

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 19	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 02	Amendment No. (req. for Amendments *)
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Filing by NASDAQ OMX PHLX LLC.
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	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 checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

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 action (limit 250 characters, required when Initial is checked *).

A proposal to delete obsolete Rules 1000B to 1012B, and to amend Rule 722.

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 action.

First Name * Carla	Last Name * Behnfeldt
Title * Associate General Counsel	
E-mail * carla.behnfeldt@nasdaq.com	
Telephone * (215) 496-5208	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.

(Title *)

Date 01/05/2016	Executive Vice President and General Counsel
By Edward S. Knight	<div style="border: 1px solid black; height: 30px; width: 100%;"></div>
(Name *)	

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 EFFF website.

Form 19b-4 Information *

Add Remove View

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 *

Add Remove View

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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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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, security-based swap submission, or advance notice 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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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.

1. Text of the Proposed Rule Change

(a) NASDAQ OMX PHLX LLC (“Exchange” or “Phlx”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² is filing with the Securities and Exchange Commission (“Commission”) a proposal to delete obsolete Rules 1000B – 1012B, collectively captioned Rules Applicable to Trading of Cash Index Participations, and to amend Rule 722, Miscellaneous Securities Margin Accounts. A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of the Exchange on July 1, 2015. Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to Carla Behnfeldt, Associate General Counsel, The NASDAQ OMX Group, Inc., at (215) 496-5208.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

Cash Index Participations (“CIPs”) were listed on the Exchange in the late 1980s.³ A CIP was a security based on the spot value of an index of stocks, of indeterminate duration, and paying its purchasers a proportionate share of dividends declared on the component stocks of the CIP. CIPs are no longer listed or traded on Phlx. Accordingly the Exchange proposes to delete the caption “Rules Applicable to Trading of Cash Index Participations (Rules 1000B—1012B)” found immediately before Rule 1000B. It also proposes to delete the text following Rule 1000B and replace it with the word “Reserved.” Rules 1001B– 1012B are proposed to be deleted in their entirety. Finally, the Exchange proposes to make a conforming change to Rule 722, Miscellaneous Securities Margin Accounts, by deleting from it the language dealing with margin requirements for CIPs.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act⁵ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. In particular, this proposed change

³ See Securities Exchange Act Release No. 26709 (April 11, 1989), 54 FR 15280 (April 17, 1989).

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

removes from the Phlx rulebook the Rules Applicable to Trading of Cash Index Participations. These rules are no longer applicable because they deal solely with CIPs which have not been listed or traded on Phlx for many years. Removing these CIP rules from the Phlx rulebook will help eliminate potential member and investor confusion about products listed and traded on Phlx.

4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is not designed to address any competitive issue but would merely remove references to CIPs that are no longer relevant to the Exchange's business in any respect.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not Applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)⁶ of the Act and Rule 19b-4(f)(6) thereunder⁷ in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(f)(6).

for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The proposed rule change does not significantly affect the protection of investors or the public interest. Rather, it removes a potential source of investor confusion by eliminating rules that refer to a product that is no longer listed and traded on the Exchange.

Furthermore, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of proposed rule for publication in the Federal Register.
5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2016-02)

January __, 2016

Self-Regulatory Organizations; NASDAQ OMX PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Delete Obsolete Rules 1000B – 1012B and to Amend Rule 722

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹, and Rule 19b-4 thereunder,² notice is hereby given that on January 5, 2016, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to delete obsolete Rules 1000B – 1012B, collectively captioned Rules Applicable to Trading of Cash Index Participations, and to amend Rule 722, Miscellaneous Securities Margin Accounts.

The text of the proposed rule change is available on the Exchange’s Website at <http://nasdaqomxphlx.cchwallstreet.com/>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Cash Index Participations (“CIPs”) were listed on the Exchange in the late 1980s.³ A CIP was a security based on the spot value of an index of stocks, of indeterminate duration, and paying its purchasers a proportionate share of dividends declared on the component stocks of the CIP. CIPs are no longer listed or traded on Phlx. Accordingly the Exchange proposes to delete the caption “Rules Applicable to Trading of Cash Index Participations (Rules 1000B—1012B)” found immediately before Rule 1000B. It also proposes to delete the text following Rule 1000B and replace it with the word “Reserved.” Rules 1001B– 1012B are proposed to be deleted in their entirety. Finally, the Exchange proposes to make a conforming change to Rule 722, Miscellaneous Securities Margin Accounts, by deleting from it the language dealing with margin requirements for CIPs.

³ See Securities Exchange Act Release No. 26709 (April 11, 1989), 54 FR 15280 (April 17, 1989).

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act⁴ in general, and furthers the objectives of Section 6(b)(5) of the Act⁵ in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest. In particular, this proposed change removes from the Phlx rulebook the Rules Applicable to Trading of Cash Index Participations. These rules are no longer applicable because they deal solely with CIPs which have not been listed or traded on Phlx for many years. Removing these CIP rules from the Phlx rulebook will help eliminate potential member and investor confusion about products listed and traded on Phlx.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is not designed to address any competitive issue but would merely remove references to CIPs that are no longer relevant to the Exchange's business in any respect.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

⁴ 15 U.S.C. 78f(b).

⁵ 15 U.S.C. 78f(b)(5).

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act⁶ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁷

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form

(<http://www.sec.gov/rules/sro.shtml>); or

⁶ 15 U.S.C. 78s(b)(3)(a)(iii).

⁷ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2016-02 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-Phlx-2016-02. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site

(<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-Phlx-2016-02 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Robert W. Errett
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Deleted text is [bracketed]. New text is underlined.

NASDAQ OMX PHLX Rules

* * * * *

Rule 722. Miscellaneous Securities Margin Accounts

This Rule shall apply to all member organizations in respect of margin accounts for Miscellaneous Securities as defined in this Rule.

(a) Definitions . For the purpose of this Rule, the following terms shall have the meanings specified below:

(1) [The term "cash index participation" (CIP) means a security based on the spot value of an index of stocks, of indeterminate duration, and paying its purchasers a proportionate share of dividends declared on the component stocks of the CIP.] Reserved.

(2) ["Cash index participations" and] "[w]World currency options" are also known as "Miscellaneous Securities" for the purposes of this Rule.

(b) No change.

(c) Other Provisions.

(1) No change.

(2) Reserved. [*Cash Index Participations (CIPs)*]. The margin which must be maintained in margin accounts of customers, whether members, partners of members, member organizations or stockholders therein or non-members, shall be as follows:

1. 25% of the market value of all "long" CIP positions in the account plus;
2. 30% of the market value, in cash, of each "short" CIP position in the account;
3. No margin need be required in respect of a CIP carried "short" in a customer's account when the customer has executed and delivered to the member organization carrying the account an escrow receipt meeting the requirements of Rule 1909 of The Options Clearing Corporation.]

(3) No change.

(d) No change.

Pursuant to this Rule 722, the Exchange may also conduct reviews of currency margins levels at any time that market conditions warrant.

* * * * *

[Rules Applicable to Trading of Cash Index Participations (Rules 1000B—1012B)]

Rule 1000B. Reserved. [Applicability and Definitions]

(a) *Applicability.* The Rules in this Section are applicable only to cash index participations. In addition, except to the extent that specific Rules in this Section govern, or unless the context otherwise requires, the provisions of the following Options Rules applicable to stock options and options on indices shall be applicable to the trading on the Exchange of cash index participations: PHLX Options Rules 1000(b), 1004, 1005, 1006, 1008, 1013, 1014, 1015, 1017, 1018, 1019, 1020, 1022, 1024, 1025, 1026, 1027, 1028, 1029, 1032, 1035, 1037, 1038, 1039, 1040, 1041, 1045, 1048, 1049, 1050, 1051, 1052, 1053, 1054, 1055, 1056, 1060, 1061, 1062, 1063, 1064, 1065, 1066, 1070, 1047A.

Compliance with Rules 1001, 1002 and 1003 shall be determined as set forth in Rules 1005B, 1006B and 1007B.

(b) *Definitions.* The following terms as used in the Rules shall, unless the context otherwise indicate, have the meanings herein specified.

(1) *Cash Index Participation (CIP)*—The term "Cash Index Participation (CIP)" means a security based on the spot value of an index of stocks, of indeterminate duration, and paying its purchasers a proportionate share of dividends declared on the component stocks of the CIP.

(2) *Reporting Authority*—The term "reporting authority" in respect of a particular index means the institution or reporting service designated by the Exchange as the official source for calculating and determining the current index value or the closing index value and the proportionate share of dividends payable to CIP holders.

Rule 1001B. Designation of the Index

The stocks that are the basis for the calculation of the index shall be selected by the Exchange and may be revised from time to time in the Exchange's discretion as necessary or appropriate to maintain the quality and character of the index.

Rule 1002B. CIP Index Calculation

(a) The current index value in respect of a particular CIP index shall be derived from the reported prices of the underlying securities that are the basis of the index, as reported by the reporting authority for the index.

(b) The closing index value in respect of a particular CIP index shall be derived from the reported prices of the component stocks of the index at a time or times specified by the Exchange for determining the payment to which a CIP buyer is entitled to upon exercise of the CIP cash-out privilege.

Rule 1003B. Dissemination of Information

(a) The Exchange shall assure that the current index value is disseminated from time-to-time on days on which transactions in CIPs are made on the Exchange and that the closing index value is disseminated as promptly as it is available at the quarterly cash-out time.

(b) The Exchange shall maintain, in files available to the public, information identifying the stocks whose prices are the basis for the calculation of the index and the method used to determine the current index value.

Rule 1004B. Cash-Out Privilege

The purchaser of a CIP may exercise the CIP cash-out privilege at any time after establishing a CIP position. Exercise of the CIP cash-out privilege entitles the holder of a long CIP position to obtain the CIP closing index value as specified in Rule 1008B relating to exercise of the cash-out privilege.

Rule 1005B. Position Limits

In determining compliance with Rule 1001, CIPs shall be subject to a position limit of 15 million CIPs with respect to any particular underlying index.

Rule 1006B. Exercise Limits

In determining compliance with Rule 1002, exercise limits per CIPs shall be equivalent to the position limits set forth in Rule 1005B.

Rule 1007B. Reporting of CIP Positions

In determining compliance with Rule 1003, each member and member organization shall file with the Exchange a report with respect to each account in which the member or member organization has an interest, each account of a partner, officer, director or employee of the member organization, and each customer account, which has established an aggregate position of 200,000 CIPs (whether long or short) covering the same underlying index.

Rule 1008B. Exercise of Cash-Out Privilege

(a) Exercise of the cash-out privilege shall entitle the holder of the CIP to receive the CIP index value less one half of one percent of that value as calculated at the close of trading on the business day following the date of the exercise of the cash-out privilege. For exercises occurring on the business day preceding the third Friday of March, June, September and December (or when the third Friday is not a trading day, the business day preceding the third Thursday) ("Quarterly Expiration Day"), the exercise of the cash-out privilege shall entitle the holder of the CIP to receive the closing index value of the CIP, based on the opening prices of each of the component stocks of the index on the Quarterly Expiration Day. If one or more of the underlying securities that are the basis of the index do not open for trading on the Quarterly Expiration Day,

the closing index value shall be calculated based on the last reported price of such securities prior to that day.

(b) Except as provided in paragraph (c) below, notice of exercise of the CIP cash-out privilege must be provided by a purchaser of a CIP in accordance with the rules and procedures of The Options Clearing Corporation. An exercise notice may be tendered to The Options Clearing Corporation only by the clearing member in whose account with The Options Clearing Corporation the CIP is carried. Members and member organizations, to the extent that they do not conflict with the rules and procedures of the Exchange and The Options Clearing Corporation, shall establish fixed procedures as to the latest hour at which they will accept exercise notices from their customers.

(c) Solely with respect to exercising the CIP cash-out privilege on the business day preceding the Quarterly Expiration Day, clearing members are required to follow the procedures of The Options Clearing Corporation for tendering exercise notices, and member organizations also are required to comply with the following procedures:

- (i) A memorandum to exercise the cash-out privilege with respect to any CIP issued or to be issued in a customer, firm, or market maker account at The Options Clearing Corporation must be received and/or prepared by the member organization no later than 4:15 p.m. Eastern Time ("exercise cut-off time") and must be time-stamped at the time it is received and/or prepared. Member organizations must accept exercise instructions until 4:15 p.m. Eastern Time on this day.
- (ii) Any member or member organization that intends to submit an exercise notice for 25 or more CIP round lots on the same underlying Exchange CIP index on behalf of an individual customer, specialist, market maker, or firm account must deliver an "exercise advice" on a form prescribed by the Exchange, no later than 4:15 p.m. Eastern Time. For purposes of this rule, exercises of all accounts controlled by the same individual must be aggregated.
- (iii) Notwithstanding subparagraph (i) above, member organizations may receive exercise instructions after the exercise cut-off time but prior to any exercise notice receipt cut-off time of The Options Clearing Corporation (1) in order to remedy mistakes made in good faith, (2) to take appropriate action as the result of a failure to reconcile unmatched Exchange CIP transactions or (3) where exceptional circumstances relating to a customer's ability to communicate exercise instructions to the member organization (or the member organization's ability to receive exercise instructions) prior to such time warrant such action.

••• *Commentary:* -----

.01 All memoranda of exercise instructions prepared pursuant to this rule are subject to the requirements of SEC rule 17a-3(a)(6) and 17a-4(b).

.02 In the event a member organization receives an exercise instruction or tenders an exercise notice pursuant to an exception set forth in subparagraph (iii) of paragraph (c) of this rule, the member organization shall maintain a memorandum setting forth the circumstances giving rise to such exception and shall promptly file a copy of the memorandum with the Exchange.

Rule 1009B. Preferred Allocation of CIP Exercise Notices

(a) A holder of a short CIP position (seller of a CIP) desiring to receive priority consideration in being assigned an exercise notice of a holder of a long CIP position (purchaser of a CIP) may on a daily basis provide notice of such intent ("Notice") on or before a time specified and made public by the Exchange and which is in accordance with the Rules of The Options Clearing Corporation ("OCC"). Specific "acceptance of Notice" cut-off times will also be delineated for Exchange member organizations. A Notice may be tendered to The OCC in a form prescribed by the Exchange which is in accordance with the Rules of The OCC only by the clearing member in whose account with The OCC the CIP short position is carried. Members and member organizations shall establish fixed procedures, to the extent that they do not conflict with the rules and policies of the Exchange and The OCC, as to the latest hour at which they will accept Notices from their customers.

(b) A seller of a CIP who makes an effective tender of a Notice will receive priority consideration from The OCC in being assigned an exercise notice of a purchaser of a CIP. In the event that there are greater short CIP positions for which Notices are received than long CIP positions for which exercise notices are received, The OCC will allocate exercise notices on a random basis among only short CIP positions for which Notices have been received. In this regard, all Notices, regardless of the time of day that they are received, so long as they are received by The OCC prior to the acceptance of Notice cut-off time, will be given equal priority in being considered for assignment of exercise notices. A Notice is effective for only the business day on which it is tendered and accepted. Notices may be tendered on any day that The OCC accepts notices of exercise of the CIP cash-out privilege from CIP purchasers.

(c) Each member organization shall establish fixed procedures for the allocation of exercise notices assigned in respect of a short position in CIPs in such member organization's customers' accounts. Such allocation procedures shall assure that customers who effectively tender Notices shall receive priority consideration and assignment of exercise notices over other customers holding CIP short positions with the member organization. In allocating exercise notices among customers of the same status holding short CIP positions, *i.e.*, those who tendered effective Notices and those who did not, such allocations shall be made on a "first-in, first-out" or automated random selection basis that has been approved by the Exchange or on a manual random selection basis that has been specified by the Exchange. Each member organization shall inform its customers in writing of the method it uses to allocate exercise notices to its customers' accounts, explaining its manner of operation and the consequences of that system. Unless otherwise specified by the member organization, the allocation procedures established by a

member organization for stock options will be deemed to apply to the allocation of exercise notices for CIPs.

(d) Each member organization shall report its proposed method of allocation to the Exchange and obtain the Exchange's prior approval thereof, and no member organization shall change its method of allocation unless the change has been reported to and approved by the Exchange.

(e) Each member organization shall preserve for a three-year period sufficient work papers and other documentary materials relating to the allocation of exercise assignment notices to establish the manner in which allocation of such exercise notices is in fact being accomplished.

Rule 1010B. Bids and Offers

All bids and offers made on the trading floor for CIPs shall be deemed to be for one unit of trading unless a specified greater number of CIPs is expressed in the bid or offer. A bid or offer for more than a unit of trading of CIPs shall be deemed to be for the amount thereof or a smaller number of units of trading of CIPs. The unit of trading in CIPs shall be 100 CIPs unless otherwise designated by the Exchange.

Rule 1011B. Limitation of Exchange Liability

Neither the Exchange, the Reporting Authority nor any Agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating the current index value or the closing index value and tracking dividend payout dates or computing proportionate dividend pay outs resulting from an act, condition or cause beyond the reasonable control of the Exchange or the Reporting Authority, 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; any error; omission or delay in the reports of transactions in one or more underlying securities; or any error; omission or delay in the reports of the current index value or the closing index value by the Exchange or the Reporting Authority.

Rule 1012B. Reserved Authority

The Exchange may, in the event of extreme CIP trading inactivity or under exceptional circumstances, require the purchasers and sellers to settle their CIP contracts at the closing index value determined by a designated cash-out time upon notice of at least one year.]