State of .....

[ss.]

[County of .....

[On this .....day of .....19 ..before me a Notary Public for the County of .....personally appeared .....to me known, and known to me to be a member of the firm of ..... described in and who executed the above Instrument, and acknowledged to me that he executed the same as the act and deed of said firm.]

[[SEAL] .....]

[15. Acknowledgment --For a Firm that has been Dissolved. (Cancellation of Assignment.)]

[State of .....]

[ss.]

[County of .....]

On this .....day of .....19 .. before me a Notary Public for the County of .....personally appeared .....to me known, and known to me to have been on .....19 .. a member of the firm of .....described in and who executed the above Instrument, and acknowledged to me that he executed the same as the act and deed of said firm.]

[[SEAL] .....]

[16. Affidavit by Holder of Security in Name of Insolvent.]

[State of .....]

[ss.]

[County of .....]

[.....being duly sworn, deposes and says: that he resides at .....; that he is a member of the firm of .....; that .....shares of the .....stock of ..... represented by certificate number .....were purchased by my said firm for value on .....without notice of the insolvency of and prior to the appointment of a Receiver for .....in whose name said certificate is registered and by whom said certificate was endorsed and that said shares were not received by my said firm in payment of an antecedent indebtedness.]

[Sworn to before me this .....day of .....19 ..]

.....

[Note. --If used for a power of substitution executed by an insolvent, substitute the words "the firm which executed the foregoing Power of Substitution, dated .....19 ..," for the words in the seventh and eighth lines reading "in whose name said certificate is registered and by whom said certificate was endorsed."]

[17. Due-Bill for Cash Dividend.]

[FOR VALUE RECEIVED, the undersigned, holder of record at the close of business on ....., of .....( ....) shares of .....Stock of ....., represented by Certificate No. ....hereby assigns, transfers and sets over unto ....the cash dividend of .....(\$ .....) to which the undersigned is entitled.]

[Dated .....]

[18. Due-Bill for Stock Dividend.]

[FOR VALUE RECEIVED, the undersigned, holder of record at the close of business on ....., of .....( ....) shares of .....Stock of ....., represented by Certificate No. ...., hereby assigns, transfers and sets over unto .....the .....( ....) shares of .....Stock of .....to which the undersigned is entitled as a stock dividend, and hereby irrevocably constitutes and appoints .....attorney to transfer the shares representing said stock dividend on the books of said corporation with full powers of substitution in the premises.]

[Dated .....]

[19. Due-Bill for Stock Distribution.]

[FOR VALUE RECEIVED, the undersigned holder of record at the close of business on the ....., of .....( ....) shares of .....Stock of .....represented by Certificate No. ...., hereby assigns, transfers and sets over unto .....the .....( ....) shares of .....Stock of .....to which the undersigned is entitled as a stock distribution, and hereby irrevocably constitutes and appoints .....attorney to transfer the shares representing said stock distribution on the books of said corporation with full powers of substitution in the premises.]

[Dated ..... ]

[20. Due-Bill for Rights.]

[FOR VALUE RECEIVED, the undersigned, holder of record at the close of business on ....., of .....( ....) shares of .....Stock of .....represented by Certificate No. ...., hereby assigns, transfers and sets over unto .....the warrant and/or fractional warrant to which the undersigned is entitled, evidencing the Right to Subscribe for .....]

[Dated ..... ]

[21. Due-Bill for Interest.]

[Due bearer .....dollars (\$ .....) representing the interest due .....on (registered bond ...) No. ....]

[.....(certificate of deposit)]

[.....( of the ) .....]

[.... (representing)]

[for \$ ....., which interest is payable to holders of record on .....]

[Dated ..... ]

[22. Due-Bill for Odd-Lots.]

[..... Due bearer the .....dividend declared by the .....to stockholders of record of .....on .....( ....) shares of their .....stock.]

.....

[23. "Don't Know" Stamp.]

---

**[DON'T KNOW]**

[Jones & Smith]

[Date ..... Per .....]

---

[24. Written Contract for Bonds.]

[\$ ..... Bonds. ....Philadelphia, .....19 .. ...have SOLD to ..... \$ ..... par value  
% .....PURCHASED of ..... Bonds at .....payable and deliverable ....., either  
party having the right to call for deposits, according to the requirements of the  
Constitution and Rules of the Philadelphia-Baltimore-Washington Stock Exchange; and  
on the failure of the party called upon to comply therewith, this contract shall mature,  
with the right and authority to the party not in default to close the contract in accordance  
with the Rules of the Philadelphia Stock Exchange.]

.....

[25. Written Contract for Stock.]

[..... Shares ..... Philadelphia, .....19 .. ...have SOLD to .....shares of the  
..... PURCHASED of Stock of the .....at .....per share payable and  
deliverable ....., either party having the right to call for deposits, according to the  
requirements of the Constitution and Rules of the Philadelphia Stock Exchange; and on  
the failure of the party called upon to comply therewith, this contract shall mature, with  
the right and authority to the party not in default to close the contract in accordance with  
the Rules of the Philadelphia Stock Exchange.]

.....







[Note: This certification should be used in conjunction with either the assignment provided on each certificate of stock and registered bond, or a separate assignment in conformity with Form 2 or 3. The officer certifying the resolution must not execute the assignment. The certification and assignment must both bear the same date. Strike out either (a) or (b) in the first resolution. A separate resolution must be provided for each security.]

**Rule 401.** Reserved.

**[Disagreement on Transaction]**

[When a disagreement between members or member organizations arising from a transaction in securities is discovered, the money difference shall forthwith be established by purchase or sale or by mutual agreement.]

**Rule 402.** Reserved.

**[Insolvencies --Settlement Price]**

[When announcement is made of the suspension of a member or member organization pursuant to the provisions of Article XVII of the By-Laws, members or member organizations having Exchange contracts with the suspended member or member organization for the purchase, sale or loan of securities, shall without unnecessary delay proceed to close such contracts on the Exchange or in the best available market, except insofar as the By-Laws and Rules of any registered clearing agency of which the member or member organization is a participant are applicable and provide the method of closing. Should such a contract not be closed as above provided, the price of settlement for the purpose of Article XVII of the By-Laws shall be fixed by the fair market value at the time when such contract should have been closed under this Rule.]

**Rule 403.** Reserved.

**[Failure to Compare Contract]**

[When a contract in securities has not been compared as required in Rules 251 to 270, inclusive, an original party to such contract may close the same at or after 11:00 o'clock a.m. of the business day following the day of contract, provided that notice, either written or oral, shall have been given to the other original party at least thirty minutes before such closing. If a member or member organization given up by an original party shall, after complying with the applicable provisions of Rules 251 to 270, inclusive, be unsuccessful in effecting the comparison required thereby, he or it shall promptly notify the original party who acted for him or it, who may then close the contract as herein provided for original parties.]

**Rule 404. Reserved.**

**[Failure to Fulfill Contract]**

[A contract in securities admitted to dealings on the Exchange which has not been fulfilled according to the terms thereof may be officially closed by the Floor Procedure Committee.]

[Order and notice of intention to close]

[The order to close such contract shall be delivered to Membership Services Department and the member or member organization giving such order shall deliver at the office of the member or member organization in default notice of intention to make such closing. Every such order and every such notice shall be in writing, and shall state the name of the member or member organization giving the order, the date of the original contract to be closed, the maturity date of such contract, and the name of the other party thereto. Such order and notice shall be delivered at or before 2:30 o'clock p.m., but such contract shall not be closed before 2:35 o'clock p.m. When a contract made for "cash" after 2:00 o'clock p.m. is to be closed on the same day, the time of the transaction shall be stated on the order and notice, which shall be delivered within thirty minutes after the transaction, and the contract shall not be closed until thirty-five minutes after the time of the transaction.]

[Postponement of closing]

[The closing of a contract may be deferred by order of a member of the Committee, whenever in his opinion a fair market in which to close the contract does not exist.]

**Rule 405. Reserved.**

**[Liability of Notice of Intention to Succeeding Parties Successive Parties]**

[Every member or member organization receiving notice that a contract is to be closed for his or its account because of non-delivery shall immediately re-transmit notice thereof to any other member or member organization from whom the securities involved are due. Every such re-transmitted notice shall be in writing, and shall be delivered at the office of the member or member organization to whom it is addressed; it shall state the date of the contract upon which the securities are due from such member or member organization, and the name of the member or member organization who has given the original order to close.]

**Rule 406. Reserved.**

**[Closing Portion of Contract]**

[When notice of intention to close a contract, or re-transmitted notice thereof, is given for less than the full amount due, it shall be for not less than one trading unit.]

**Rule 407. Reserved.**

**[Re-establishment of Contract]**

[The closing of a contract pursuant to these Rules shall be for the account and liability of each succeeding party in interest in such contract, and in case notice that such contract will be closed has been re-transmitted, as provided in Rule 405, shall also close all contracts with respect to which such re-transmitted notice shall have been delivered prior to the closing.]

[If such re-transmitted notice is sent by a member or member organization before the contract has been closed, but is not received until after such closing, the member or member organization who sent the same may promptly re-establish, by a new sale, the contract with respect to which such notice has been sent.]

[Payment of money difference]

[Any money difference resulting from the closing of a contract, or from the re-establishment of a contract as herein provided, shall be paid not later than 3:00 o'clock p.m. on the following business day to the member entitled to receive the same.]

**Rule 408. Reserved.**

**[Notice of Closing to Successive Parties]**

[When a contract has been closed the member or member organization who closed the same, or who gave the order to close the same, shall immediately notify the member or member organization for whose account the contract was closed. Immediate notification shall be given to succeeding parties in interest, and to other members or member organizations to whom re-transmitted notice, as provided for in Rule 405, has been sent. Statements of resulting money differences, if any, shall also be made immediately.]

**Rule 409. Reserved.**

**[Delivery After Notice of Intention to Close]**

[When a member or member organization has given notice of intention to close a contract for non-delivery, or has re-transmitted notice thereof as provided in Rule 405, he or it must receive and pay for securities due upon such contract if tendered at his or its office prior to the closing of such contract.]

[If a person who, pursuant to Rule 404, has in hand the order to close is notified prior to the closing by a member or member organization that some or all of the securities (but not less than one trading unit) are in his or its physical possession and will be promptly delivered, then the order to close shall not be executed with respect to such securities, and

the member or member organization who has given the original order to close shall accept and pay for such securities, if tendered promptly.]

[Damages]

[If such securities be not promptly tendered, the member or member organization who has stated that they would be promptly delivered shall be liable for any resulting damages.]

**Rule 410. Reserved.**

**[Failure to Fulfill Closing Contract]**

[When a contract is closed, any member or member organization accepting the bid or offer, and not complying promptly therewith, shall be liable for any damages resulting therefrom.]

[Member giving order not to accept bid for own account]

[No member or member organization, who for his or its own account has given an order to close a contract because of non-delivery, shall fill the order by selling for his or its own account, either directly or through a broker, the securities named therein; and no member or member organization shall knowingly enable or permit any other person on whose behalf the order to close because of non-delivery has been issued to fill such order by selling for his own account the securities named therein.]

[Member accepting bid, if party buying-in, must not fail]

[If a member or member organization has issued an order to close because of non-delivery and, acting for another principal, supplies the securities named therein, he or it must make delivery in accordance with the terms of the contract thus created, and may not by consent or otherwise fail to make such delivery.]

[Member in default not to accept bid or offer except for another principal]

[The member or member organization for whose account a contract is being closed, or any succeeding member or member organization in interest, or any member or member organization to whom re-transmitted notice has been sent, shall not accept the bid or offer, unless such member or member organization is acting for a principal other than the one for whose account the contract is being closed.]

**Rule 411. Reserved.**

**[Closing Contract in Unlisted or Suspended Securities]**

[A contract in unlisted securities, or in securities which have been suspended from

dealings on the Exchange, which has not been fulfilled according to the terms thereof may be closed in the best available market by the party thereto who is not in default. Otherwise the provisions of Rules 404 to 411, inclusive, shall be followed as nearly as possible.]

**Rule 421.** Reserved.

**[Marking to the Market]**

[The party who is partially unsecured by reason of a change in the market value of the subject of an Exchange contract may demand from the other party the difference between the contract price and the market price. The party from whom such difference is demanded shall pay the same to the party who is partially unsecured in accordance with the rules of the registered clearing agency through which clearance and settlement is to take place.]

**Rule 422.** Reserved.

**[Demands for Marking]**

[All demands for the difference between the contract price and the market price shall be made during the hours when the Exchange is open for business, shall be in writing and shall be delivered at the office of the party upon whom the demand is made and shall be complied with immediately.]

**Rule 423.** Reserved.

**[Failure to Comply With Demand]**

[If a party to a contract shall fail to comply with the provisions of Rule 421, the other party to such contract may cause the same to be closed as provided in Rules 401 to 420, inclusive.]

**Rule 431.**

**Ex-dividend, Ex-rights**

Transactions in stocks (except those made for "cash") shall be ex-dividend or ex-rights as the case may be on the second business day preceding the record date fixed by the corporation or the date of the closing of transfer books therefor. Should such record date or such closing of transfer books occur upon a day other than a business day, such transactions shall be ex-dividend or ex-rights on the third preceding business day.

Transactions in stocks made for "cash" shall be ex-dividend or ex-rights on the business day following said record date or date of closing of transfer books.

The [Committee]Exchange may, however, in any particular case, direct otherwise.

**Rule 432.**

**Ex-warrants**

Transactions in securities which have subscription warrants attached (except those made for "cash") shall be ex-warrants on the second business day preceding the date of expiration of the warrants, except that when the date of expiration occurs on a day other than a business day, said transactions shall be ex-warrants on the third business day preceding said date of expiration.

Transactions in securities made for "cash" shall be ex-warrants on the business day following the date of expiration of the warrants.

The [Committee]Exchange may, however, in any particular case, direct otherwise.

**Rule 441. Reserved.**

**[Visitors]**

[Visitors shall not be admitted to the Floor of the Exchange except by permission of the Chairman of the Board of Governors or the Committee.]

**Rule 442.**

**Communications**

Communications shall not be read to the Exchange nor posted on the bulletin board without the consent of the Secretary [or the Committee].

**Rule 444. Reserved.**

**[Wire Connections Between Exchange and Members' Offices]**

[No member or member organization shall establish or maintain any telephonic or other wire connection between his or its office and the Exchange except with the approval of the Committee. The Committee may grant or withhold such approval, and may without being obliged to assign any reason or cause for its action cause to be disconnected any such connection. In order to facilitate communications remote specialists (whether competing or primary) shall be required to have and maintain e-mail capability acceptable to the Exchange at remote locations.]

**Rule 451.**

**Taking or Supplying Securities Named in Order**

No member or member organization, who has accepted for execution, personally or through his [firm] member organization or a partner, officer or shareholder thereof, an order for the purchase of securities shall fill such order by selling such securities for any account in which he or his [firm] member organization or a partner, officer or shareholder thereof has a direct or indirect interest, or having so accepted an order for the sale of securities shall fill such order by buying such securities for such an account, except as follows:

Missing the market

(a) A member or member organization who neglects to execute an order may be compelled to take or supply for his own account or that of his [firm] member organization the securities named in the order;

"Crossing" for own account

(b) A member or member organization, acting for another member or member organization, may take the securities named in the order, provided (1) [he shall have offered the same in the open market at a price which is higher than his bid by the minimum variation permitted in such securities, and (2)] the price is justified by the condition of the market, and (2[3]) the member or member organization who gave the order shall directly, or through a broker authorized to act for him, after prompt notification, accept the trade;

(c) A member or member organization, acting for another member or member organization, may supply the securities named in the order, provided (1) [he shall have bid for the same in the open market at a price which is lower than his offer by the minimum variation permitted in such securities, and (2)] the price is justified by the condition of the market and (2[3]) the member or member organization who gave the order shall directly, or through a broker authorized to act for him, after prompt notification, accept the trade;

["On order"]

(d) A member or member organization, acting as a broker, is permitted to report to his principal a transaction as made with himself when he has orders from two principals to buy and to sell the same security and not to give up his principals;[, such orders being executed in accordance with Rule 126, in which case he must add to his name on the report the words "on order."]

(e) A Market Maker in accordance with its duty to provide an orderly market in the securities in which it is registered may purchase or sell for principal account, such securities named in its customer's order provided that:

- (i) the price is consistent with the market;
- (ii) full disclosure to its customer is made on the confirmation of the transaction in a manner that defines the interest of the Market Maker.

(f) A member or member organization may purchase or sell for principal account the securities named in his customer's order provided that:

- (i) the price is consistent with the market;
- (ii) full disclosure of the interest of the member or member organization is made to his customer on the confirmation of the transaction.

**Rule 455.**

**Short Sales**

[No member or member organization] XLE shall not effect a sell order or sale of any security, except Nasdaq Global Market and Nasdaq Capital Market securities, unless such sell order or sale is effected in compliance with Securities and Exchange Commission Rule 10a-1 promulgated under the Securities Exchange Act of 1934. XLE shall not effect a sell order or sale of any security unless such sell order is effected in compliance with Regulation SHO promulgated under the Securities Exchange Act of 1934.

**Rule 460. Reserved.**

**[Procedures for Competing Specialists]**

[(a) Application]

[Any specialist unit approved pursuant to Rule 501 can apply to the Exchange to function as a competing specialist unit (as opposed to a primary specialist) pursuant to the following procedures.]

[i. Application to become a competing specialist must be directed to the Equity Allocation, Evaluation and Securities Committee (the "EAES Committee") in writing on the appropriate form submitted to the appropriate Exchange department and must list, in order of preference, the securities in which the applicant seeks to be a competing specialist.]

[ii. Once a competing specialist application is received by the Exchange, a written notification will be issued to the primary specialist. Each primary specialist is required to sign and date such notification acknowledging receipt, and return the notification to the Securities Department representative. Any objection by the primary specialist in one or more of such specialist's securities must be in writing on a form designated by the Exchange and filed with the Exchange within 48 hours of notice of the competing specialist's application. Only the primary specialist can object to a competing specialist

application in his/her securities. The objection will be considered by the EAES Committee in reviewing the application.]

[All applicant specialist units, existing or newly created, must satisfy the EAES Committee that they have sufficient staff to enable them to fulfill the functions of a specialist as set forth in Rule 203, in all of the securities in which the applicant will be registered wither as a primary or a competing specialist. The EAES Committee will determine whether to approve the application based on the criteria set forth in Rule 511(b) as well as any objection by the primary specialist. The decision may be appealed consistent with Exchange By-Laws and procedures.]

**[(b) Obligations]**

[Each competing specialist unit must be registered with the Exchange as such and must meet the current minimum requirements for specialists as set forth in Exchange Rules, including the minimum capital and equity requirements, and must conform to all other performance requirements, standards, policies, and rules set forth in the Rules of the Exchange.]

**[(c) Withdrawal]**

[If a competing specialist seeks to withdraw from acting as such in a security, it should so notify the Committee at least three business days prior to the desired effective date of such withdrawal. Withdrawal by a competing specialist bars that Competing Specialist from applying to trade that same security as a primary or competing specialist for 90 days following the effective date of withdrawal. If the EAES Committee determines that extraordinary circumstances exist, it may waive the 90 day period. When the primary specialist requests to withdraw from a security, it shall be posted for reallocation by the EAES Committee. In the interim, if the EAES Committee is satisfied that a competing specialist can continue to maintain a fair and orderly market in such security, the competing specialist shall serve as the interim primary specialist until the security has been reallocated. Where there is more than one competing specialist in the security, an interim primary specialist shall be selected from among the competing specialists by the EAES Committee until reallocation. A remote specialist may be selected as an interim primary specialist only where there is no non-remote competing specialist in the security who can continue to maintain a fair and orderly market in such security as interim primary specialist.]

**[(d) Competing Markets in a Security]**

[(i) Notwithstanding the existence of competing specialist situations, there is only one Exchange market in a security. Each specialist (primary or competing) shall quote their own market. Competing specialists must cooperate with the primary specialist regarding openings, halts and reopenings to ensure that they are unitary. One market, the PHLX Best Bid/Offer ("PBBO"), will be disseminated.]

[(ii) Competing and primary specialists in a particular security must keep each other informed and communicate to inquiring Floor Brokers the full size of any executable "all or none" orders or any other order in their possession that cannot be represented in the published quote. Competing specialists are expected to represent such orders on a "best efforts" basis to ensure the execution of the entire order at a single price or prices, or not at all.]

**Rule 461. Reserved.**

**[PACE Remote Specialist]**

[PACE terminals and related equipment will be provided to member organizations for trading by remote specialists. The terminals will be linked to the PACE Trading System and will provide the same functionality as is available to on-floor specialists. All orders to remote specialists, including ITS commitments and administrative messages, will be processed the same as orders and ITS commitments to an on-floor specialist. Floor Broker orders will be routed to remote specialists under the same criteria by which they are routed to on-floor specialists. There will be no remote floor brokerage services. The following shall apply to remote specialists:]

[(a) All rules and policies of the Board of Governors of the Exchange shall apply except as specifically excluded or amended under this section.]

[(b) Any specialist unit approved pursuant to Rule 501 may apply to the Equity Allocation, Evaluation and Securities Committee (the "EAES Committee") to trade as a remote specialist, pursuant to this Rule and Rule 511(b).]

[(c) Unless the EAES Committee specifically authorizes otherwise, participating specialist units shall be prohibited from trading remotely any securities which are currently being traded on-floor by that specialist unit. Individual securities may not be traded by one specialist unit in more than one PHLX remote location under any circumstances.]

[(d) The number and identity of specialty securities that may be traded remotely by any specialist unit shall be determined by the EAES Committee on a case by case basis.]

[(e) All non-electronic layoff orders entered on another exchange shall be recorded and submitted to the Exchange pursuant to Exchange procedures.]

[(f) All rule, by-law and Certificate of Incorporation references pertaining to the trading floor of the Exchange shall be deemed to include any bids, offers, orders and trading done remotely, and all such bids, offers, orders and trades shall be deemed to be PHLX bids, offers, orders and executions on the Exchange.]

[(g) A written confidentiality policy regarding the location of equipment and access to information, terminals and equipment must be adopted by the firm and filed with and

approved by the Exchange prior to the commencement of remote trading. Moreover, this policy must conform to all of the requirements set forth in the rules of the Exchange, including, but not limited to rules dealing with the specialist's book. In accordance therewith, reasonable principles must be applied to limit access by non-specialists to remote specialist facilities and information, and to limit remote specialists' access to and from other proprietary trading venues, including access from outcry or visible communication, intentional or otherwise. Access to the area designated as that of the remote specialist shall be restricted to the specialist, assistant specialist, backup specialist, clerks, designated management of the specialist, and Exchange authorized personnel, consistent with the rules of the Exchange.]

[(h) Provisions regarding dress code, smoking and the requirement in Rule 108 that bids and offers be made within six feet of the post shall not apply. Rule 204, Hours, and Floor Procedure Advice E-1 shall not apply, provided that the specialist shall be immediately available by dedicated telephone line at all times required by the Floor Procedure Committee.]

[(i) Exchange correspondence, memoranda, bulletins and other publications shall be sent to remote specialists via electronic mail, if available, and via U.S. mail or overnight delivery, as well as other web-based means, as they become available.]

[(j) All remote specialists will have dedicated telephone access to the physical trading floor. Any regulatory requirements including trading halts, trading practices, policies, procedures or rules requiring floor official involvement will be coordinated by Exchange personnel with the remote specialist through the dedicated telephone line.]

[(k) Servicing of PACE terminals and related equipment shall be by Exchange authorized personnel only. Remote specialists may not link any hardware or software to enhance any of the systems or functionality without first requesting in writing and receiving approval to do so from the Exchange.]

[(l) The Exchange's examination program will include the remote specialist operations. Every firm must submit specific supervisory procedures, in accordance with the Exchange's Examinations procedures, relating to the remote specialist operations and appropriate identification of all individuals who will have access to the remote specialist operation, including all supervisory personnel.]

[(m) Any arbitration or disciplinary action arising out of trading activity pursuant to this section would be subject to Rules 950 and 960 respectively regardless of the remote location of the trade or dispute.]

[(n) "Remote Authorization" Requirement. Access to any remote PACE terminal assigned and registered by the Exchange will require a Remote Authorization.]

[(1) Non-transferable Remote Authorizations may be issued by the Exchange to qualified specialists and clerks as provided in this Rule 461(n).]

[(2) Each remote specialist must be a member.]

[(A) A specialist unit wishing to obtain additional Remote Authorizations for qualified specialists and registered clerks to access PACE in support of the specialist unit may authorize such specialist and clerks to apply to the Exchange for the issuance of Remote Authorizations.]

[(B) Non-transferable Remote Authorizations may be approved for issuance by the EAES Committee after applicants have completed the following:]

[(i) File a Remote Authorization application with the Exchange.]

[(ii) Completion of the required floor-training program. On-site floor training would be waived for current floor specialists and registered clerks who transfer to remote specialist operations. The on-site floor training period could also be waived by the EAES Committee in exceptional circumstances, if other arrangements are made with and approved by the Exchange. In such exceptional circumstances, a waiver will be permitted if the Committee is assured that the person requesting the waiver has made other arrangements that ensure the person meets all of the requirements listed below. However, the on-site floor training period will not be waived for easily remedied reasons such as geographical location or inconvenience, and will include, among other things,]

[Questioned trade procedures]

[Communication procedures with Floor Brokers, PACE Desk, Surveillance, Systems Support, and ITS coordination with the floor]

[The remote/competing specialist program and Unlisted Trading Privilege ("UTP") applications and procedures]

[Allocation procedures]

[Book or symbol change procedures]

[Trading Halt procedures]

[Floor official rulings]

[Minor Rule Plan Violations policies and application]

[Books and Records/reports available]

[Explanation of the specialist performance evaluation categories and procedures]

[Certain other rules and policies deemed appropriate by the Exchange (e.g., Limit Order

Display Rule, auto-executions, Price Improvement, etc.)]

[ITS Quick Reference Card]

[(iii) Successful completion of any applicable state requirements.]

[(iv) Submission of fingerprint records to the PHLX.]

[(3) Each remote specialist firm will be evaluated under the Exchange's specialist evaluation program.]

**Rule 500. [Equity Allocation, Evaluation and Securities Committee and] Options Allocation, Evaluation and Securities Committee**

The [Equity Allocation, Evaluation and Securities Committee and the] Options Allocation, Evaluation and Securities Committee[, respectively,] shall administer Rules 500 through 599[ where applicable, and unless indicated otherwise, these rules shall apply to both option and equity specialist evaluations and allocations]. For the purpose of Rules 500 through 599, the term "Committee" shall mean [either the Equity Allocation, Evaluation and Securities Committee or] the Options Allocation, Evaluation and Securities Committee[, where applicable].

**(a) Composition.**

[(i) The core members of the Equity Allocation, Evaluation and Securities Committee shall be three persons who conduct a public securities business, and two persons who are active on the equity trading floor as a specialist or floor broker. The annual members of the Equity Allocation, Evaluation and Securities Committee shall be two persons who are active on the equity trading floor as a specialist or floor broker, one public Governor and one non-industry Governor.]

[(ii)] The core members of the Options Allocation, Evaluation and Securities Committee shall be three persons who conduct a public securities business, one person who is active on the options trading floor as a floor broker, and one person who is active on the options trading floor as a specialist, registered options trader, or floor broker. The annual members of the Options Allocation, Evaluation and Securities Committee shall be two persons who are active on the options trading floor as a specialist, registered options trader, or floor broker, one public Governor and one non-industry Governor.

[(iii) The public Governor and non-industry Governor, as set forth in Sections (i) and (ii) above shall be the same persons, and shall be members of both the Equity Allocation, Evaluation and Securities Committee and the Options Allocation, Evaluation and Securities Committee.]

- (b) Where circumstances warrant, the Committee may determine to consult with the [Floor Procedure Committee,] Options Committee or Foreign Currency Options Committee.

### **Rule 501. Specialist Appointment**

(a) Upon application by a member organization, the Committee must approve such organization as an approved specialist unit. An application to act as a specialist must include, for ordinary and extraordinary circumstances, the identity of the individual who will act as head specialist as well as the individual(s) who will act as assistant specialist(s). [The Committee may appoint one or more alternate specialist in a particular equity issue in accordance with Rule 201A governing such appointments.]

(b)-(d) No Change

(e) [To be approved as a specialist unit and to retain the privilege of such status, an equity specialist unit must maintain the approved clearing arrangements and capital structure, as described in (b)(2) and (b)(3) above. Changes to the application regarding the requirements in (b)(4) must be submitted and approved by the Committee. In addition, each unit must consist of at least the following staff: (1) one head specialist; and, (2) one assistant specialist (who may be employed by the back-up specialist unit described in (b) above). The Committee, in its discretion, may require a unit to obtain additional staff depending upon the number of assigned equity issues and associated order flow.]

[(f)] Once an applicant is approved by the Committee as a specialist unit, any material change in the capital or staff of the unit or any move by a head or assistant specialist from one unit to another shall be reported in writing to the Allocation, Evaluation and Securities Committee and in no circumstances shall be reported more than two business days after the change.

#### ***Commentary:***

.01 [With respect to applications for appointment as specialists in municipal securities, the Committee requires specialist to be in compliance with the Municipal Securities Rulemaking Board's G-3 regulations respecting principals and representatives.]

[.02] For the purposes of Rule 748(b), individuals employed by the back-up specialist unit will be considered employees of the specialist unit they are assisting.

### **Rule 505. Allocation, Reallocation and Transfer of Issues**

Upon allocation or transfer of an [equity book or ]options class, the [equity book or] options class must be registered in either the name of the unit, the individual acting as specialist, or jointly in the name of the unit and the specialist ("Registrant"). Registrant must be Exchange members and approved specialists. The Registrant shall act as specialist for the security for at least one year. [Equity books or o]Options classes that are subject to a lease shall be registered in the name of the Registrant and the name of the unit performing specialist duties must be noted on the Registration form. The Registrant

shall immediately notify the Exchange staff and submit for approval to the Committee or its designee, in writing, any change to the registration form for any assigned issue.

### **Rule 506. Allocation Application**

(a) When an [equity book or]options class is to be allocated or reallocated by the Committee, the Committee will solicit applications from all eligible specialist units. If the Committee determines that special qualifications should be sought in the successful applicant, it shall indicate such desired qualifications in the notice.

(b) An allocation application shall be submitted in writing to the Exchange's designated staff and shall include, at a minimum, the name and background of the head specialist and assistant specialist(s), the unit's experience and capitalization demonstrating an ability to trade the particular [equity book or]options class sought, and any other reasons why the unit believes it should be assigned or allocated the security. In addition, the Committee may also require that the application include other information such as system acceptance/execution levels and guarantees. The Committee may re-solicit applications for any reason, including if it determines that its initial solicitation resulted in an insufficient number of applicants.

(c)-(f) No Change

#### ***Supplementary Material:***

**.01** A specialist may not apply for any new listings for a six (6) month period after an [stock or] option was taken away from the specialist in: (i) an involuntary reallocation proceeding; or (ii) a disciplinary proceeding. Such specialist is also prohibited from applying for any new listings for a second six month period unless the Exchange is satisfied that adequate corrective actions have been undertaken by the specialist.

### **Rule 508. Allocation Application**

Any proposed agreement between or among specialists to transfer one or more [equity books or]options classes already allocated to a specified Registrant shall be identified to the Committee and, in the case of a transfer of one or more options classes from one specialist unit to another, to the Options Committee in writing before the proposed transfer. An agreement to transfer or lease a Registrant's [equity books or]options classes may not become effective until approved by the Allocation, Evaluation and Securities Committee. Failure to provide the Committee prior notice of a transfer in accordance with this Rule permits the Committee to recover the transferred securities and reallocate them pursuant to Rules 506 and 511.

#### ***Commentary:***

**.01** No Change

### **Rule 511. Specialist Performance Evaluation**

(a) The Specialist Performance Evaluation standards and procedures contained under this subsection of Rules shall govern Committee decisions on: (1) allocating new [equity

books and ]options classes; (2) reallocating [equity books and ]options classes for substandard performance; (3) determining whether a specialist that has been transferred an[equity book or] options class is performing adequately in order to retain the transferred security; and (4) determining whether a staff reorganization or material change with respect to a Registrant has affected the ability of the Registrant to continue to perform adequately in order to retain its securities.

(b) Allocations. The Committee shall allocate new [equity books and] options classes, approved transfers or reallocate existing [equity books and] options classes to applicants based on the results of the evaluations conducted pursuant to Rule 515 and such other factors as the Committee deems appropriate. Among the factors that the Committee may consider in making such decisions are: the number and type of securities in which applicants are currently registered; the personnel, capital and other resources of the applicant; recent allocation decisions within the past eighteen months; the desirability of encouraging the entry of new specialists into the Exchange's market; order flow commitments; any prior transfers of specialist privileges by the applicant and the reasons therefore and such policies as the Board instructs the Committee to follow in allocating or reallocating securities. Solely with respect to options book allocations or reallocations, past or contemplated voluntary delisting of options books by options specialists, done in the best interest of the Exchange, will not be viewed negatively by the Committee in making allocation and reallocation decisions. [Solely with respect to equity book allocations or reallocations, the Committee may consider the number of primary issues in which the applicant is currently registered; the number of securities the applicant currently has registered on PACE and the level of commitments he has made; and securities the applicant recently has applied to remove from PACE or in which the applicant has resigned as specialist. ] Recognition is given that evaluation results may not be available for new specialist units or recently reorganized Registrants. The Committee may establish separate or additional criteria for evaluating new or recently reorganized Registrants, particularly where evaluation results are unavailable or are only available for a limited period of time. All allocations shall initially be made on a temporary basis for a period of up to 90 days within which time the Committee may commence a special review pursuant to Rule 515(b). The Committee is empowered to grant [equity books or] option classes for a limited period of time or subject to such other terms and conditions as it deems appropriate.

(i) No Change

(ii) Licensing or Other Acquisition of a Product. In the case of any [equity, ] options or futures product that involves the licensing or other acquisition of an index, trademark, tradename, patent or other intellectual property, the Committee may, as a condition of allocating the book, require a specialist unit (i) to indemnify and hold harmless the Exchange and/or any third party against any potential liabilities associated therewith and/or (ii) to pay or undertake to pay the Exchange and/or any third party any amounts related to the licensing of the product or any amounts related to the use of intellectual property; and/or (iii) to enter into any agreement or undertakings with the Exchange and/or any third party otherwise concerning the intellectual property; provided that no such agreement or undertaking shall confer upon such specialist unit any proprietary or ownership rights with respect to such intellectual property or the book. For the

purposes of this rule, any requirement that involves that a specialist unit enter into a licensing or other agreement for the acquisition of an index, trademark, tradename, patent or other intellectual property or to indemnify and hold harmless the Exchange and/or any third party against potential liabilities associated therewith and/or to pay or undertake to pay the Exchange or any third party any amounts related to the licensing of a product or any amounts related to the use of intellectual property and/or to enter into any other type of agreement or undertaking with the Exchange or third party is not a business transaction pursuant to Phlx Rule 1023.

(c) Routine Reviews.

[(1) Equity Specialists. If the results of a routine quarterly review indicate that a Registrant has performed below minimum standards, the Committee shall inform the head specialist of such rating and give that person the opportunity to respond in writing to the rating. At the same time, the Committee shall inform the head specialist that a special performance review shall be conducted within the next 60 days and, should the Registrant's performance not improve overall or with respect to any problem securities or areas of evaluation, the Committee may institute proceedings to determine whether to remove and reallocate one or more securities. If the Registrant's performance falls below minimum standards in subsequent ratings periods, the Committee shall institute proceedings to determine whether to remove and reallocate one or more securities.]

[(2)] Option Specialists. If the results of a routine review indicate that a Registrant has failed to fulfill the minimum performance standards as set forth in Supplementary Material .01[2] to Rule 515, the Committee may elect to hold an informal meeting with the head specialist and any other appropriate specialist of the unit to discuss the presumptive failure and to explore possible remedies. Notice of the meeting will be given and no verbatim record will be kept. If, after receiving such notice, the Registrant refuses or otherwise fails without reasonable justification to meet with members of the Committee, the Committee may refer the matter to the Business Conduct Committee for the commencement of formal disciplinary proceedings pursuant to Exchange Rule 960 and/or proceed with a formal hearing in accord with subparagraph (e) below.

If no mitigating circumstances which would demonstrate substantial improvement of or reasonable justification for the subject evaluation scores are presented at the informal meeting, the Committee may then elect to hold a hearing in accord with subparagraph (e) below at which it may take remedial action for any specialist unit which has presumptively failed to meet minimum performance standards. A finding by the Committee after a hearing that a specialist unit has failed to meet minimum performance standards may result in removal or reallocation of one or more registered options classes or restriction of approval to be registered in additional options classes.

(d) Special Reviews.

(1) New Allocation Reviews. Special reviews will be commenced within 90 days after one or more [equity books or]option classes have been allocated by the Committee. Such review will include consideration of whether the Registrant is complying with the commitments that it made either orally at an appearance

before the Committee or on its written application. If the Committee determines that the Registrant has not complied with any of the commitments that it made when applying for the [equity book or] options class including but not limited to commitments regarding capital, personnel[,] and order flow, [and PACE,] the Registrant will be afforded 30 days in which to comply with such commitments and if it does not do so, the Committee shall institute proceedings to determine whether to remove and reallocate one or more securities.

(2) Transfer and Material Changes. The Committee will commence a special review pursuant to Rule 515 within 60 days after a transfer (including a lease) of one or more [equity books or ]options classes has become effective or when there has been a material change in the specialist unit. In cases where a head specialist has departed the unit, the review shall also consider the background and ability of the successor head specialist. In the case where a transfer has been effected, the Committee shall evaluate the performance of the Registrant with respect to the newly acquired [equity books or ]options classes. If such performance is below minimum standards, the Registrant will be afforded 30 days in which to improve its performance and if it does not do so, the Committee will institute proceedings to remove and reallocate the transferred [equity books or] options classes.

(e) No Change

*Supplementary Material:*

**.01-.04** No Change

### **Rule 515. Specialist Evaluations**

(a) The Committee shall adopt a format to review the performance of each specialist unit with respect to each [equity issue or] class of equity, index or foreign currency options which it has been allocated. The review format may vary depending on whether the specialist unit provides a primary or secondary market in the security. The Committee, in consultation with the Committee on [Floor Procedure,] Options or Foreign Currency Options, as appropriate, shall be responsible for continuously reviewing, critiquing and improving any specialist evaluation format adopted hereunder.

(b) Review Frequency and Weight of Evaluations. Routine reviews will be conducted [quarterly for equity specialist units and] every six months for option specialist units. Special reviews shall be commenced where a specialist unit's performance in a particular market situation was so egregiously deficient as to call into question the Exchange's integrity or impair the Exchange's reputation for maintaining efficient, fair and orderly markets, where a material change in the specialist unit has occurred, within 60 days after a transfer of one or more [equity books or] option classes has become effective pursuant to Rule 511(d)(2) or within 90 days after a new allocation and will cover such time periods as are deemed appropriate. Special reviews may incorporate the same review methodology and procedures as established for routine reviews, although special reviews may instead or in addition, examine such other matters related to a Registrant's performance as the Committee deems necessary and appropriate. The Committee may seek input from members, customers and Exchange staff and consider any other

information the Committee deems relevant in making a final determination to initiate a reallocation proceeding pursuant to Rule 511(c).

***Supplementary Material:***

**.01 [Equity Specialist Evaluation**

The performance evaluation survey for equity specialist is divided into four sections: PACE, ITS, General and Primary Issues. Each section contains one or more evaluation categories. Specialist units are ranked from worst to best in each of the ratings categories (for example, if there are twenty in each category) based on their performance in the category. Categories may each have different weightings in determining a firm's evaluation overall and on each section. Any specialist unit ranking in the bottom 15% in overall ratings for two consecutive quarters, or in the bottom 15% on the PACE, ITS or General sections of the survey for three consecutive quarters, may be deemed to have performed below minimum standards. Within the next 60 days, the Committee will conduct a special performance review. If, based on that review, the specialist unit's performance has not improved overall, or in the sections or with respect to the securities where substandard performance has been identified, the Committee may institute proceedings to determine whether to remove and reallocate one or more securities. Moreover, if a specialist unit deemed to have performed below minimum standards overall rank in the bottom 15% in any one of the next four quarters, the Committee shall review the specialist's performance and may institute proceedings to determine whether to remove and reallocate one or more securities. If a specialist unit deemed to have performed below minimum standards in the ITS, PACE or General sections of the survey ranks in the bottom 15% in any two of the next four quarters, the Committee shall review the specialist's performance and may institute proceedings to determine whether to remove and reallocate one or more securities.]

**[.02] Options Specialist Evaluation**

The Committee shall conduct specialist performance evaluation to determine whether a specialist unit has fulfilled performance standards relating to among other things; quality of markets, observance of ethical standards and administrative responsibilities. As part of the specialist evaluation process, the Committee will consider trade correction data and information concerning exemptive relief of each specialist unit. Options specialist units are evaluated on the basis of questionnaires completed by floor brokers. Floor brokers shall be invited but are not required to meet with any specialist about which they have submitted negative comments and the Committee may mediate such a meeting. To the extent possible, evaluations of specialist units shall also include an objective performance evaluation survey. The committee may consider any relevant information in

addition to the questionnaire including but not limited to the unit's and its members' regulatory history (both final disciplinary actions and minor rule plan infractions), trading data, timeliness of openings, written complaints and such other factors and data as may be pertinent. A registered specialist unit will be presumed to have performed below minimum standards if the specialist unit is rated in the bottom 10% of all specialist units in the aggregate results for the specialist evaluation questionnaire. The Committee may also presume that a specialist unit failed to meet minimum performance standards if the questionnaire or information aside from said questionnaire supports findings of a failure of the specialist unit to fulfill any of the above standards. Separate evaluations will be conducted for each quarter or contiguous half turret in which a specialist unit conducts an operation on the trading floor, thus any reference to "specialist unit" within this rule or Rule 511(c)[(2)] will mean the unit as a whole or any subpart of its operation subject to evaluation. For instance, a unit which conducts a specialist operation at two separate turrets will be evaluated as XYZ specialist unit-A and XYZ specialist unit-B and a presumption of failure to meeting minimum performance standards at unit A will not be determinative of whether unit B has failed to meet minimum performance standards but may be considered by the Committee.

**Rule 516. [Specialist Appointment in Nasdaq/NM Securities on a Pilot Basis] Reserved.**

[Notwithstanding any other rule herein to the contrary, upon the listing or the extension of unlisted trading privileges to any Nasdaq/NM security on a pilot basis, the Exchange shall allocate such security to a specialist unit for an initial pilot period of six months only or less, as determined by the Committee. An applicant for designation as a specialist unit in any Nasdaq/NM security must satisfy all requirements set forth in Rule 506 above, including any special qualifications sought by the Committee pursuant to Rule 506(a). After the completion of the initial six month pilot period (or any extensions of the pilot period at the Exchange's discretion), the Exchange shall again solicit applications and allocate such security. The specialist unit assigned to such Nasdaq/NM security for the pilot period may reapply for such security and will be given preference in any allocation decision regarding that security in addition to the factors in Rule 511(b). During such pilot period, the regular specialist evaluation required in 90 days after any new allocation of an security, pursuant to Rule 511(d)(1), shall only be conducted at the discretion of the Exchange.]

**Rule 517. [Competing and Remote Specialist] Reserved.**

[Rules governing the approval of trading as a competing specialist are set forth in 460, Procedures for Competing Specialists. Rules governing the approval of trading as a remote specialist are set forth in Rule 461, PACE Remote Specialist. Rules 460 and 461

are incorporated by reference herein. Rules 500 through 599 shall apply both to the specialist selected by the Committee following solicitation of applications under Rule 506(a) to serve as primary specialist and to any competing specialist approved under Rule 460, except that, subject to Rules 522 and 523 below, the primary specialist shall determine whether a security shall be PACE registered. Applications for allocation of competing specialist privileges pursuant to Rule 460 shall contain the information required in Rule 506(b), and competing specialist privileges may be terminated on the same basis that primary specialist privileges may be removed and reallocated.]

**Rule 520. [Pace Commitments] Reserved.**

[A Registrant that registers on PACE a security not previously on PACE shall continue to trade that security on PACE for a minimum of one year. A specialist unit that receives a PACE traded security by transfer or reallocation shall continue to trade that security on PACE for a minimum of one year, but needs not commit to any special guarantees offered by the previous Registrant.]

**Rule 522. [PACE] Reserved.**

[When a Registrant (as defined in Rule 505) notifies the Exchange, the Committee shall institute reallocation proceedings with respect to any security voluntarily removed from PACE by its Registrant. The original Registrant shall not be reallocated the security once another applicant, which may be a remote specialist unit, commits to trading the security on PACE. Should no applicant commit to trading the security on PACE, the Committee shall allocate the security pursuant to Rules 506 and 511; provided, however, that if the original Registrant has applied to retain the security it shall be awarded the allocation. The Committee shall not allocate the security to a remote specialist unit if, following solicitation, any non-remote specialist unit applicant (other than the original Registrant) commits to trading the security on PACE.]

**Rule 523. [Non-PACE] Reserved.**

[The Committee shall institute reallocation proceedings for primary specialist privileges with respect to any non-PACE traded security should any applicant commit to trading that security as the primary specialist unit on PACE. The existing Registrant (as defined in Rule 505) shall retain primary specialist privileges in the security if it commits to trading the security on PACE as the primary specialist unit; provided, however, that the Committee may from time to time determine that, for specified periods, the existing Registrant shall not retain primary specialist privileges in the security in the event an applicant commits to trade the security on PACE as the primary specialist unit. A remote specialist unit may make the commitment to trade the security on PACE as a primary specialist.]

**Rule 524. [Remote Specialist Allocated Primary Specialist Privileges] Reserved.**

[A remote specialist unit may be allocated primary specialist privileges to trade any

security that had previously been solicited or allocated by the Exchange but which is currently not allocated.]

**Rule 604.**

**Registration and Termination of Registered Persons**

(a)-(b) No Change

(c) Reserved [Limited Registration/Floor Members. Any member or employee of a member, or member or participant organization that conducts a public business limited to accepting orders directly from professional customers for execution on the trading floor must: (i) register and receive approval from the Exchange; and (ii) submit hard copy fingerprint cards or results of processed cards to the National Association of Securities Dealers, Inc. for processing. Such limited registration also requires the successful completion of the appropriate examination, in addition to any other floor member qualification examination required by the Exchange.]

[(i) A professional customer includes a bank, trust company, insurance company, investment trust, state or political subdivision thereof, charitable or nonprofit educational institution regulated under the laws of the United States, or any state, or pension or profit sharing plan subject to ERISA or of any agency of the United States or of a state or political subdivision thereof or any person who has, or has under management, net tangible assets of at least sixteen million dollars. For purposes of this definition of professional customer, the term "person" shall mean the same as that term is defined in Rule 20, except that it shall not include natural persons.]

[(ii) The appropriate examination for a floor member to conduct a public business from the equity trading floor is the Series 7A examination.]

(d) Every person who is compensated directly or indirectly by a member or participant organization for which the Exchange is the Designated Examining Authority ("DEA") for the solicitation or handling of business in securities, including trading securities for the account of the member or participant organization, whether such securities are those dealt in on the Exchange or those dealt in over-the-counter, who is not otherwise required to register with the Exchange by paragraph (a) of this rule or another rule shall file Form U4, Uniform Application for Securities Industry Registration or Transfer, in a manner prescribed by the Exchange.

(e)(i)-(ii) No Change

(iii) Any off-floor trader who is currently a member in good standing of a national securities exchange or has ever been a member in good standing of a national securities exchange for not less than 12 consecutive years, or who is primarily engaged in (A) submitting proprietary or agency orders for execution on XLE, or (B) making trading

decisions with respect to trading on XLE, shall be exempt from the examination requirements set forth in section (i) and (ii) hereof.

**Rule 606.**

**Communications and Equipment**

(a) No member or member organization shall establish or maintain any private wire connection, private radio, television or wireless system, between the Exchange Trading Floor and a non-member without application to and approval by the appropriate floor Committee.

Every such means of communication shall be registered with the Committee. Notice of the discontinuance of any such means of communication shall be promptly given to the appropriate floor Committee.

(b)-(e) No Change.

*Supplementary Material: ...*

**.01** [Specialists on the Exchange's equity floor shall permit each Nasdaq System market maker telephone access, or such other access as may be established between the Exchange and the Nasdaq System, to the specialist post in any Nasdaq/NM Security for which the latter is the assigned specialist.]

**[.02]** The Exchange has established a Wireless Telephone System policy. Violations of the Wireless Telephone System policy may result in disciplinary action by the Exchange.

**.0[3]2** This rule and any relevant Exchange policy are intended to apply to all communication and other electronic devices on the floor of the Exchange, including, but not limited to, wireless, wired, tethered, voice, and data.

**Rule 610.**

**Notification of Changes in Business Operations**

Any member, participant, or member or participant organization for which the Exchange is the Designated Examining Authority ("DEA")[, that operates as a specialist, floor broker and/or Registered Options Trader ("ROT"),] shall provide prior written notification to the Examinations Department of any change in the business operations of such member or member organization which would cause the member or member organization to be subject to additional or modified net capital requirements, examination schedules or other registration, examination or regulatory requirements.

For the purpose of this Rule, the appropriate time frame for notification is at least 10 business days prior to the change in business operations.

**Rule 625.**

**[Options Trading Floor] Training**

All new [equity,] equity option and index option floor members, whether specialists, floor brokers or Registered Options Traders, and their respective personnel, and PAUs, shall successfully complete mandatory training related to that person's [employee's] function [on the trading floor]. All current members and their respective personnel shall be subject to continuing mandatory training requirements in order to instruct these individuals on changes in existing automated systems or any new technology that is utilized by the Exchange.

In addition, the Exchange may require from time to time that members and their respective personnel attend mandatory training sessions related to conduct, health and safety on the trading floor.

**Rule 640.**

**Continuing Education For Registered Persons**

**(a)-(b)** No Change.

*Commentary: ...*

**.01** For purposes of this Rule, the term "registered person" means any member, registered representative or other person registered or required to be registered under Exchange rules, but does not include such person whose activities are limited solely to the transaction of business on the floor or XLE, with members or registered broker-dealers.

**.02-.04** No Change.

**Rule 701. Reserved.**

**[Permission to Deal With Public]**

[No member or member organization shall deal in securities with others than members of the Exchange and registered over-the-counter brokers and dealers, and then only for his or its own account, unless such member or member organization shall have first obtained permission to do so from the Committee.]

*[Supplementary Material: ...]*

[.10 The Committee on Business Conduct has adopted the following directive:]

**[Over-the-Counter Transactions]**

[No member (other than one whose business is exclusively intrastate) who is not registered with the Securities and Exchange Commission as a broker or dealer, shall execute transactions over-the-counter in securities admitted to dealings on the Exchange except in those securities in which such member is registered as an odd-lot dealer-specialist.]

**Rule 703.**

**Financial Responsibility and Reporting**

(a)(i)-(iv) No Change

(v) [An assigned Specialist in Trust Shares, as defined in Rule 803(i), that are listed on the Exchange, shall be required to maintain a minimum of \$1,000,000 in net capital. The assigned Specialist shall immediately inform the Examinations Department upon failure to be in compliance with such requirement. The Exchange may waive the financial requirements of this Rule in unusual circumstances.]

[(vi)] a member organization or foreign currency options participant organization shall promptly notify the Exchange if it ceases to be in compliance with the net capital requirements of SEC Rule 15c3-1 and/or the provisions of paragraphs (a)(iii) and (a)(iv) above.

(vi[i]) No Change

(A)-(D) No Change

(vii[i]) No Change

(A)-(D) No Change

(E) Each member organization which maintains JBO accounts must notify its Designated Examining Authority ("DEA"), in writing of its intention to carry such accounts.

If at any time a clearing member operating pursuant to paragraphs (vii)(A)(i) or (ii) above determines that its tentative net capital or that its net capital, respectively, has fallen below the applicable requirements, such clearing member shall immediately notify the Exchange of such deficiency by telegraphic or facsimile notice; and be subject to the prohibition against withdrawal of equity capital set forth in SEC Rule 15c3-1(e) and to the prohibitions against reduction, prepayment and repayment of subordination agreements set forth in paragraph (b)(1) of the SEC Rule 15c3-1d, as

if such broker or dealers' net capital were below the minimum standards specified by each of these paragraphs.

(F) No Change

(~~ix~~viii) No Change

(b)-(c)(i) No Change

(ii) Each organization designated to the Exchange for financial responsibility pursuant to SEC Rule 17d-1 and acting as a[n equity] Market Maker and/or option specialist shall, on forms prescribed by the Exchange, file the following reports with the Exchange:

(A)-(C) No Change

(iii)-(v) No Change

(vi) Each member organization whose principal business is acting as a broker on XLE, who is not self-clearing and for which the Exchange is the DEA must establish and maintain an account with a clearing firm for the sole purposes of carrying positions resulting from errors made in the course of its brokerage business. Each organization whose principal business is as a floor broker on the Exchange and who is not self-clearing must establish and maintain an account with a clearing member organization of the Exchange, for the sole purpose of carrying positions resulting from errors made in the course of its floor brokerage business. Such an account for options transactions must be maintained with an entity which is also a clearing member of the Options Clearing Corporation. A floor broker or such broker on XLE, prior to effecting any transactions, must file with the Exchange a letter from its clearing member organization stating that this account has been established and that the clearing member organization guarantees the financial responsibilities of the floor broker or such broker on XLE with respect to all orders entrusted on the floor or on XLE with, respectively, the floor broker or such broker on XLE as well as all transactions and balances carried within the account. This letter shall remain in effect until the Exchange receives written notice from the clearing member organization of its intent to no longer clear or carry transactions for such floor broker or such broker on XLE. Written notice received at least one-half hour before the normal opening of trading shall take effect on the day of receipt; written notice received less than one-half hour before the opening of trading shall take effect on the opening of the business day following Exchange receipt.

(d)-(f) No Change

*Commentary:* ...

**.01-.02** No Change

**Rule 715.**

**Monthly Payment and Reporting**

(a) Each member and member organization shall submit to the Exchange's Controller, in such form as the Exchange may prescribe, a monthly report of net commissions on transactions[, other than equity transactions,] effected on the Floor of the Exchange during the preceding month together with a check payable to the Exchange for the appropriate fee. Said reports and fees must be received by the Exchange on or before the 28th calendar day following the month covered by the report, unless the Exchange is not open for business on such day, in which event the report is to be filed and the fees are to be paid on the next business day.

(b) No Change.

**Rule 722.**

**Margin Accounts**

(a)-(g)(1) No Change.

(2) The following positions of a member or participant organization may be carried upon a margin basis that is satisfactory to the member or participant organization and the carrying broker-dealer, positions in which the member or participant organization makes a market and permitted offset transactions as defined below. Notwithstanding the other provisions of this paragraph (g), a member or participant organization may clear and carry the market maker permitted offset positions of one or more specialists, Market Makers or registered options traders (such registered options traders are deemed specialists for all purposes under the Securities Exchange Act of 1934 pursuant to the rules of a national securities exchange) (hereinafter referred to collectively as "market maker(s)") upon a margin basis satisfactory to the concerned parties. The amount of any deficiency between the equity maintained by the market maker and the haircuts specified in SEC Rule 15c3-1 shall be considered a deduction from net worth in the net capital computation of the carrying broker or dealer.

(g)(3)-Remainder of Rule 722 and Commentary. No Change.

**Rule 755. Reserved.**

**[Record of Orders --Transmitted to Floor]**

[(a) Every member organization shall preserve for at least twelve months the following record of every order received by such organization, either orally or in writing:]

[(1) Name and amount of the security.]

[(2) Terms of the order.]

[(3) Time of transmission of such order to the Floor.]

[(4) Time of transmission of any cancellation or change of such order to the Floor.]

[(5) Time of the receipt of the report of execution of the order.]

[Provided, however, that the Committee may, upon application, for cause shown, grant exemptions from the provisions of this paragraph.]

[By accounts]

[(b) Before any order covered by paragraph (a) of this Rule is executed, there shall be placed upon the order slip or other record the name or designation of the account for which such order is to be executed; no change in such account name or designation shall be made unless the change has been authorized by a general partner or an officer who is a holder of voting stock, who shall, prior to giving his approval of such change be personally informed of the essential facts relative thereto and shall indicate his approval of such change in writing on the order.]

**Rule 771.**

**Excessive Trading of Members**

No member, member organization, partner or stockholder therein shall (1) effect on the Exchange purchases or sales for any account in which he or it is directly or indirectly interested, which purchases or sales are excessive in view of his or its financial resources or in view of the market for such security or (2) execute or cause to be executed on the Exchange purchases or sales of any security for any account with respect to which he or it or another partner or stockholder therein is vested with any discretionary power, which purchases or sales are excessive in view of the financial resources in such account.

**Rule 772.**

**Trading for Joint Account**

(a) No Change

(b) The provisions of this section shall not apply to any purchase or sale [(1)] by any member for any joint account maintained solely for effecting bona fide domestic or foreign arbitrage transactions[, or (2) by an odd-lot dealer for any joint account in which he is expressly permitted to have an interest or participation by Rule 212].

*[Supplementary Material: ...]*

[.01 A member who issues a commitment or obligation to trade from the Exchange through ITS or any other Application of the System shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Rule.]

**Rule 773.**

**Participation in Joint Accounts**

(a)-(d) No Change.

(e) In the event the requirements hereof should be applicable to a security also dealt in on another national securities exchange having requirements substantially equivalent hereto and a member or member organization, or partner or shareholder therein, is a member or member organization of such other exchange and complies with such requirements of such other exchange, then such member or member organization, or partner or shareholder therein, need not comply with the reporting provisions hereof.

**Rule 774. Reserved.**

**[Discretionary Transactions]**

[(a) No member, while on the Floor, shall execute or cause to be executed on the Exchange, or through ITS or any other Application of the System, any transaction for the purchase or sale of any security with respect to which transaction such member is vested with discretion as to (1) the choice of security to be bought or sold, (2) the total amount of any security to be bought or sold, or (3) whether any such transaction shall be one of purchase or sale.]

[(b) The provisions of paragraph (a) of this section shall not apply (1) to any discretionary transaction executed by such member for any bona fide cash investment account or for the account of any person, who due to illness, absence or similar circumstances, is actually unable to effect transactions for his own account; provided that such member shall keep available for inspection a detailed record of any such transactions and the grounds for exercising such discretion and shall file with the Exchange on the first day of February, May, August, and November, of each year, a report covering the preceding quarterly period showing the name of each account for which any such transaction was executed, the amount of such discretionary purchases or sales and the grounds for exercising such discretion with respect to each account, or (2) to any transaction permitted under Rule 772 for any account in which the member executing such transaction is directly or indirectly interested.]

[(c) No member, member organization, partner or stockholder therein, shall execute or cause to be executed on the Exchange, or through ITS or any other Application of the System, purchases or sales of any security for any account with respect to which he or it or another partner or stockholder therein is vested with any discretionary power, which

purchases or sales are excessive in size or frequency in view of the financial resources in such account.]

**Rule 800.** Reserved.

**[Listing of Securities]**

[The Allocation, Evaluation and Securities Committee shall administer Rules 801 to 899 inclusive.]

**Rule 801.**

**Securities Eligible for Listing or to be Admitted to Dealings**

Only such securities as shall have been approved by the [Allocation, Evaluation and Securities Committee]Exchange for listing or admission pursuant to unlisted trading privileges shall be dealt in on the Exchange.

**Rule 805.**

**Listing Criteria --Tier II**

The Exchange has established certain numerical criteria which companies that are too small to meet the Exchange's Tier I listing standards are required to meet in order to be eligible for listing. In addition, companies must adhere to the policies and procedures and corporate governance standards provided in Rules 812 through 853.

(a)-(d) No Change

(e) In the case of Units:

1. The [Committee]Exchange will review unit offerings with respect to its components.

(f) No Change

**Rule 811.**

**Delisting Policies and Procedures**

Once Exchange staff identifies a company as being below the Exchange's continued listing criteria (and not able to otherwise qualify under an initial listing standard), Exchange staff will so notify the company by letter. This letter will also provide the company with an opportunity to provide the Exchange staff with a plan (the "Plan") advising the Exchange of action the company has taken, or will take, that would bring it into compliance with the continued listing standards within three months of receipt of the letter. The company has 30 days from the receipt of the letter to submit its Plan to the

Exchange for review; if it does not submit a Plan within this period the Exchange will promptly initiate delisting proceedings as provided in subsections (a) --(g) below. The Exchange's Allocation, Evaluation and Securities Committee (the "Committee") will evaluate the Plan and determine whether the company has made reasonable demonstration in the Plan of an ability to regain compliance with the continued listing standards within the three month period. The [Committee]Exchange will make such determination within 45 days of receipt of the proposed Plan, and will promptly notify the company of its determination in writing. If the [Committee]Exchange does not accept the Plan, the Exchange will promptly initiate delisting proceedings as provided in subsections (a) --(g) below. If Exchange staff accepts the Plan, the three month Plan period will commence on the date the issuer is notified of such acceptance. The Exchange will then review the company on a periodic basis for compliance with the Plan. If the company does not show progress consistent with the Plan, the [Committee]Exchange will review the circumstances and variance, and determine whether such variance warrants the commencement of delisting procedures. Should the [Committee]Exchange determine to proceed with delisting procedures, it may do so regardless of the company's continued listing status at that time. If, prior to the end of the three month Plan period, the company is able to demonstrate compliance with the continued listing standards at the end of the three month Plan period, the Exchange will deem the Plan period over. If the company does not meet continued listing standards at the end of the three month Plan period, the Exchange will promptly initiate delisting procedures. If the company, within twelve months of the end of the Plan (including any early termination of the Plan period ) is again determined to be below continued listing standards, the [Committee]Exchange will examine the relationship between the two incidents of falling below continued listing standards and re-evaluate the company's method of recovery from the first incident. It will then take appropriate action which, depending upon the circumstances, may include truncating the procedures described above or immediately initiating delisting procedures.

Whenever the Exchange determines that it is appropriate to consider removing a security from listing for other than routine reasons (redemptions or maturities) it will follow the following procedures:

(a) No Change

(b) If after reviewing the company's response, the [Allocation, Evaluation and Securities Committee]Exchange determines that the security should be removed, it will provide written notification to the company which delineates the reasons for the decision and the delisting policies which will apply. The company will also be informed that it may appeal to the Board of Governors of the Exchange and request a hearing.

(c) If, within five days after receiving such written notice, the company informs the Exchange in writing that it wishes to appeal the decision and requests an opportunity for a hearing, the Exchange will give the company at least ten days prior written notice of the time and place at which a hearing shall be held. If no written request for a hearing is received within five days of receipt of such notice, the decision of the [Committee]Exchange will become final and any further appeal rights will be waived.

(d)-(g) No Change

**Rule 813.**

**Certification to Securities and Exchange Commission**

Pursuant to Rules 801 through 809, the Board may delegate to the [Allocation, Evaluation and Securities Committee]Exchange staff, in respect to securities, the authority to list, admit to dealings, suspend from dealings and remove from the list.

The [Committee]Exchange staff is authorized to certify to the Securities and Exchange Commission that the Exchange approved the listing and registration of securities and the admission of securities to dealings, and to file applications [on behalf of the Exchange] for the removal of securities from listing and registration and from dealings.

**Rule 864.**

**Transfer to Facilitate Solicitation**

A member organization, when so requested by the [Committee]Exchange shall transfer certificates of a listed stock held either for its own account or for the account of others, if registered in the name of a previous holder of record, into its own name, prior to the taking of a record of stockholders, to facilitate the convenient solicitation of proxies.

The [Committee]Exchange will make such request at the instance of the issuer or of persons owning in the aggregate at least ten per cent of such stock, provided, if the [Committee]Exchange so requires, the issuer or persons making such request agree to indemnify member organizations against transfer taxes, and the [Committee]Exchange may make such a request whenever it deems it advisable.

**Philadelphia Stock Exchange Inc. Equity Floor Procedure Advices and Order & Decorum Regulations**

**A-1 [Responsibility of Displaying Best Bid and Offer Prices Established on the Equity Floor] Reserved.**

[(i) Primary Listed Equities Issues on the Exchange]

[A Specialist shall use due diligence to ensure that the best available bid price and offer price on the floor in each "primary stock issue" assigned to him is properly and timely displayed for dissemination purposes throughout the trading day.]

[(ii) Secondary - Unlisted Trading Privileges Issues]

[Specialists are required to comply with SEC Rule 11Ac1-4 display requirements for certain customer limit orders. Specifically, under normal market conditions, specialists must immediately (but no later than 30 seconds) display the price and full size of customer limit orders]

[(i) better than the Specialist's quote, and]

[(ii) where the Specialist's quote is the NBBO,]

[that add more than 10% to the size of the Specialist's quote, with certain exceptions contained in SEC Rule 11Ac1-4.]

[FINE SCHEDULE (Implemented on a three year running calendar basis)]

[A-1]

[1st Occurrence      Written Warning]

[2nd Occurrence and      Sanction is discretionary with Business Conduct  
Thereafter              Committee]

**A-2 [Stopping Orders] Reserved.**

[Pursuant to Exchange Rule 220, each order on the book which has been stopped by the Specialist must be displayed, including a representative size, at its price or better if not executed immediately after being stopped. A Specialist is prohibited from trading for his own account with any order he stopped while he is in possession of an order at an equal or better price than the price of the stopped order and, in each such case, the specialist must exercise due diligence to match the stopped order with such other order in his possession in accordance with Exchange Rules 119 and 120.]

[Inadvertent failure to adhere to this provision may result in the issuance of a fine in accordance with the fine schedule below.]

[FINE SCHEDULE (Implemented on a three year running calendar basis)]

[A-2]

[1st Occurrence      \$250.00]

[2nd Occurrence      \$500.00]

[3rd and Thereafter      Sanction is discretionary with Business Conduct]

Committee]

**E-1 [Required Staffing of Equity Floor] Reserved.**

[Every Equity Specialist Unit and Floor Brokerage Unit must have a representative available on the floor for the thirty minutes before the opening and thirty minutes after the close of trading. Such representatives must be authorized to make appropriate changes and corrections to trades of or guaranteed by such Specialist Unit or Floor Brokerage Unit.]

[FINE SCHEDULE (Implemented on a one year running calendar basis)]

*[E-1]*

[1st Occurrence      Warning]

[2nd Occurrence      \$100.00]

[3rd Occurrence      \$250.00]

[4th and Thereafter      Sanction is discretionary with Business Conduct  
Committee]

**E-5 Record of Orders on XLE [Clocked Tickets]**

[Floor Brokers are responsible for recording the time of receipt on the front of the ticket for each order received on the floor and the time of execution on the reverse side of the ticket for each order they are representing in the crowd at the time of execution.]

[Specialists are responsible for recording time of receipt of hand-held (non-PACE delivered) orders to be placed on the Specialist's book on the front of the ticket, and for recording the time of execution on the reverse side of the ticket for each order executed off their book for all hand-held (non-PACE delivered) orders.]

Members and member organizations which act as brokers on XLE shall make and maintain the memorandum described in Rule 17a-3(a)(6) and Rule 17a-4(b)(1) for all orders and partial orders that they enter on XLE in which they act as brokers.

FINE SCHEDULE (Implemented on a one year running calendar basis)

*E-5*

1st Occurrence      \$100.00



1st Occurrence	\$50.00
2nd Occurrence	\$100.00
3rd Occurrence	\$250.00
4th and Thereafter	Sanction is discretionary with Business Conduct Committee

**F-27 [Floor Official Rulings – Equity] Reserved.**

[Floor Officials are empowered to render rulings on the trading floor to resolve disputes occurring on and respecting activities on the trading floor. All rulings rendered by Floor Officials are effective immediately and must be compiled with promptly. Failure to promptly comply with a ruling concerning a trading dispute may result in referral to the Business Conduct Committee. Failure to promptly comply with other rulings issued pursuant to Order and Decorum Regulations of Floor Procedures Advices and not concerning a trading dispute may result in an additional violation. Floor Officials need not render decisions in any instance where the request for a ruling was not made within a reasonable period of time. A Floor Official should not render a decision or authorize a citation where such Floor Official was involved in or affected by the dispute, as well as in any situation where the Floor Official is not able to objectively and fairly render a decision.]

[Floor Officials shall endeavor to be prompt in rendering decisions. However, in any instance where a Floor Official has determined that the benefits of further discovery as to the facts and circumstances of any matter under review outweigh the monetary risks of a delayed ruling, the Floor Official may determine to delay rendering the ruling until such time as that further discovery is completed. In issuing decisions for the resolution of trading disputes, Floor Officials shall institute the course of action deemed by the ruling Floor Official to be most fair to all parties under the circumstances at the time. A Floor Official may direct the execution of an order on the floor, or adjust the transaction terms or participants to an executed order on the floor. However, two Floor Officials may nullify a transaction if they determine the transaction to have been in violation of Rules 110 (Bids and Offers - Precedence), 111 (Precedence of Highest Bid), 120 (Precedence of Offers at Same Price), 126 (Crossing), 203 (Agreement of Specialists), 218 (Customer's Order Receives Priority), 229 (PACE System), 232 (Handling Orders When the Primary Market is Not Open for Free Trading), or 455 (Short Sales).]

[All Floor Official rulings concerning the adjustment and nullification of transactions are reviewable by the Referee (as defined in Rule 124).]

[(i) Market Surveillance staff must be advised within 15 minutes of a Floor Official's ruling that a party to such ruling has determined to appeal from such ruling to the Referee. The Exchange may establish the procedures for the submission of a request for a

review of a Floor Official ruling. Floor Official rulings concerning the nullification or adjustment of transactions may be sustained, overturned or modified by the Referee. In making a determination, the Referee may consider facts and circumstances not available to the ruling Floor Official as well as action taken by the parties in reliance on the Floor Official's ruling (e.g., cover, hedge and related trading activity).]

[(ii) All decisions made by the Referee in connection with initial rulings on requests for relief and with the review of a Floor Official ruling pursuant to Rule 124(d) shall be documented in writing and maintained by the Exchange in accordance with the record keeping requirements set forth in the Securities Exchange Act of 1934, as amended, and the rules thereunder.]

[(iii) A member or member organization seeking the Referee's review of a Floor Official ruling shall be assessed a fee of \$250.00 for each Floor Official ruling to be reviewed that is sustained and not overturned or modified by the Referee.]

[(iv) Decisions of the Referee concerning (A) the review of Floor Official rulings relating to the nullification or adjustment of transactions, and (B) initial requests for relief shall be final and may not be appealed to the Exchange's Board of Governors.]

[(v) As appropriate, the Chairman of the Options Committee, Foreign Currency Options Committee, or of the Floor Procedure Committee, or their respective designees, shall refer a Referee that fails to make any ruling in accordance with Exchange rules to the Audit Committee for possible disciplinary action, including removal. A Floor Official that fails to make any ruling in accordance with Exchange rules may be subject to possible disciplinary action by the Exchange.]

[(vi) Failure to promptly comply with a Floor Official or Referee decision under this Rule may result in referral to the Business Conduct Committee.]

[NO FINE SCHEDULE APPLICABLE.]

### **F-30 [Equity Floor] Training**

All new [equity floor members, whether specialists or floor brokers, and their respective personnel,] PAUs shall successfully complete mandatory training [related to that employee's function on the trading floor. All current members and their respective personnel] and shall be subject to continuing mandatory training requirements in order to instruct these individuals on changes in existing automated systems or any new technology that is utilized by the Exchange.

[In addition, the Exchange may require from time to time that equity floor members and their respective personnel attend mandatory training sessions related to conduct, health and safety on the trading floor.]

Failure to attend the scheduled mandatory training described above may result in the issuance of a fine in accordance with the fine schedule below.

FINE SCHEDULE (Implemented on a three year running calendar basis)

*F-30*

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

### **F-33 Failure to Provide Notification of Changes in Business Operations**

Any member or member organization for which the Exchange is the Designated Examining Authority ("DEA")[, that operates as a specialist, floor broker and/or Registered Options Trader ("ROT"),] shall provide prior written notification to the Examinations Department of any change in the business operations of such member or member organization which would cause the member or member organization to be subject to additional or modified net capital requirements, examination schedules or other registration, examination or regulatory requirements.

For the purposes of this Advice, the appropriate time frame for notification is at least 10 business days prior to the change in business operations.

FINE SCHEDULE (Implemented on a three year running calendar basis)

*F-33*

1st Occurrence	\$250.00
2nd Occurrence	\$500.00
3rd Occurrence	\$1,000.00
4th and Thereafter	Sanction is discretionary with Business Conduct Committee

**S-1 [Floor Official Approval Required to Initiate Pre-Opening Application]  
Reserved.**

[A Specialist must obtain the approval of two Floor Officials prior to (i) issuing a pre-opening notification or (ii) executing one or more transactions on the Exchange in any ITS stock that is not at the time open for trading on the primary exchange.]

[When requested by two Floor Officials to commence an opening in an Exchange issue, a Specialist must either apply appropriate steps to open trading in the requested issue or furnish reasonable grounds to not open trading in that issue.]

[FINE SCHEDULE (Implemented on a three year running calendar basis)]

*[S-1]*

[1st Occurrence     \$100.00]

[2nd Occurrence     \$500.00]

[3rd and Thereafter    Sanction is discretionary with Business Conduct  
Committee]

**S-2 [Distinguishing Orders for Execution in Instances Where the Primary Market is  
not Open in an Issue Which the PHLX is Open] Reserved.**

[In any instance where the PHLX is open for trading in an issue not open on the primary market, the Specialist shall be responsible for determining whether there are orders on the book specially designated as eligible for a PHLX opening and, if so, shall assure execution of such orders in accordance with the provisions and under the restrictions of Rules 203 to 250 inclusive (other than Rule 228(a)-(iii).)]

[FINE SCHEDULE (Implemented on a three year running calendar basis)]

*[S-2]*

[1st Occurrence     \$100.00]

[2nd Occurrence     \$250.00]

[3rd and Thereafter    Sanction is discretionary with Business Conduct  
Committee]

**S-3 [The "Three by Three" Requirement Applicable to Tape Indications and Pre-Openings] Reserved.**

[An appropriate tape indication must precede the initiation of an ITS Pre-Opening Administrative Message (POADM). Requirements in this regard are as follows:]

[(i) the tape indication shall be submitted to the Correction Post and shall be legible as to ticker symbol, previous consolidated close, and price range of no more than 5 points.]

[(ii) the floor member initiating the tape indication must record the time the indication prints on the tape.]

[(iii) three minutes or longer after the tape indication has been disseminated, a POADM must be sent (if arranging an opening transaction at a price requiring a POADM). In which case the Pre-Opening process shall be conducted in accordance with ITS plan provisions and Exchange Rules.]

[(iv) three minutes after issuance of the Pre-Opening Admin. (or longer if required in the event of additional POADMS), the issue may be opened.]

[FINE SCHEDULE (Implemented on a three year running calendar basis)]

[S-3]

[1st Occurrence     \$100.00]

[2nd Occurrence     \$200.00]

[3rd and Thereafter     Sanction is discretionary with Business Conduct Committee]

**Regulation 1 [- Smoking] Reserved.**

[Smoking is prohibited on the trading floor and the lower level areas adjacent to the trading floor except for those areas specifically designated for smoking.]

[1st Occurrence     Official Warning]

[2nd Occurrence     \$250.00]

[3rd Occurrence     \$500.00]

[4th and Thereafter Sanction is discretionary with Business Conduct Committee]

**Regulation 2 [- Food, Liquids and Beverages] Reserved.**

[Food, liquids and beverages are prohibited on the trading floor and the lower level areas adjacent to the trading floor except for the lunchrooms.]

[Any provision of this rule may be waived for a specific period of time by the chairperson of the appropriate floor standing committee or his designee.]

[1st Occurrence Official Warning]

[2nd Occurrence \$100.00]

[3rd Occurrence \$200.00]

[4th and Thereafter Sanction is discretionary with Business Conduct Committee]

**Regulation 3 [- Identification Badges/Access Cards] Reserved.**

[(i) Identification badges must be worn chest high in full view and must accurately reflect the respective person's associations and dual affiliations.]

[1st Occurrence Official Warning]

[2nd Occurrence \$100.00]

[3rd Occurrence \$200.00]

[4th and Thereafter Sanction is discretionary with Business Conduct Committee]

[(ii) Use of another person's Identification Badge or Access Card will carry a fine of \$250.00 for the first occurrence and \$500.00 for each subsequent occurrence. The fine may be assessed against both the user and the person who allowed such use.]

**Regulation 4 [- Order] Reserved.**

[(a) Members, participants and their associated persons shall not conduct themselves in a

disorderly manner on the trading floor or on the premises immediately adjacent to the trading floor. Further, members, participants and their associated persons shall not conduct themselves in an indecorous manner that is disruptive to the conduct of business on the trading floor. The fines to be imposed for such violations shall be as follows:]

[1st Occurrence     \$250.00]

[2nd Occurrence     \$500.00]

[3rd Occurrence     \$1,000.00]

[4th Occurrence and thereafter     Sanction is discretionary with Business Conduct Committee]

[(b) Members, participants and their associated persons shall not direct any threatening, abusive, harassing or intimidating speech or conduct at anyone while on the trading floor or premises immediately adjacent to the trading floor. The fines to be imposed for such violations shall be as follows:]

[1st Occurrence     \$1000.00]

[2nd Occurrence     \$2500.00]

[3rd Occurrence     \$5,000.00]

[4th Occurrence and thereafter     Sanction is discretionary with Business Conduct Committee]

[(c) Members, participants and their associated persons shall not possess a firearm on the trading floor or on the premises immediately adjacent to the trading floor. As stated in Rule 60, members, participants and their associated persons shall be excluded from the floor if they possess a firearm. In addition, the fines to be imposed for such violations shall be as follows:]

[1st Occurrence     \$5,000.00]

[2nd Occurrence     Sanction is discretionary with Business Conduct Committee]

[(d) the Exchange must report fines over \$1,000 to the Securities and Exchange Commission.]

**Regulation 5 [- Visitors and Applicants] Reserved.**

[Non-member visitors will be permitted on the trading floor at the discretion of the respective floor committee (Options, FCO or Floor Procedures). All visitors must be signed in by a member or Exchange official and accompanied at all times by a member, associated person of a member or an Exchange official.]

[As a visitor, the applicant must be escorted by a representative of a member firm at all times while on the trading floor, and failure to do so shall result in a violation of this regulation by such member Firm.]

[Once an applicant has filed an application with the Office of the Secretary pursuant to By-Law Article XII, Section 12-4, the Examinations Department and the Office of the Secretary shall conduct clearance procedures to verify personal data and financial viability. The applicant may be admitted as a visitor for ten business days, after which the applicant must submit an Applicant Access Card/Floor Badge application which is subject to approval by the Exchange pursuant to satisfactory completion of personal and financial data verification. Twenty-one days after the Access Card is issued, it will automatically expire; an applicant may apply to the Chairman of the Admissions Committee or his designee for a twenty-one day extension.]

[1st Occurrence      Official Warning]

[2nd Occurrence      \$50.00]

[3rd Occurrence      \$100.00]

[4th Occurrence      \$200.00]

[5th and Thereafter    Sanction is discretionary with Business Conduct  
Committee]

**Regulation 6 [- Dress] Reserved.**

[All members have a choice of wearing their suit jacket or a color coded firm jacket. All clerks are required to wear a color coded firm jacket. No hats of any type may be worn except for visors. Any type of clothing that draws excessive attention and detracts from a professional atmosphere, including words or pictures on clothing, is prohibited.]

[The appropriate floor standing committee shall determine whether males must wear dress shirts with collars and neckties or bowties. If required, neckties must be properly knotted and clip-on bowties must be connected to both sides of the collar. The following

are not permitted: Bluejeans, dungarees, golf, polo or T-shirts, shorts, sweats, sandals, any shoes or garments that are dirty, frayed, faded or torn. This rule shall be in effect on regular business days for any floor open for trading.]

[Any provision of this rule may be waived for a specific period of time by the chairperson of the appropriate floor standing committee or his designee.]

[1st Occurrence      Official Warning]

[2nd Occurrence      \$ 50.00]

[3rd Occurrence      \$100.00]

[4th Occurrence      \$200.00]

[5th and Thereafter    Sanction is discretionary with Business Conduct  
Committee]

**Regulation 7 [- Proper Utilization of the Security System] Reserved.**

[a) Attempt to Circumvent the Security System of the Exchange]

[Any member/participant or employee of a member/participant Firm who wishes to enter or exit the Exchange trading facilities must do so through the areas where the Exchange security systems are located.]

[1st Occurrence      \$250.00]

[2nd Occurrence      \$500.00]

[3rd and Thereafter    Sanction is discretionary with Business Conduct  
Committee]

[b) Required Filing for Floor Member Firm Employee Status Notices with the Exchange]

[Following the termination of, or the initiation of a change in the trading status of any employee of a member/participant Firm who has been issued an Exchange access card and trading floor badge, a completed "Status Notice" must be submitted to the Director of Regulatory Services of the Exchange as soon as possible, but no later than 9:30 am the next business day by the member/participant Firm employer. Further, every effort should



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

*F-33*

1st Occurrence     \$250.00

2nd Occurrence     \$500.00

3rd Occurrence     \$1,000.00

4th and Thereafter     Sanction is discretionary with Business Conduct  
Committee**Regulation 5 - Guests**

Non-member guests will be permitted on the trading floor at the discretion of the respective floor committee (Options[, ]\_or FCO[ or Floor Procedures]). All guests must be signed in by a member or Exchange official and accompanied at all times by a member, associated person of a member or an Exchange official.

1st Occurrence     Official Warning

2nd Occurrence     \$50.00

3rd Occurrence     \$100.00

4th Occurrence     \$200.00

5th and Thereafter     Sanction is discretionary with Business Conduct  
Committee