

Required fields are shown with yellow backgrounds and asterisks.

Filing by Nasdaq 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"/>
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 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 *).
 Proposal to amend the Phlx Options Rules at Options 4 under the Options 4 title in the Exchanges rulebooks shell structure

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 * Jonathan Last Name * Cayne
 Title * Principal Associate General Counsel
 E-mail * jonathan.cayne@nasdaq.com
 Telephone * (301) 978-8493 Fax

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 03/23/2021 EVP and Chief Legal Officer
 By John Zecca
 (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.
 john.zecca@nasdaq.com

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 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

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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.

1. Text of the Proposed Rule Change

(a) Nasdaq PHLX LLC (“Phlx” or the “Exchange”), 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 (“SEC” or “Commission”) a proposal to amend the Phlx Options Rules (“Phlx Options”) at Options 4 (Options Listing Rules) under the Options 4 title in the Exchange’s rulebook’s (“Rulebook”) shell structure.³ This proposal also creates a new Options 4C entitled “U.S. Dollar-Settled Foreign Currency Options.”

The proposal also amends the rules as relocated to conform primarily to the equivalent options rules of Nasdaq ISE, LLC, Nasdaq GEMX, LLC (“GEMX”) and Nasdaq MRX, LLC (“MRX”) (collectively “ISE”).⁴ The proposal also amends Section 1 of Options 1 of the Options Listing Rules to add several definitions and adds Supplementary Material to Options 8, Section 30.

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In 2017, the Exchange added a shell structure to its Rulebook with the purpose of improving efficiency and readability and to align its rules closer to those of its five sister exchanges, The Nasdaq Stock Market LLC (“Nasdaq”); Nasdaq BX, Inc.; Nasdaq ISE, LLC; Nasdaq GEMX, LLC; and Nasdaq MRX, LLC (“Affiliated Exchanges”). The shell structure currently contains eight (8) General sections which, once complete, will apply a common set of rules to the Affiliated Exchanges. See Securities Exchange Act Release No. 82174 (November 29, 2017), 82 FR 57492 (December 5, 2017) (SR-BX-2017-054).

⁴ The rules of Nasdaq GEMX, LLC and Nasdaq MRX, LLC are incorporated by reference into the rules of Nasdaq ISE, LLC.

- (b) Not applicable.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors of the Exchange (the “Board”) on November 5, 2020. 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:

Jonathan Cayne
Principal Associate General Counsel
Nasdaq, Inc.
301-978-8493

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

a. Purpose

The Exchange proposes to amend the rule text in Options 4 (Options Listing Rules) under the Options 4 title in the Exchange’s Rulebook’s shell structure. For ease of reference and the purposes of this filing, the relocated rules are herein described as the “Options Listing Rules.”

The amending of the Options Listing Rules is part of the Exchange’s continued effort to promote efficiency and the conformity of its processes with those of the Affiliated Exchanges,⁵ and its goal of harmonizing and uniformizing its rules.⁶

⁵ Supra note 3.

⁶ This proposal is similar to the relocation of options rules at Chapter IV (Securities Traded on NOM) under the Options 4 title in the Nasdaq rulebook. See Securities Exchange Act Release No. 86022 (June 4, 2019), 84 FR 26912 (June 10, 2019) (SR-NASDAQ-2019-047).

This proposed change is of a non-substantive nature. Moreover, the amending of the Options Listing Rules will facilitate the use of the Rulebook by Members⁷ of the Exchange, who are members of other Affiliated Exchanges; other market participants; and the public in general. These rules will be amended to reflect the equivalent options rules in the ISE rulebook, but the changes are of a non-substantive nature.

The overarching goal is to align Phlx Options rules with those of ISE. The Exchange is proposing to amend the rules for Phlx Options, most notably the rule text in the Options Listing Rules concerning securities traded on Phlx Options, but also adding several definitions to Section 1 of Options 1. The Exchange desires to align Phlx's Rules to those of ISE and then, separately, in another rule change seek to incorporate ISE's rules by reference to Phlx.

The vast majority of the changes are technical changes and made throughout the Options Listing Rules. These minor changes are designed to conform the Phlx Options rules to the equivalent ISE rules, as well as to increase the clarity of the rules. This includes some reorganization and renumbering within the Options Listing Rules' subsections to ensure they remain consistent.

The proposed changes that do not fit within the description above are listed below, beginning with changes to Options 1 General Provisions and followed by global changes to the Options Listing Rules. The changes are then broken down by section within the Options Listing Rules.

Unlike ISE, Phlx has listing rules for U.S. Dollar Settled Foreign Currency Options or "FCOs." Phlx proposes to relocate the listing rules related to U.S. Dollar

⁷ As defined by Exchange Rule GENERAL 1 GENERAL PROVISIONS Section 1(16).

Settled Foreign Currency Options to new Options 4C in order that it may identically align the remaining rules to ISE's Options 4 Rules.

Proposed Changes to Options 1 General Provisions

The Exchange is proposing to add definitions to "Options 1 Section 1. Applicability, Definitions and References". Specifically, the terms "class" "series" and "underlying security" will be added to Section 1(b) as (9), (51), and (60), respectively.⁸ The Exchange is deleting the definitions for "class of options" and "series of options and replacing them with the new definition of "class and "series". The Exchange believes that using the definitions for these terms as defined in the By-Laws of The Options Clearing Corporation ("OCC") uniformly across Nasdaq, Inc.'s exchanges will help to align them. Providing uniform, clear and precise definitions for these terms will provide consistency, lessen potential confusion and add clarity for market participants.

Proposed Changes to the Options Listing Rules

Proposed Changes to Section 1 of Options 1. Applicability, Definitions and References

This section will be amended to clarify that the Exchange trades options contracts, each of which is designated by reference to the issuer of the underlying security, expiration month or expiration date, exercise price and type (put or call) and to conform the Phlx Options rules to the equivalent ISE rules.⁹ The second sentence of this rule related to foreign currency option contracts is being relocated to new Options 4C, Section 2(a) without amendment.

⁸ See OCC By-Laws Article I – Definitions C.(11); S.(12); and U.(3), respectively.

⁹ See ISE Options Listing Rule Section 1.

Proposed Changes to Section 2. Rights And Obligations Of Holders And Writers

This section will be amended with a number of minor changes to update the numbering and to increase the clarity of the language and to conform the Phlx Options rules to the equivalent ISE rules.¹⁰

Proposed Changes to Section 3. Criteria for Underlying Securities

Options 4, Section 3 of the Options Listing Rules is being updated by modifying the existing Rulebook language to reflect the language of the ISE version of the rule.¹¹ Most of the changes in Section 3 simply result from minor changes and reorganization within the section done to mirror the ISE rule and for greater clarity.

Options 4, Section 3(b) of the Options Listing Rules will also change “Board of Directors” to “the Exchange” as to who may establish guidelines to be considered in evaluating potential underlying securities for Exchange options transactions.

Current Section 3(c) is being relocated to new Options 4C, Section 3(a) without amendment.

New Options 4, Section 3(c), which address securities of restructured companies, reflects the language of the ISE version of the rule.¹² This section will now define “Restructuring Transaction” as a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction, “Restructure Security” as an equity security that a company issues, or anticipates issuing, as the result of a Restructuring Transaction of the company, “Original Equity Security” as a company’s equity security that is issued and

¹⁰ See ISE Options Listing Rule Section 2.

¹¹ See ISE Options Listing Rule Section 3.

¹² Id.

outstanding prior to the effective date of a Restructuring Transaction of the company. “Relevant Percentage” will be defined as either: (i) twenty-five percent (25%), when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; or (ii) thirty-three and one-third percent (33-1/3%), when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security. Additionally, proposed Section 3(c) will include the “Share” and “Number of Shareholder” guidelines to mirror the equivalent ISE Options Listing Rule. Also, the current rules related to “Restructure Security” in Supplementary Material .05 to Options 4, Section 3 are being deleted.

Proposed Options 4, Section 3(c)(2) will address determining whether a Restructure Security satisfies the share guideline set forth in this Rule. Proposed Options 4, Section 3(c)(3) adds a “Trading Volume” guideline, proposed Options 4, Section 3(c)(4) adds a “Market Price” guideline, and proposed Options 4, Section 3(c)(5) adds a “Substantiality Test” for a “Restructure Security”. Proposed Options 4, Section 3(c)(6) says that a Restructure Security’s aggregate market value may be determined from “when issued” prices, if available, while proposed Options 4, Section 3(c)(7) says that in calculating comparative aggregate market values for the purpose of assessing whether a Restructure Security qualifies to underlie an option, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the selection date or the Restructure Security’s opening price on its primary market on the selection date and shall use the corresponding closing or opening price of the related Original Equity Security.

Proposed Options 4, Section 3(c)(8) addresses calculating comparative asset values and revenues while proposed Options 4, Section 3(c)(9) says that except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange may not rely upon the trading volume or market price history of an Original Equity Security, unless it relies upon both of those measures for that trading day. Proposed Options 4, Section 3(c)(10) says that once the Exchange commences to rely upon a Restructure Security's trading volume and market price history for any trading day, the Exchange may not rely upon the trading volume and market price history of the security's related Original Equity Security for any trading day thereafter. Proposed Options 4, Section 3(c)(11) addresses "When Issued" trading is prohibited.

Options 4, Section 3(e) will be amended to say that "security" will be broadly interpreted to mean any equity security, as defined in Rule 3a11-1 under the Exchange Act, which is appropriate for options trading, and the word "shares" will mean the unit of trading of such security. This will replace Supplementary Material .03 to Options 4, Section 3, which is being deleted. The remainder of Supplementary Material .03 to Options 4, Section 3 is being relocated to paragraph (a) ("the word "shares" shall mean the unit of trading such security") and paragraph (f) (ADRs). The remainder of Section 3(e) will be deleted because these provisions relating to determining whether to list an option that otherwise meets objective listing criteria are unnecessary and will now be in line with ISE rules¹³ and those of other affiliated markets. The Exchange needs to be competitive with other markets and their ability to list options and these other markets do not have these requirements. Simply put, the Exchange is harmonizing and uniformizing

¹³

Id.

Phlx's Options Listing Rules with those of ISE and other affiliated markets so that it can list securities on its markets in the same fashion as these other markets.

Proposed Options 4, Section 3(f) will add introductory language for clarity and say that securities deemed appropriate for options trading shall include nonconvertible preferred stock issues and American Depositary Receipts ("ADRs") if they meet the criteria and guidelines set forth in the Rule. This rule text is currently in Supplementary Material .03 to Options 4, Section 3.

Proposed Options 4, Sections 3(g) and (h) both deal with securities deemed appropriate for options trading, contain changes reflecting reorganization and clarifications, including the deletion of language included elsewhere and language no longer necessary, and copy the language of the ISE version of the rule.¹⁴ Proposed Options 4, Section 3(h)(1) adds language stating that subparagraph (2) applies to the extent the Exchange-Traded Fund Share is based on international or global indexes. This language is intended to clarify that subparagraph (2) does not apply to an Exchange-Traded Fund Shares based on a U.S. domestic index. The phrase "if not available or applicable" added to Proposed Options 4, Section 3(h)(2)(B), (C), and (D) is intended to clarify that when component securities are not available, the portfolio of securities upon which the Exchange-Traded Fund Share is based can be used instead.

Proposed Section 3(i) will define "market information sharing agreement" by referring back to subparagraph (g)(2), which defines it as an agreement that would permit the Exchange to obtain trading information relating to the securities held by the fund including the identity of the Member of the foreign exchange executing a trade.

¹⁴

Id.

Proposed Section 3(j) will contain changes reflecting reorganization and clarifications, including the deletion of the definition of “Partnership Unit” as set forth in current Supplementary Material .08 to Options 4, Section 3, since it is a remnant from the legacy Exchange exchange-traded fund (“ETF”) listing rule and is unnecessary since it has never been listed or traded on the Exchange. It also is not reflected in the ISE rule version being adopted for this section.¹⁵

Proposed Section 3(k) will include non-substantive changes and is intended to reflect the ISE rule version being adopted for this section.¹⁶

Proposed Changes to Section 4. Withdrawal of Approval of Underlying Securities

Options 4, Section 4 of the Options Listing Rules is being updated by modifying the existing Rulebook language to reflect the language of the ISE version of the rule.¹⁷ Overall, the changes in Section 4 are minor and reorganization within the section is done to mirror the ISE rule and for greater clarity.

Current Supplementary Material .04 to Options 4, Section 4 is being relocated to Options 4C, Section 4(a) without amendment as this rule text relates to foreign currency options. Subparagraph (ii) is being relocated to new Supplementary Material to Options 8, Section 30. The phrase “of publicly held principal amount” is being deleted because it is extraneous and also not included in the ISE version of the rule.

Options 4, Section 4(e) is being added, but is not a substantive change. Aside from the change being consistent with the ISE version of the rule, Options 4, Section 4(e)

¹⁵ Id.

¹⁶ Id.

¹⁷ See ISE Options Listing Rule Section 4.

memorializes the current practice regarding notice to customers of withdrawals that is consistent across all Nasdaq affiliated exchanges. Options 4, Section 4(f) is being revised to match the corresponding ISE rule and the change is not substantive and reflects language already included in Options 4, Section 3(f)(2) and (3).

In Options 4, Section 4(g) the deletion of “cease to be an “NMS stock” and the addition of “are halted or suspended from trading on their primary market” does not reflect a substantive change and matches the corresponding ISE rule. Additionally, it is more descriptive since it takes into account that this may be temporary and not permanent.

Current Supplementary Material .09 to Options 4, Section 3 .09 describes inadequate volume delisting, is being deleted. The provision currently provides,

.09 Inadequate volume delisting.

(1) Absent exceptional circumstances, a security initially approved for options trading may be deemed by the Exchange not to meet the requirements for continued approval, in which case the Exchange will not open for trading any additional series of equity option contracts of the class of options and may determine to delist the class of options if it meets the following criteria:

(a) The option has been trading on the Exchange not less than six (6) months; and

(b) The Exchange average daily volume (“ADV”) of the entire class of options over the last six (6) month period was less than twenty (20) contracts.

If the option is singly listed only on the Exchange, the Exchange will cease to add new series and may delist the class of options when there is no remaining open interest;

(2) Should the Exchange determine to delist an equity option pursuant to this Supplementary Material .09, it will notify the Lead Market Maker to whom the affected option is allocated of the determination to delist such

option not less than ten (10) days prior to the scheduled delisting date (the “options delisting letter”).

(a) Within two (2) days of receiving an options delisting letter the affected Lead Market Maker may in writing submit to the person designated by the Exchange in the options delisting letter the Lead Market Maker’s justification for and/or explanation of the low ADV in such option and reasons why the Exchange should continue to list the option (the “justification letter”);

(b) The Exchange may, but is not required to, take into account the information provided in the justification letter in its determination to delist the option, and will indicate its determination to delist in writing to the affected Lead Market Maker that provided the justification letter to the Exchange. The Exchange’s decision to delist the option is exclusively its own and is not appealable.

In order to remain competitive with other options markets, the Exchange proposes to adopt the same obligations for continuance of trading. With this proposal, the Exchange would eliminate the requirement that an option must be trading for more than 6 months. The Exchange notes that this condition is not present on other options markets such as ISE and Cboe Exchange, Inc. (“Cboe”).¹⁸ This also applies to the requirement that the average daily volume of the entire class of options over the last six (6) month period was less than twenty (20) contracts. The Exchange notes that Phlx’s requirements are different than other options markets and to remain competitive the Exchange proposes to adopt the same standards as ISE, GEMX, MRX and Cboe in order to remain competitive and list similar options as the other markets.

While the Exchange may in the future determine to delist an option that is singly listed, the Exchange proposes to remove the rule text which provides that “If the option is singly listed only on the Exchange, the Exchange will cease to add new series and may delist the class of options when there is no remaining open interest.” This rule text does

¹⁸ See ISE Options 4, Section 4 and Cboe Rule 4.4.

not exist on ISE, GEMX, MRX and Cboe. The Exchange today provides notification of a delisting to all members so therefore it is not necessary to retain the provisions within (b)(2). Also, proposed new Options 4, Section 4(e) establishes the rules by which the Exchange will announce securities that have been withdrawn. The rule text within Options 4, Section 4(b), as amended to conform to ISE rule text, will continue to govern the continued approval of options on the Exchange.

Proposed Changes to Section 5. Series of Options Contracts Open for Trading

Options 4, Section 5 of the Options Listing Rules is being updated by modifying the existing Rulebook language to reflect the language of the ISE version of the rule.¹⁹ Most of the changes in Options 4, Section 5 simply result from minor changes and reorganization within the section done to mirror the ISE rule and for greater clarity.

Options 4, Section 5(a) of the Options Listing Rules will be amended to add to note that exercise-price setting parameters adopted as part of the Options Listing Procedures Plan. In order to mirror the equivalent ISE rules,²⁰ Options 4, Section 5 will be amended to relocate current rule text to be identical to ISE, Nasdaq Phlx LLC (“Phlx”) and Nasdaq BX, Inc. (“BX”) rule text. The Exchange proposes to harmonize its rules to the identical rules of the five Nasdaq affiliated markets.

The Exchange proposes to amend the rule text currently within Phlx Options 4, Section 5(a)(i) to mirror ISE. The Exchange proposes to amend the existing sentence which provides, “At the commencement of trading on the Exchange of a particular class of stock or Exchange-Traded Fund Share options, the Exchange shall open a minimum of

¹⁹ See ISE Options Listing Rule Section 5.

²⁰ Id.

one expiration month and series for each class of options open for trading on the Exchange.” The Exchange proposes to instead provide, “At the commencement of trading on the Exchange of a particular class of options, the Exchange shall open a minimum of one (1) series of options in that class.” The proposed amendments are non-substantive and seek to align Phlx’s text with ISE’s text. The Exchange also proposes to add a sentence that currently exists within ISE Options 4, Section 5(a)(i) which provides, “The exercise price of that series will be fixed at a price per share, relative to the underlying stock price in the primary market at about the time that class of options is first opened for trading on the Exchange.” Similar language exists within current Options 4, Section 5(a)(i)(C). The text of Options 4, Section 5(a)(i)(C) is being relocated and modified added to remove the phrase “of stock or Exchange-Traded Fund Share options opened for trading on the Exchange” and otherwise modified to mirror ISE rule text. The Exchange notes that today, BX and The Nasdaq Options Market LLC (“NOM”) rules do not contain references to Exchange-Traded Fund shares. The language as amended is broadly read to include all options listed on the Exchange.

The Exchange proposes to amend current Options 4, Section 5(a)(i)(B), which is proposed to be re-lettered as Options 4, Section 5(c), to remove the phrase “stock or Exchange-Traded Fund Share” similar to other proposed changes herein. Finally, the rule text within current Options 4, Section 5(a)(i)(D) is being relocated to new Options 4, Section 8(a) with some amendments discussed in that section.

Current Options 4, Section 5(a)(ii), which is reserved, is being deleted.

Current Options 4, Section 5(a)(iii) and subparagraphs (A)-(E) are being relocated to proposed new Options 4C, Section 5 without amendment.²¹

The Exchange proposes to relocate current Options 4, Section 5(a)(iv) to proposed Options 4, Section 5(k) and update the rule citation to Supplementary Material .10 to proposed Options 4, Section 6(b) as that rule text is proposed to be relocated as well.

The Exchange proposes to relocate and amend rule text within current Supplementary Material .05 (a)(iii) of Options 4, Section 5 to proposed Options 4, Section 5(d) to mirror ISE. The Exchange proposes to instead provide,

(d) Except as otherwise provided in the Supplementary Material hereto, the interval between strike prices of series of options on individual stocks will be:

- (1) \$2.50 or greater where the strike price is \$25.00 or less;
- (2) \$5.00 or greater where the strike price is greater than \$25.00; and
- (3) \$10.00 or greater where the strike price is greater than \$200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(h) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.

The Exchange notes that the examples are unnecessary. The exception for \$2.50 below \$50 will be covered within the \$2.50 Strike Program rules, which are being relocated into proposed Supplementary Material .02 to Options 4, Section 5. The Exchange also proposes to note, similar to ISE the intervals between strike prices for Exchange-Traded Fund shares are noted within proposed new Section 3(h) of Options 4.

²¹ The Exchange notes that Supplementary .06 of Options 4, Section 5 is also being relocated into proposed new Options 4C, Section 5 without amendment.

This cross citation will provide greater information as to the criteria for Exchange-Traded Fund shares.

The Exchange proposes to relocate the rule text within current Supplementary Material .05 (a)(iv)(C) of Options 4, Section 5 to proposed Options 4, Section 5(e) without change.

The Exchange proposes to relocate the rule text within current Supplementary Material .12 of Options 4, Section 5 to proposed Options 4, Section 5(f) and proposes to add references to Supplementary .01, .05 and subparagraph (e).

The Exchange proposes to add rule text within proposed Options 4, Section 5(g) identical to ISE, which provides, “The Exchange will open at least one expiration month for each class of options open for trading on the Exchange.” This proposed new sentence will add more clarity to current listing rules. Today, the Exchange opens at least one expiration month for each class of options open for trading on the Exchange.

The Exchange proposes to relocate the rule text within current Supplementary Material .05 (a)(v) and (vi) of Options 4, Section 5 to proposed Options 4, Sections 5(h) and (i), respectively. The rule text is being moved without change except that within Options 4, Sections 5(h) a citation is being added to Options 4, Section 3(k) for reference.

The rule text proposed within Options 4, Section 5(j) is identical to ISE Options 4, Section 5(j) and provides, “The interval of strike prices may be \$2.50 in any multiply-traded option class to the extent permitted on the Exchange by the Commission or once another exchange trading that option lists strike prices of \$2.50 on such options class.”

The Exchange proposes to adopt similar language to ISE. The \$2.50 Strike Program was

adopted in 1995 as a joint pilot program of the options exchanges²² and expanded and permanently approved in 1998.²³ As part of that program, each options exchange, however, is permitted to list options with \$2.50 strike price intervals on any option class that another exchange selects as part of the Program. This rule text is non-substantive as Phlx may today list options with \$2.50 strike price intervals on any option class that another exchange. This rule text will bring greater clarity to Phlx's listing rules.

The Exchange described above the relocation of Options 4, Section 5(a)(iv) to proposed Options 4, Section 5(k).

The Exchange proposes to delete the following current rule text from Options 4, Section 5, which does not appear in ISE or BX Options 4, Section 5.

(b) Rotation. On the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date of a particular series of options, a closing rotation (as defined in Supplementary Material .01 to Options 3, Section 9) for such series shall commence at 4:00 p.m. in the case of options on stocks or 4:15 p.m. in the case of options on designated Exchange-Traded Fund Shares.

(c) Adjustments. The unit of trading and the exercise price initially established for option contracts of a particular series are subject to adjustment in accordance with the rules of The Options Clearing Corporation. When such adjustment or adjustments have been determined, announcement thereof shall be made by the Exchange and, effective as of the time specified in such announcement, the adjusted unit of trading and the adjusted exercise price shall be applicable with respect to all subsequent transactions in such series of options.

(d) Option contracts shall be subject to adjustments in accordance with the rules of The Options Clearing Corporation.

²² See Securities Exchange Act Release No. 35993 (July 19, 1995), 60 FR 38073 (July 25, 1995) (approving File Nos. SR-Phlx-95-08, SR-Amex-95-12, SR-PSE-95-07, SR-CBOE-95-19, and SR-NYSE-95-12).

²³ See Securities Exchange Act Release No. 40662 (November 12, 1998), 63 FR 64297 (November 19, 1998) (approving File Nos. SR-Amex-98-21, SR-CBOE-98-29, SR-PCX-98-31, and SR-Phlx-98-26).

The Exchange notes within Options 4, Section 2 that the rights and obligations of holders and writers of option contracts of any class of options dealt in on the Exchange shall be as set forth in the rules of The Options Clearing Corporation, which contemplates an option contract expiring on a day that is not a business day and adjustments.

The Exchange proposes to delete current Supplementary Material .01 to Options 4, Section 5 as each program details the manner in which series of options may be open. Also, the relocated foreign currency rules detail how foreign currency may open. This language within current Supplementary Material .01 to Options 4, Section 5 is unnecessary.

The Exchange proposes to relocate Supplementary Material .02 to Options 4, Section 5 to new Options 4C, Section 5(c) without change.

Supplementary Material .03 and .04 of Options 4, Section 5, which are reserved, are being deleted.

The Exchange proposes to renumber Supplementary Material .05 of Options 4, Section 5 as .01. The Exchange proposes to re-letter and renumber this section to conform to ISE's Options 4, Section 5 at Supplementary Material .01.

The following changes are being proposed to the \$1 Strike Price Interval Program so that the language mirrors ISE's Options 4, Section 5 at Supplementary Material .01. At new (a) of Options 4, Section 5 at Supplementary Material .01, the Exchange proposes to add "Program Description. The interval between strike prices of series of options on individual stocks may be \$1.00" to introduce the material which follows. In a few places "Strike Program" is proposed to be changed to "Strike Price Interval Program," or "Strike Price Program" to mirror ISE rule text. Also, the term "national" is added before

“securities exchange” and the remainder of the proposed amendments are technical in nature.

Similar changes are proposed at new (b) of Options 4, Section 5 at Supplementary Material .01 including the word “stock” being changed to “security.” A citation to relocated rule text was made within new (b)(iii) of Options 4, Section 5 at Supplementary Material .01.

The Exchange proposes to add “Long-Term Options Series” or “LEAPs” before new (b)(v) of Options 4, Section 5 at Supplementary Material .01. Finally, the Exchange proposes to remove “the Exchange may grant” and add the phrase “may be granted” to the end of new (d) of Options 4, Section 5 at Supplementary Material .01 to mirror ISE rule text in the same location. This change is non-substantive.

The Exchange proposes to relocate current Supplementary Material .05(a)(ii) to Options 4, Section 5 to new Supplementary Material .05 to Options 4, Section 5. The relocation will be explained below.

The Exchange proposes to delete the phrase “..., except that strike prices of \$2 and \$3 shall be permitted within \$0.50 of a \$2.50 strike price for classes also selected to participate in the \$0.50 Strike Program.” The Exchange separately describes the \$0.50 and \$2.50 Programs within .05 and .02 of the proposed Supplementary Material to Options 4, Section 5, respectively. The clause is not necessary within the \$1 Strike Program and currently not contained within the ISE rules wherein the \$1 Strike Program operates in the same manner.

The Exchange explained above that current Supplementary Material .05(a)(iii) to Options 4, Section 5 was relocated to Options 4, Section 5(d).

The Exchange proposes to delete Supplementary Material .05(a)(iv)(A) to Options 4, Section 5 as proposed Options 4, Section 5(h) will detail the interval between strike prices of series of options on Index-Linked Securities, as defined in Options 4, Section 3(k)(1), that will be \$1 or greater when the strike price is \$200 or less and \$5 or greater when the strike price is greater than \$200 and will be consistent with the equivalent ISE rule.

The Exchange proposes to delete Supplementary Material .05(a)(iv)(B) to Options 4, Section 5 related to the listing of “SLV”²⁴ and “USO”²⁵ Exchange-Traded Fund Shares which currently provides, “The interval of strike prices of series of options on SLV and USO Exchange-Traded Fund Shares will be \$.50 or greater where the strike price is less than \$75.” The Exchange is removing this rule text as SLV and USO are currently listed pursuant to current Supplementary Material .12 to Options 4, Section 5, which is being relocated to new Options 4, Section 5(f). SLV and USO both are used to calculate volatility indexes (“OVX”²⁶ and “VXSLV,”²⁷ respectively) and therefore subject to the listing provisions of new Options 4, Section 5(f). Supplementary Material .05(a)(iv)(B) to Options 4, Section 5 is therefore unnecessary as SLV and USO would trade according to these rules.

The Exchange noted above that Supplementary Material .05(a)(iv)(C) to Options 4, Section 5 was relocated to proposed Options 4, Section 5(e). The Exchange also noted

²⁴ The symbol “SLV” refers to iShares Silver Trust.

²⁵ The symbol “USO” refers to the United States Oil Fund LP.

²⁶ The symbol “OVX” refers to the Cboe Crude Oil Volatility Index.

²⁷ The symbol “VXSLV” refers to the CBOE Silver ETF Volatility Index.

that Supplementary Material .05(a)(v) and (vi) were relocated to Options 4, Section 5(h) and (i), respectively.

The Exchange proposes to relocate rule text from current Supplementary Material .05(b) and (b)(i) of Options 5, Section 4 to new Supplementary Material .02 to Options 4, Section 5 with the title “\$2.50 Strike Price Interval Program”. The Exchange proposes to delete Supplementary Material .05(b)(ii) of Options 4, Section 5 as that language is not necessary and provided for within The Options Clearing Corporation Rules.

The Exchange proposes to relocate rule text from current Supplementary Material .11 of Options 5, Section 4 to new Supplementary Material .03 to Options 4, Section 5 with the title “Short Term Options Series Program”. The Exchange proposes to add the following titles, “Classes,” “Expiration,” “Initial Series,” “Additional Series,” and “Strike Interval,” before Supplementary Material .03(a)-(e) of Options 5, Section 4. The Exchange proposes to amend the rule text to mirror ISE rule text. Within proposed .03(a) the Exchange proposes to replace the word “fifty” with the number “50” and the word “thirty” with the number “30”. The Exchange also proposes to relocate the word “may” in the second sentence. Within proposed .03(b) the Exchange proposes to remove the words “on the same class” at the end of the paragraph. Within proposed .03(c) the Exchange proposes to add a sentence at the beginning which provides, “The Exchange may open up to 30 initial series for each options class that participates in the Short Term Options Series Program.” The Exchange also proposes to replace the number “7” with the word “seven” and the number “3” in two places with the word “three”. Within proposed .03(d) the Exchange proposes to add a new sentence to the end of Supplementary Material .11(d) of Options 4, Section 5 that provides, “Notwithstanding

any other provisions in this Rule, Short Term Option Series may be added up to and including on the Short Term Option Expiration Date for that options series.” This sentence appears in ISE’s rule in the same location. Finally, rule text from current Supplementary Material .05(a)(vii) to Options 4, Section 5 is being relocated to the beginning of proposed .03(e) to provide, “During the month prior to expiration of an option class that is selected for the Short Term Option Series Program pursuant to this Rule (“Short Term Option”), the strike price intervals for the related non-Short Term Option (“Related non-Short Term Option”) shall be the same as the strike price intervals for the Short Term Option.”²⁸The Exchange also removes the last sentence of current Supplementary Material .11(e) of Options 5, Section 4 as that language is repetitive of the first new sentence.

The Exchange proposes to relocate rule text from Supplementary Material .08 to Options 4, Section 5 to proposed Supplementary Material .04 to Options 4, Section 5. The Exchange proposes to add the title “Expiration” before current Supplementary Material .08(a) to Options 4, Section 5. The Exchange proposes new language within Supplementary Material .08(b) to Options 4, Section 5, which is reserved, that provides, “The Exchange will not list a Short Term Option Series on an options class whose expiration coincides with that of a Quarterly Options Series on that same options class.” This rule text is identical to ISE rule text in the same location. The Exchange proposes to

²⁸ This change is non-substantive as the current rule text within Supplementary Material .11 indicates that Related non-Short Term Options series shall be opened during the month prior to expiration of such Related non-Short Term Options series in the same manner as permitted in Supplementary Material .11 to this Options 4, Section which is the Short Term Options Series rule text. The Exchange’s amendments are not modifying the Short Term Options Series rules in any substantive way and Related non-Short Term Options series will continue to be subject to the same rules.

add the title “Strike Interval” before Supplementary Material .04(e) to Options 4, Section 5 which is being related from Supplementary Material .11(e) of Options 4, Section 5.

The Exchange proposes to delete the word “Reserved” after (f) and instead relocate the Delisting Policy within current Supplementary Material .04(g) to Options 4, Section 5 to “f.” The remainder of the changes to this new Supplementary Material .04 are technical renumbering changes and Supplementary Material .04(h) to Options 4, Section 5, which is reserved, is being deleted.

As noted above, current Supplementary Material .05(a)(ii) to Options 4, Section 5 is being relocated to new Supplementary Material .05 to Options 4, Section 5 with the title “\$0.50 Strike Program.” The Exchange proposes to add rule text to the beginning of the rule, which provides, “The interval of strike prices of series of options on individual stocks may be” to introduce the text that follows, otherwise there are no changes proposed to the current rule text. This rule text is identical to ISE’s rule text in the same location.

The Exchange proposes to amend current Supplementary Material .05(c) to Options 4, Section 5 to new Supplementary Material .06 with the title “\$5 Strike Program.” The Exchange proposes to begin this section with new text, which provide, “The interval of strike prices may be” which introduces the rule text. This rule text is identical to ISE’s rule text in the same location.

The Exchange proposes to relocate current Supplementary Material .06 to Options 4C, Section 5(a)(1) without change. The Exchange proposes to relocate current Supplementary Material .07 to Options 4, Section 5 to the beginning of new Options 4C, Section 5(b) without change.

The Exchange noted above that current Supplementary Material .08 to Options 4, Section 5 was relocated to Supplementary Material .04 to Options 4, Section 5.

The Exchange proposes to delete current Supplementary Material .09 to Options 4, Section 5 as the intervals for indexes are noted within Options 4A and do not need to be discussed in Options 4 which concerns multiply-listed options.

The Exchange discusses the relocation of current Supplementary Material 10 to Options 4, Section 5 within the next section.

The Exchange relocated current Supplementary Material 11 to Options 4, Section 5 to new Supplementary Material .03 to Options 4, Section 5.

The Exchange relocated current Supplementary Material 12 to Options 4, Section 5 to new Options 4, Section 5(f).

Proposed Section 6. Select Provisions of Options Listing Procedures Plan

Proposed Section 6 of the Options Listing Rules is adopting the language of the ISE version of the rule²⁹ with the revised rule text not being new, but largely relocated from Supplementary Material .10 of Options 4, Section 5. This aligns with the goal of harmonizing and uniformizing Phlx's Options Listing Rules with those of ISE and providing greater information to market participants.

Proposed Section 6 of the Options Listing Rules will include Select Provisions of Options Listing Procedures Plan ("OLPP") that will mirror the language in the ISE rules.³⁰ Proposed Section 6(a) of the Options Listing Rules references the quote mitigation strategy that is codified in the OLPP at

²⁹ See ISE Options Listing Rule Section 6.

³⁰ Id.

http://www.optionsclearing.com/products/options_listing_procedures_plan.pdf.

Specifically, proposed Section 6(b) states that the exercise price of each options series listed by the Exchange is fixed at a price per share that is reasonably close to the price of the underlying equity security, ETF or Trust Issued Receipt at or about the time the Exchange determines to list such series. Proposed subsection (b)(i) says that except as provide in subparagraphs (ii) - (iv), if the price of the underlying security is less than or equal to \$20, the Exchange will not list new options series with an exercise price more than 100% above or below the price of the underlying security. However, the foregoing restriction will not prohibit the listing of at least three exercise prices per expiration month in an options class. Except as provided in Supplementary Material .02(d) to Options 3, Section 5, if the price of the underlying security is greater than \$20, the Exchange will not list new options series with an exercise price more than 50% above or below the price of the underlying security. Subsection (b)(i) also details how to measure the price of the underlying security.

Proposed subsection (b)(ii) of Options 4, Section 6 explains that the series exercise price range limitations contained in subparagraph (i) above do not apply with regard to the listing of \$1 strike prices in options classes participating in the \$1 Strike Program, as well as the listing of series of Flexible Exchange Options. The Exchange proposes to add additional rule text to proposed (b)(ii)(1) which provides, “Instead, the Exchange shall be permitted to list \$1 strike prices to the fullest extent as permitted under its Rules for the \$1 Strike Program...”³¹ This additional rule text is identical to ISE

³¹ Current Phlx Supplementary Material .10(b) of Options 4, Section 5 provides, “The series exercise price range limitations contained in subparagraph (a) above do not apply with regard to: (i) the listing of \$1 strike prices in option classes

Options 4, Section 6(b)(ii)(1) and serves to make clear that Phlx may list \$1 strikes pursuant to its rules.

Proposed subsection (b)(iii) says that the Exchange may designate up to five options classes to which the series exercise price range may be up to 100% above and below the price of the underlying security and that such designations will be made on an annual basis and will not be removed during the calendar year unless the options class is delisted by the Exchange, in which case it may designate another options class to replace the delisted class. If a designated options class is delisted by the Exchange but continues to trade on at least one options exchange, the options class shall be subject to the limitations on listing new series set forth in subparagraph (i) above unless designated by another exchange.

Proposed subsection (b)(iv) says that if the Exchange that has designated five options classes pursuant to subparagraph (iii) above requests that one or more additional options classes be excepted from the limitations on listing new series set forth in subparagraph (i) above, the additional options class(es) will be designated upon the unanimous consent of all exchanges that trade the options class(es). In addition, at the Exchange's request, the percentage range for the listing of new series may be increased to more than 100% above and below the price of the underlying security for an options class, by the unanimous consent of all exchanges that trade the designated options class. Exceptions for an additional class or for an increase of the exercise price range will apply to all standard expiration months existing at the time of the vote, plus the next standard expiration month to be added, and also to any non-standard expirations that occur prior to

participating in the \$1 Strike Program or (ii) the listing of series of FLEX options.”

the next standard monthly expiration.

Proposed subsection (b)(v) is not being relocated, rather this provision is new to Phlx.³² The provisions of this subparagraph (b) will not permit the listing of series that are otherwise prohibited by the Rules of the Exchange or the OLPP. To the extent the Rules of the Exchange permit the listing of new series that are otherwise prohibited by the provisions of the OLPP, the provisions of the OLPP will govern.

Proposed subsection (b)(vi) says that the Exchange may list an options series that is listed by another options exchange, provided that at the time such series was listed it was not prohibited under the provisions of the OLPP or the rules of the exchange that initially listed the series.

Proposed Section 7. Adjustments

Proposed Options 4, Section 7 of the Options Listing Rules is adopting the language of the ISE version of the rule.³³ Phlx currently does not have a similar rule, however Phlx members and member organizations are subject to the rules of The Options Clearing Corporation (“OCC”) today as all options are cleared at OCC. Proposed Section 7 will be amended to say that options contracts will be subject to adjustments in accordance with the Rules of the Clearing Corporation that such changes will be effective

³² Proposed Options 4, Section 6(b)(v) provides, “(v) The provisions of this subparagraph (b) shall not permit the listing of series that are otherwise prohibited by the Rules of the Exchange or the OLPP. To the extent the Rules of the Exchange permit the listing of new series that are otherwise prohibited by the provisions of the OLPP, the provisions of the OLPP shall govern.”

³³ See ISE Options Listing Rule Section 7. Proposed Options 4, Section 7 provides, “Options contracts shall be subject to adjustments in accordance with the Rules of the Clearing Corporation. When adjustments have been made, the Exchange will announce that fact, and such changes will be effective for all subsequent transactions in that series at the time specified in the announcement.”

for all subsequent transactions in that series at the time specified in the announcement.

Proposed Changes to Section 8. Long-Term Options Contracts

Proposed Options 4, Section 8 of the Options Listing Rules is adopting the language of the ISE version of the rule.³⁴ Current Options 4, Section 5(a)(i)(D)³⁵ is being relocated to new Options 4, Section 8(a) with some amendments.

Proposed Options 4, Section 8(a) of the Options Listing Rules says that notwithstanding conflicting language in Options 3, Section 5, the Exchange may list long-term options contracts that expire from twelve to thirty-nine months from the time they are listed, this is consistent with current rule text within Options 4, Section 5(a)(i)(D) but accounts for Options 3, Section 5 which describes entry of orders. It also specifies that there may be up to ten expiration months for options on the SPDR® S&P 500® ETF and up to six expiration months for options on all other securities. The new language utilizes the term “securities” instead of stocks or Exchange Traded Fund Shares. The remainder of proposed Section 8(a) remains the same.

Proposed Options 4, Section 8(b) is new. The proposed provision states that after a new long-term options contract series is listed, that series will be opened for trading either when there is buying or selling interest, or forty minutes prior to the close,

³⁴ See ISE Options Listing Rule Section 8.

³⁵ Current Options 4, Section 5(a)(i)(D) provides, “Long Term Options. The Exchange may list, with respect to any class of stock or Exchange-Traded Fund Share options series, options having from twelve up to thirty-nine months from the time they are listed until expiration. There may be up to ten expiration months for options on the SPDR® S&P 500® exchange-traded fund (the “SPY ETF”) and up to six expiration months for options on all other stocks or Exchange Traded Fund Shares. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine months.”

whichever occurs first and that no quotations will be posted for such options series until they are opened for trading. This is the case today, however this specificity is not currently noted in the rules. The addition of this provision will bring greater specificity to Phlx's Rule and align the rule text with ISE rule text.

Section 9. Limitation on the Liability of Index Licensors for Options on Fund Shares

Proposed Options 4, Section 9 of the Options Listing Rules is adopting the language of the ISE version of the rule³⁶ since it is not in the current Exchange Rulebook and it will now be consistent with the ISE rulebook. Proposed Section 9(a) defines the term "index licensor" as any entity that grants the Exchange a license to use one or more indexes or portfolios in connection with the trading of options on Exchange-Traded Fund Shares (as defined in Options 4, Section 3(h)).

Proposed Options 4, Section 9(b) says that no index licensor with respect to any index or portfolio underlying an option on Exchange-Traded Fund Shares traded on the Exchange makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of such index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any option contract on Exchange-Traded Fund Shares based thereon or for any other purpose. The index licensor will obtain information for inclusion in, or for use in the calculation of, such index or portfolio from sources it believes to be reliable, but the index licensor does not guarantee the accuracy or completeness of such index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or related thereto. The index licensor disclaims all warranties of merchantability or fitness

³⁶ See ISE Options Listing Rule Section 9.

for a particular purpose or use with respect to any such index or portfolio, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Exchange-Traded Fund Shares based thereon. The index licensor will have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person's use of such index or portfolio, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Exchange-Traded Fund Shares based thereon, or arising out of any errors or delays in calculating or disseminating such index or portfolio.

Proposed Changes to Section 10. Back-up Trading Arrangements

Except as noted otherwise, the proposed changes to Options 4, Section 10 are minor changes that are designed to conform the Phlx Options rules to the equivalent ISE rules,³⁷ as well as to increase the clarity of the rules, which includes some reorganization and renumbering within the Options Listing Rules' subsections to ensure they remain consistent. It is in the interest of the Exchange to have similar back-up trading arrangements that are harmonized with ISE and the other affiliated markets in the event that Phlx needs to be hosted, which are fair and representative of a common understanding.

For Exchange Exclusively Listed Options, in subsection (a)(iii) a clarification is made that Phlx members that are trading on Phlx's facility at the Back-up Exchange (not including members of the Back-up Exchange who become temporary Members of Phlx

³⁷ See ISE Options Listing Rule Section 10.

pursuant to paragraph (a)(1)(vi)) will be subject to Phlx rules governing or applying to the maintenance of a person's or a firm's status as a Member of Phlx.

Additionally, subsection (a)(v) will be amended to clarify that Phlx will have the right to designate its Members that will be authorized to trade Phlx exclusively listed options on Phlx's facility at the Back-up Exchange and, if applicable, its Member(s) that will be a lead market maker in those options.

For Singly Listed Options, proposed Options 4, Section 10(a)(2) is being amended to make clarifying changes.

For Multiply Listed Options, proposed Options 4, Section 10(a)(3) has been added to clarify that the Exchange may enter into arrangements with a Back-up Exchange to permit Phlx members to conduct trading on a Back-up Exchange of some or all of the Exchange's multiply listed options in the event of a Disabling Event. The revised language is consistent with current Exchange procedures. Such options will trade as a listing of the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such options shall be traded by members of the Back-up Exchange and by Phlx members selected by Phlx to the extent the Back-up Exchange can accommodate Exchange members in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all Phlx members that desire to trade multiply listed options at the Back-up Exchange, Phlx may determine which members will be eligible to trade such options at the Back-up Exchange. Proposed Section 10(a)(3) also covers the factors to be considered in making such determinations.

For Disabled Exchange Exclusively Listed Options, proposed Options 4, Section 10(b)(1) is being amended to make clarifying changes.

For Disabled Exchange Singly Listed Options, proposed Options 4, Section 10(b)(2) is being amended to make clarifying changes and to delete language pertaining to granting temporary access to any member of a Disabled Exchange under certain conditions because the Exchange now addresses this in proposed Options 4, Section 10(b)(3). For Multiply Listed Options, proposed Options 4, Section 10(b)(3) is new and is consistent with current Phlx procedures and will clarify that Phlx may enter into arrangements with a Disabled Exchange to permit the Disabled Exchange's members to conduct trading on Phlx of some or all of the Disabled Exchange's multiply listed options in the event of a Disabling Event.³⁸ Such options will trade as a listing of Phlx and in accordance with Phlx Rules and will be traded by Phlx members and by members of the Disabled Exchange to the extent Phlx can accommodate members of the Disabled Exchange in the capacity of temporary members of Phlx. Options 4, Section 10(b)(2) and (3) will govern in the case of an unanticipated event and addresses both singly and multiply listed options. The Exchange believes it is important that the governing rules are identical across all exchanges for business continuity planning purposes and it is also intended to discourage the potential for "shopping" across the exchanges by a Disabled Exchange's members.

Proposed Options 4, Sections 10(c) - (e) are being amended to conform to ISE and to provide clarity.

Finally, .01 of the Supplementary Material to Options 4, Section 10 is new and is consistent with Phlx procedures and says that this Rule reflects back-up trading arrangements that Phlx has entered into or may enter into with one or more other

³⁸ All options exchanges may list options once they are made available by the OCC.

exchanges and that to the extent that this Rule provides that another exchange will take certain action, the Rule is reflecting what that exchange has agreed to do by contractual agreement with Phlx, but the Rule itself is not binding upon the other exchange.

Proposed Changes to Section 11. U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value

The Exchange is relocating Section 11 of Options 4 to new Options 4C, Section 6 without change.

Proposed Section Options 4C U.S. Dollar-Settled Foreign Currency Options

Proposed Section Options 4C of the Options Listing Rules covers U.S. Dollar-Settled Foreign Currency Options and is comprised of language relocated from Options 4, along with some added introductory language added in Section 1 of Options 4C.

Proposed Supplementary Material to Options 8, Section 30

Proposed .04 to Supplementary Material to Options 8, Section 30 is new, but is simply text relocated from current Options 4, Section 4(a) and is not a substantive change.

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,³⁹ in general, and furthers the objectives of Section 6(b)(5) of the Act,⁴⁰ 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.

³⁹ 15 U.S.C. 78f(b).

⁴⁰ 15 U.S.C. 78f(b)(5).

The Exchange believes that the relocation of its Options Listing Rules is a non-substantive change and is consistent with similar filings by the Exchange for the relocation of its rules.⁴¹ As noted above, the relocation of the Options Listing Rules is part of the Exchange's continued effort to promote efficiency and the structural conformity of its processes with those of the Affiliated Exchanges,⁴² and its goal of harmonizing and uniformizing its rules.⁴³ Additionally, the relocation of the Options Listing Rules will facilitate the use of the Rulebook by Members of the Exchange, who are members of other Affiliated Exchanges; other market participants; and the public in general.

The majority of the changes are also consistent with the ISE rulebook and the overarching goal is to align the Phlx Options rules with those of the ISE.

The Exchange believe that adding definitions for the terms "class", "series", and "underlying security" to Options 1, Section 1 of the Phlx rulebook from the OCC By-Laws will help 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 through providing uniform, clear and precise definitions for these terms and increase consistency, lessen potential confusion and add clarity for market participants.⁴⁴

The Exchange believes that amending Options 4, Section 1 to clarify that the Exchange trades options contracts and to relocate a sentence dealing with foreign

⁴¹ See supra footnote 3.

⁴² Id.

⁴³ See supra footnote 6.

⁴⁴ See supra footnote 8.

currency option contracts to Options 4C, Section 2(a) will help 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 through providing clear and precise language and through relocating certain language will increase consistency, lessen potential confusion and add clarity for market participants.

The Exchange believes that the changes to Options 4, Section 2, Section 3(a), and Section 3(b) are non-substantive in nature and removes 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 since the changes are intended to ease the Members', market participants', and the general public's navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

New Options 4, Section 3(c), which address securities of restructured companies, reflects the language of the ISE version of the rule.⁴⁵ The section adds guidelines and definitions, including "Restructuring Transaction", "Restructure Security", "Original Equity Security", "Relevant Percentage", "market information sharing agreement", and deletes the definition of "Partnership Unit" since it is a remnant from the legacy Exchange ETF listing rule since it is unnecessary because it has never been used and also is not reflected in the ISE rule version being adopted for this section.⁴⁶ The definitional additions coupled with changes reflecting reorganization and clarifications, including the deletion of language included elsewhere and language no longer necessary, and to reflect the language of the ISE version of the rule, the Exchange believes removes impediments

⁴⁵ See ISE Options Listing Rule Section 3.

⁴⁶ Id.

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 since the changes are intended to ease the Members', market participants', and the general public's navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

The Exchange believes that the clarification to the term "security" in Options 4, Section 3(e) and the deletion of the remainder of Section 3(e) removes 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 because these changes add clarity for market participants and removes unnecessary language that will make this section consistent with the rules of ISE rules and of other affiliated markets.

The Exchange believes that the changes to proposed Options 4, Section 3(f) - (k) (excluding Options 4 Sections (g) and (h) that is a new and reflects the language of the ISE version of the rule and is discussed below), which include changes are of a non-substantive nature that reflect reorganization, definitions and clarifications, removes 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 because these changes are intended to ease the Members', market participants', and the general public's navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

Proposed Options 4, Sections 3(g) and (h) both deal with securities deemed appropriate for options trading, contain changes reflecting reorganization and clarifications, including the deletion of language included elsewhere and language no longer necessary, and copy the language of the ISE version of the rule. Proposed Options

4, Section 3(h)(1) is consistent with the Act because it adds language stating that subparagraph (2) applies to the extent the Exchange-Traded Fund Share is based on international or global indexes. This language is intended to clarify that subparagraph (2) does not apply to an Exchange-Traded Fund Shares based on a U.S. domestic index. The phrase “if not available or applicable” added to Proposed Options 4, Section 3(h)(2)(B), (C), and (D) is intended to clarify that when component securities are not available, the portfolio of securities upon which the Exchange-Traded Fund Share is based can be used instead.

The Exchange believes the update to Options 4, Sections 4 and 5 removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general protects investors and the public interest. Overall, these changes are of a non-substantive nature and either modify, clarify or relocate the existing Rulebook language to reflect the language of the ISE version of the rule and are intended to ease the Members’, market participants’, and the general public’s navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

With respect to the removal of current Supplementary Material .09 to Options 4, Section 3, which describes inadequate volume delisting, the Exchange believes these amendments are consistent with the Act. In order to remain competitive with other options markets the Exchange proposes to adopt the same obligations for continuance of trading. With this proposal, the Exchange would eliminate the requirement that an option must be trading for more than 6 months. The Exchange notes that this condition is not present on other options markets such as ISE and Cboe.⁴⁷ This also applies to the

⁴⁷ See ISE Options 4, Section 3 and Cboe Rule 4.4.

requirement that the average daily volume of the entire class of options over the last six (6) month period was less than twenty (20) contracts. The Exchange notes that Phlx's requirements are different than other options markets and to remain competitive the Exchange proposes to adopt the same standards as ISE, GEMX, MRX and Cboe in order to remain competitive and list similar options as the other markets. While the Exchange may in the future determine to delist an option that is singly listed, the Exchange proposes to remove the rule text which provides that "If the option is singly listed only on the Exchange, the Exchange will cease to add new series and may delist the class of options when there is no remaining open interest." This rule text does not exist on ISE, GEMX, MRX and Cboe. The Exchange today provides notification of a delisting to all members so therefore it is not necessary to retain the provisions within (b)(2). Also, proposed new Options 4, Section 4(e) establishes the rules by which the Exchange will announce securities that have been withdrawn. The rule text within Options 4, Section 4(b), as amended to conform to ISE rule text, will continue to govern the continued approval of options on the Exchange. The Exchange believes that the requirements noted within Options 4, Section 4(b) review various requirements when determining whether an options should continue to be listed. Among the criteria are: number of shares, number of holders, trading volume, and whether the underlying security is an NMS stock, among others. The Exchange believes that this criteria, which is the same as the criteria on ISE, GEMX and MRX, will ensure that the Exchange continues to list options which are in demand and have adequate liquidity.

Specifically, the Exchange's proposal within proposed .03(c) of Options 4, Section 5 to add a sentence at the beginning which provides, "The Exchange may open

up to 30 initial series for each options class that participates in the Short Term Options Series Program” is consistent with the Act as this is not a change to Phlx’s current rules. This provision exists today with Phlx’s rule within Supplementary Material .11(a) of Options 4, Section 5.⁴⁸ Also, ISE has this provision in its rules today. This provision permits Phlx to remain competitive with listings of other options exchanges with respect to Short Term Options Series listings.

The Exchange believes the update to Options 4, Section 6 removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general protects investors and the public interest because the changes are mainly of a non-substantive nature with much of the rule text largely simply being relocated from Supplementary Material .10 of Options 4, Section 5, including Select Provisions of OLPP that will mirror the language in the ISE rules, and is intended to ease the Members’, market participants’, and the general public’s navigation and reading of the rules and lessen potential confusion and add clarity for market participants. The Exchange’s proposal to add additional rule text to proposed (b)(ii)(1) which provides, “Instead, the Exchange shall be permitted to list \$1 strike prices to the fullest extent as permitted under its Rules for the \$1 Strike Program...” will bring greater clarity to Phlx’s

⁴⁸ Supplementary Material .11(a) of Options 4, Section 5 provides, with emphasis added, “The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. **For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty (30) Short Term Option Series for each expiration date in that class.** The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.”

rule. This additional rule text is identical to ISE Options 4, Section 6(b)(ii)(1) and serves to make clear that Phlx may list \$1 strikes pursuant to its rules, which amendment is non-substantive as that is the case today. Proposed subsection (b)(v) is new to Phlx. The provisions of this subparagraph (b) will not permit the listing of series that are otherwise prohibited by the Rules of the Exchange or the OLPP. To the extent the Rules of the Exchange permit the listing of new series that are otherwise prohibited by the provisions of the OLPP, the provisions of the OLPP will govern. While new, this amendment is non-substantive as this is the case today as Phlx is subject to OLPP.

The Exchange believes that the changes to proposed Options 4, Section 7 removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general protects investors and the public interest because the changes are of a non-substantive nature and intended to reflect the language of the ISE version of the rule and provide greater information to market participants about adjustments and is intended to ease the Members', market participants', and the general public's navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

The Exchange believes that the changes to proposed Options 4, Section 8 removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general protects investors and the public interest because the changes are mainly of a non-substantive nature with much of the rule text largely simply being relocated from current Options 4, Section 5(a)(i)(D) to new Options 4, Section 8(a) with some minor amendments and is intended to ease the Members', market participants', and the general public's navigation and reading of the rules and lessen potential

confusion and add clarity for market participants.

Specifically with respect to OLPP, proposed Section 8(a) of the Options Listing Rules states that notwithstanding conflicting language in Options 3, Section 5, the Exchange may list long-term options contracts that expire from twelve to thirty-nine months from the time they are listed, this is consistent with current rule text within Options 4, Section 5(a)(i)(D) but accounts for Options 3, Section 5 which describes entry of orders. It also specifies that there may be up to ten expiration months for options on the SPDR® S&P 500® ETF and up to six expiration months for options on all other securities. The new language utilizes the term “securities” instead of stocks or Exchange Traded Fund Shares. The remainder of proposed Section 8(a) remains the same. Proposed Section 8(b) is new. The proposed provision states that after a new long-term options contract series is listed, that series will be opened for trading either when there is buying or selling interest, or forty minutes prior to the close, whichever occurs first and that no quotations will be posted for such options series until they are opened for trading. This is the case today, however this specificity is not currently noted in the rules. The addition of this provision is consistent with the Act as it will bring greater specificity to BX’s Rule and align the rule text with ISE rule text.

The Exchange believes that the changes to proposed Options 4, Section 9 removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general protects investors and the public interest because the Exchange is adopting the language of the ISE version of the rule so it will now be consistent with the ISE rulebook and, as with ISE, the Exchange does not itself do the calculation. Proposed Section 9 of the Options Listing Rules is adopting the language of

the ISE version of the rule⁴⁹ since it is not in the current Exchange Rulebook and it will now be consistent with the ISE rulebook. Proposed Section 9(a) defines the term “index licensor.” Proposed Section 9(b) provides that no index licensor with respect to any index or portfolio underlying an option on Exchange-Traded Fund Shares traded on the Exchange makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of such index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any option contract on Exchange-Traded Fund Shares based thereon or for any other purpose. The disclaimers within proposed Section 9 are consistent with the Act in that these disclaimers provide market participants with relevant information as to the liabilities on option contracts on Exchange-Traded Fund Shares. ISE has the identical language within Options 4, Section 9.

The Exchange believes that the proposed rule change is consistent with section 6(b)(5) of the Act⁵⁰ in that it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that the changes to proposed Options 4, Section 10 are mainly of a non-substantive nature that are designed to modernize and conform the Phlx Options rules to the equivalent ISE rules and remove impediments to and perfect the

⁴⁹ See ISE Options Listing Rule Section 9.

⁵⁰ 15 U.S.C. 78f(b).

mechanism of a free and open market and a national market system, and, in general protects investors and the public interest because it is in the interest of the Exchange to have similar back-up trading arrangements that are harmonized with the ISE and the other affiliated markets, which are fair and representative of a common understanding. The Exchange believes it is critical that the governing rules are identical across all exchanges for business continuity planning purposes and to discourage the potential for “shopping” across the exchanges by a Disabled Exchange’s members.

The Exchange believes that the relocation of Options 4, Section 11 to new Options 4C, Section 6 without change, as well as the addition of Options 4C (U.S. Dollar-Settled Foreign Currency Options) in its entirety which is comprised of language relocated from Options 4 with some added introductory language, will help 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 through non-substantive changes and reorganization to mirror the ISE rule and for greater clarity.

The Exchange believes that the relocation of a portion of Options 4, Section 4(a) to proposed .04 to Supplementary Material to Options 8, Section 30 will help 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 through non-substantive changes and reorganization to mirror the ISE rule and for greater clarity.

As a result, the Exchange believes that the changes included in this filing serve 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 since the changes are intended to organize the Rulebook in a way that it will ease the

Members', market participants', and the general public's navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

With respect to the proposed technical corrections to the rules, the Exchange believes that these changes are consistent with the Act because they will prevent investor confusion that may be caused by including in the Rules incorrect rule citations and defunct rule text.

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 does not impose a burden on competition because, as previously stated, it (i) is of a non-substantive nature, (ii) is intended to harmonize the structure of the Exchange's rules with those of its Affiliated Exchanges, and (iii) is intended to organize the Rulebook in a way that it will ease the Members', market participants', and the general public's navigation and reading of the rules.

Consequently, the Exchange does not believe that the proposed changes implicate competition at all.

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)(iii)⁵¹ of the Act and Rule 19b-4(f)(6) thereunder⁵² 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 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 Exchange does not believe that the relocation and amending of the Options Listing Rules will significantly affect the protection of investors or the public interest because the proposed change is only intended to relocate and copy language from ISE rules to conform the aforementioned amended rules.⁵³ Moreover, the Exchange does not believe that this proposal will impose any significant burden on competition because, as explained, the change is non-substantive, is intended to align the structure of the Exchange's Rulebook to the Affiliated Exchanges' and generally seeks to improve the organization and readability of the Exchange's rules. The Exchange does not believe that the proposed changes implicate competition at all.

⁵¹ 15 U.S.C. 78s(b)(3)(A)(iii).

⁵² 17 CFR 240.19b-4(f)(6).

⁵³ See e.g. Securities Exchange Act Release Nos. 73999 (January 6, 2015), 80 FR 1559 (January 6, 2015) (SR-ISE-2014-52) (Order Granting Approval of Proposed Rule Change Regarding the Short Term Option Series Program); 72452 (June 24, 2014), 79 FR 36848 (June 30, 2014)(SR-ISE-2014-23) (Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 2, Regarding the Short-Term Option Series Program); 67554 (August 29, 2012), 77 FR 54629 (September 5, 2012) (Order Granting Approval of Proposed Rule Change, as Modified by Amendment No. 1, Regarding Strike Price Intervals for Certain Option Classes); 65771 (November 17, 2011), and 76 FR 72472 (November 23, 2011) (SR-ISE-2011-60) (Order Granting Approval of Proposed Rule to Expand the Short Term Options Series Program).

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

The changes are based on the ISE rulebook.⁵⁴ The proposed changes are also similar to the relocation of options rules at Chapter IV (Securities Traded on NOM) under the Options 4 title in the Nasdaq rulebook.⁵⁵

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 Change for publication in the Federal Register.

5. Text of the proposed rule change.

⁵⁴ See supra footnotes 9 – 17; 19 – 20; 29 – 30; 33 – 34; and 36 – 37.

⁵⁵ See supra footnote 6.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. _____ ; File No. SR-Phlx-2021-14)

March __, 2021

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Phlx Options Rules at Options 4 Under the Options 4 Title in the Exchanges Rulebooks Shell Structure

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 March 23, 2021, Nasdaq 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 amend the Phlx Options Rules (“Phlx Options”) at Options 4 (Options Listing Rules) under the Options 4 title in the Exchange’s rulebook’s (“Rulebook”) shell structure.³ This proposal also creates a new Options 4C entitled “U.S. Dollar-Settled Foreign Currency Options.”

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In 2017, the Exchange added a shell structure to its Rulebook with the purpose of improving efficiency and readability and to align its rules closer to those of its five sister exchanges, The Nasdaq Stock Market LLC (“Nasdaq”); Nasdaq BX, Inc.; Nasdaq ISE, LLC; Nasdaq GEMX, LLC; and Nasdaq MRX, LLC (“Affiliated Exchanges”). The shell structure currently contains eight (8) General sections which, once complete, will apply a common set of rules to the Affiliated Exchanges. See Securities Exchange Act Release No. 82174 (November 29, 2017), 82 FR 57492 (December 5, 2017) (SR-BX-2017-054).

The text of the proposed rule change is available on the Exchange's Website at <https://listingcenter.nasdaq.com/rulebook/phlx/rules>, at the principal office of the Exchange, and at the Commission's Public Reference Room.

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

The Exchange proposes to amend the rule text in Options 4 (Options Listing Rules) under the Options 4 title in the Exchange's Rulebook's shell structure. For ease of reference and the purposes of this filing, the relocated rules are herein described as the "Options Listing Rules."

The amending of the Options Listing Rules is part of the Exchange's continued effort to promote efficiency and the conformity of its processes with those of the Affiliated Exchanges,⁴ and its goal of harmonizing and uniformizing its rules.⁵

This proposed change is of a non-substantive nature. Moreover, the amending of

⁴ Supra note 3.

⁵ This proposal is similar to the relocation of options rules at Chapter IV (Securities Traded on NOM) under the Options 4 title in the Nasdaq rulebook. See Securities Exchange Act Release No. 86022 (June 4, 2019), 84 FR 26912 (June 10, 2019) (SR-NASDAQ-2019-047).

the Options Listing Rules will facilitate the use of the Rulebook by Members⁶ of the Exchange, who are members of other Affiliated Exchanges; other market participants; and the public in general. These rules will be amended to reflect the equivalent options rules in the ISE rulebook, but the changes are of a non-substantive nature.

The overarching goal is to align Phlx Options rules with those of ISE. The Exchange is proposing to amend the rules for Phlx Options, most notably the rule text in the Options Listing Rules concerning securities traded on Phlx Options, but also adding several definitions to Section 1 of Options 1. The Exchange desires to align Phlx's Rules to those of ISE and then, separately, in another rule change seek to incorporate ISE's rules by reference to Phlx.

The vast majority of the changes are technical changes and made throughout the Options Listing Rules. These minor changes are designed to conform the Phlx Options rules to the equivalent ISE rules, as well as to increase the clarity of the rules. This includes some reorganization and renumbering within the Options Listing Rules' subsections to ensure they remain consistent.

The proposed changes that do not fit within the description above are listed below, beginning with changes to Options 1 General Provisions and followed by global changes to the Options Listing Rules. The changes are then broken down by section within the Options Listing Rules.

Unlike ISE, Phlx has listing rules for U.S. Dollar Settled Foreign Currency Options or "FCOs." Phlx proposes to relocate the listing rules related to U.S. Dollar

⁶ As defined by Exchange Rule GENERAL 1 GENERAL PROVISIONS Section 1(16).

Settled Foreign Currency Options to new Options 4C in order that it may identically align the remaining rules to ISE's Options 4 Rules.

Proposed Changes to Options 1 General Provisions

The Exchange is proposing to add definitions to "Options 1 Section 1. Applicability, Definitions and References". Specifically, the terms "class" "series" and "underlying security" will be added to Section 1(b) as (9), (51), and (60), respectively.⁷ The Exchange is deleting the definitions for "class of options" and "series of options and replacing them with the new definition of "class and "series". The Exchange believes that using the definitions for these terms as defined in the By-Laws of The Options Clearing Corporation ("OCC") uniformly across Nasdaq, Inc.'s exchanges will help to align them. Providing uniform, clear and precise definitions for these terms will provide consistency, lessen potential confusion and add clarity for market participants.

Proposed Changes to the Options Listing Rules

Proposed Changes to Section 1 of Options 1. Applicability, Definitions and References

This section will be amended to clarify that the Exchange trades options contracts, each of which is designated by reference to the issuer of the underlying security, expiration month or expiration date, exercise price and type (put or call) and to conform the Phlx Options rules to the equivalent ISE rules.⁸ The second sentence of this rule related to foreign currency option contracts is being relocated to new Options 4C, Section 2(a) without amendment.

⁷ See OCC By-Laws Article I – Definitions C.(11); S.(12); and U.(3), respectively.

⁸ See ISE Options Listing Rule Section 1.

Proposed Changes to Section 2. Rights And Obligations Of Holders And Writers

This section will be amended with a number of minor changes to update the numbering and to increase the clarity of the language and to conform the Phlx Options rules to the equivalent ISE rules.⁹

Proposed Changes to Section 3. Criteria for Underlying Securities

Options 4, Section 3 of the Options Listing Rules is being updated by modifying the existing Rulebook language to reflect the language of the ISE version of the rule.¹⁰ Most of the changes in Section 3 simply result from minor changes and reorganization within the section done to mirror the ISE rule and for greater clarity.

Options 4, Section 3(b) of the Options Listing Rules will also change “Board of Directors” to “the Exchange” as to who may establish guidelines to be considered in evaluating potential underlying securities for Exchange options transactions.

Current Section 3(c) is being relocated to new Options 4C, Section 3(a) without amendment.

New Options 4, Section 3(c), which address securities of restructured companies, reflects the language of the ISE version of the rule.¹¹ This section will now define “Restructuring Transaction” as a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction, “Restructure Security” as an equity security that a company issues, or anticipates issuing, as the result of a Restructuring Transaction of the company, “Original Equity Security” as a company’s equity security that is issued and

⁹ See ISE Options Listing Rule Section 2.

¹⁰ See ISE Options Listing Rule Section 3.

¹¹ Id.

outstanding prior to the effective date of a Restructuring Transaction of the company. “Relevant Percentage” will be defined as either: (i) twenty-five percent (25%), when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; or (ii) thirty-three and one-third percent (33-1/3%), when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security. Additionally, proposed Section 3(c) will include the “Share” and “Number of Shareholder” guidelines to mirror the equivalent ISE Options Listing Rule. Also, the current rules related to “Restructure Security” in Supplementary Material .05 to Options 4, Section 3 are being deleted.

Proposed Options 4, Section 3(c)(2) will address determining whether a Restructure Security satisfies the share guideline set forth in this Rule. Proposed Options 4, Section 3(c)(3) adds a “Trading Volume” guideline, proposed Options 4, Section 3(c)(4) adds a “Market Price” guideline, and proposed Options 4, Section 3(c)(5) adds a “Substantiality Test” for a “Restructure Security”. Proposed Options 4, Section 3(c)(6) says that a Restructure Security’s aggregate market value may be determined from “when issued” prices, if available, while proposed Options 4, Section 3(c)(7) says that in calculating comparative aggregate market values for the purpose of assessing whether a Restructure Security qualifies to underlie an option, the Exchange will use the Restructure Security’s closing price on its primary market on the last business day prior to the selection date or the Restructure Security’s opening price on its primary market on the selection date and shall use the corresponding closing or opening price of the related Original Equity Security.

Proposed Options 4, Section 3(c)(8) addresses calculating comparative asset values and revenues while proposed Options 4, Section 3(c)(9) says that except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange may not rely upon the trading volume or market price history of an Original Equity Security, unless it relies upon both of those measures for that trading day. Proposed Options 4, Section 3(c)(10) says that once the Exchange commences to rely upon a Restructure Security's trading volume and market price history for any trading day, the Exchange may not rely upon the trading volume and market price history of the security's related Original Equity Security for any trading day thereafter. Proposed Options 4, Section 3(c)(11) addresses "When Issued" trading is prohibited.

Options 4, Section 3(e) will be amended to say that "security" will be broadly interpreted to mean any equity security, as defined in Rule 3a11-1 under the Exchange Act, which is appropriate for options trading, and the word "shares" will mean the unit of trading of such security. This will replace Supplementary Material .03 to Options 4, Section 3, which is being deleted. The remainder of Supplementary Material .03 to Options 4, Section 3 is being relocated to paragraph (a) ("the word "shares" shall mean the unit of trading such security") and paragraph (f) (ADRs). The remainder of Section 3(e) will be deleted because these provisions relating to determining whether to list an option that otherwise meets objective listing criteria are unnecessary and will now be in line with ISE rules¹² and those of other affiliated markets. The Exchange needs to be competitive with other markets and their ability to list options and these other markets do not have these requirements. Simply put, the Exchange is harmonizing and uniformizing

¹²Id.

Phlx's Options Listing Rules with those of ISE and other affiliated markets so that it can list securities on its markets in the same fashion as these other markets.

Proposed Options 4, Section 3(f) will add introductory language for clarity and say that securities deemed appropriate for options trading shall include nonconvertible preferred stock issues and American Depositary Receipts ("ADRs") if they meet the criteria and guidelines set forth in the Rule. This rule text is currently in Supplementary Material .03 to Options 4, Section 3.

Proposed Options 4, Sections 3(g) and (h) both deal with securities deemed appropriate for options trading, contain changes reflecting reorganization and clarifications, including the deletion of language included elsewhere and language no longer necessary, and copy the language of the ISE version of the rule.¹³ Proposed Options 4, Section 3(h)(1) adds language stating that subparagraph (2) applies to the extent the Exchange-Traded Fund Share is based on international or global indexes. This language is intended to clarify that subparagraph (2) does not apply to an Exchange-Traded Fund Shares based on a U.S. domestic index. The phrase "if not available or applicable" added to Proposed Options 4, Section 3(h)(2)(B), (C), and (D) is intended to clarify that when component securities are not available, the portfolio of securities upon which the Exchange-Traded Fund Share is based can be used instead.

Proposed Section 3(i) will define "market information sharing agreement" by referring back to subparagraph (g)(2), which defines it as an agreement that would permit the Exchange to obtain trading information relating to the securities held by the fund including the identity of the Member of the foreign exchange executing a trade.

¹³

Id.

Proposed Section 3(j) will contain changes reflecting reorganization and clarifications, including the deletion of the definition of “Partnership Unit” as set forth in current Supplementary Material .08 to Options 4, Section 3, since it is a remnant from the legacy Exchange exchange-traded fund (“ETF”) listing rule and is unnecessary since it has never been listed or traded on the Exchange. It also is not reflected in the ISE rule version being adopted for this section.¹⁴

Proposed Section 3(k) will include non-substantive changes and is intended to reflect the ISE rule version being adopted for this section.¹⁵

Proposed Changes to Section 4. Withdrawal of Approval of Underlying Securities

Options 4, Section 4 of the Options Listing Rules is being updated by modifying the existing Rulebook language to reflect the language of the ISE version of the rule.¹⁶ Overall, the changes in Section 4 are minor and reorganization within the section is done to mirror the ISE rule and for greater clarity.

Current Supplementary Material .04 to Options 4, Section 4 is being relocated to Options 4C, Section 4(a) without amendment as this rule text relates to foreign currency options. Subparagraph (ii) is being relocated to new Supplementary Material to Options 8, Section 30. The phrase “of publicly held principal amount” is being deleted because it is extraneous and also not included in the ISE version of the rule.

Options 4, Section 4(e) is being added, but is not a substantive change. Aside from the change being consistent with the ISE version of the rule, Options 4, Section 4(e)

¹⁴ Id.

¹⁵ Id.

¹⁶ See ISE Options Listing Rule Section 4.

memorializes the current practice regarding notice to customers of withdrawals that is consistent across all Nasdaq affiliated exchanges. Options 4, Section 4(f) is being revised to match the corresponding ISE rule and the change is not substantive and reflects language already included in Options 4, Section 3(f)(2) and (3).

In Options 4, Section 4(g) the deletion of “cease to be an “NMS stock” and the addition of “are halted or suspended from trading on their primary market” does not reflect a substantive change and matches the corresponding ISE rule. Additionally, it is more descriptive since it takes into account that this may be temporary and not permanent.

Current Supplementary Material .09 to Options 4, Section 3 .09 describes inadequate volume delisting, is being deleted. The provision currently provides,

.09 Inadequate volume delisting.

(1) Absent exceptional circumstances, a security initially approved for options trading may be deemed by the Exchange not to meet the requirements for continued approval, in which case the Exchange will not open for trading any additional series of equity option contracts of the class of options and may determine to delist the class of options if it meets the following criteria:

(a) The option has been trading on the Exchange not less than six (6) months; and

(b) The Exchange average daily volume (“ADV”) of the entire class of options over the last six (6) month period was less than twenty (20) contracts.

If the option is singly listed only on the Exchange, the Exchange will cease to add new series and may delist the class of options when there is no remaining open interest;

(2) Should the Exchange determine to delist an equity option pursuant to this Supplementary Material .09, it will notify the Lead Market Maker to whom the affected option is allocated of the determination to delist such

option not less than ten (10) days prior to the scheduled delisting date (the “options delisting letter”).

(a) Within two (2) days of receiving an options delisting letter the affected Lead Market Maker may in writing submit to the person designated by the Exchange in the options delisting letter the Lead Market Maker’s justification for and/or explanation of the low ADV in such option and reasons why the Exchange should continue to list the option (the “justification letter”);

(b) The Exchange may, but is not required to, take into account the information provided in the justification letter in its determination to delist the option, and will indicate its determination to delist in writing to the affected Lead Market Maker that provided the justification letter to the Exchange. The Exchange’s decision to delist the option is exclusively its own and is not appealable.

In order to remain competitive with other options markets, the Exchange proposes to adopt the same obligations for continuance of trading. With this proposal, the Exchange would eliminate the requirement that an option must be trading for more than 6 months. The Exchange notes that this condition is not present on other options markets such as ISE and Cboe Exchange, Inc. (“Cboe”).¹⁷ This also applies to the requirement that the average daily volume of the entire class of options over the last six (6) month period was less than twenty (20) contracts. The Exchange notes that Phlx’s requirements are different than other options markets and to remain competitive the Exchange proposes to adopt the same standards as ISE, GEMX, MRX and Cboe in order to remain competitive and list similar options as the other markets.

While the Exchange may in the future determine to delist an option that is singly listed, the Exchange proposes to remove the rule text which provides that “If the option is singly listed only on the Exchange, the Exchange will cease to add new series and may delist the class of options when there is no remaining open interest.” This rule text does

¹⁷ See ISE Options 4, Section 4 and Cboe Rule 4.4.

not exist on ISE, GEMX, MRX and Cboe. The Exchange today provides notification of a delisting to all members so therefore it is not necessary to retain the provisions within (b)(2). Also, proposed new Options 4, Section 4(e) establishes the rules by which the Exchange will announce securities that have been withdrawn. The rule text within Options 4, Section 4(b), as amended to conform to ISE rule text, will continue to govern the continued approval of options on the Exchange.

Proposed Changes to Section 5. Series of Options Contracts Open for Trading

Options 4, Section 5 of the Options Listing Rules is being updated by modifying the existing Rulebook language to reflect the language of the ISE version of the rule.¹⁸ Most of the changes in Options 4, Section 5 simply result from minor changes and reorganization within the section done to mirror the ISE rule and for greater clarity.

Options 4, Section 5(a) of the Options Listing Rules will be amended to add to note that exercise-price setting parameters adopted as part of the Options Listing Procedures Plan. In order to mirror the equivalent ISE rules,¹⁹ Options 4, Section 5 will be amended to relocate current rule text to be identical to ISE, Nasdaq Phlx LLC (“Phlx”) and Nasdaq BX, Inc. (“BX”) rule text. The Exchange proposes to harmonize its rules to the identical rules of the five Nasdaq affiliated markets.

The Exchange proposes to amend the rule text currently within Phlx Options 4, Section 5(a)(i) to mirror ISE. The Exchange proposes to amend the existing sentence which provides, “At the commencement of trading on the Exchange of a particular class of stock or Exchange-Traded Fund Share options, the Exchange shall open a minimum of

¹⁸ See ISE Options Listing Rule Section 5.

¹⁹ Id.

one expiration month and series for each class of options open for trading on the Exchange.” The Exchange proposes to instead provide, “At the commencement of trading on the Exchange of a particular class of options, the Exchange shall open a minimum of one (1) series of options in that class.” The proposed amendments are non-substantive and seek to align Phlx’s text with ISE’s text. The Exchange also proposes to add a sentence that currently exists within ISE Options 4, Section 5(a)(i) which provides, “The exercise price of that series will be fixed at a price per share, relative to the underlying stock price in the primary market at about the time that class of options is first opened for trading on the Exchange.” Similar language exists within current Options 4, Section 5(a)(i)(C). The text of Options 4, Section 5(a)(i)(C) is being relocated and modified added to remove the phrase “of stock or Exchange-Traded Fund Share options opened for trading on the Exchange” and otherwise modified to mirror ISE rule text. The Exchange notes that today, BX and The Nasdaq Options Market LLC (“NOM”) rules do not contain references to Exchange-Traded Fund shares. The language as amended is broadly read to include all options listed on the Exchange.

The Exchange proposes to amend current Options 4, Section 5(a)(i)(B), which is proposed to be re-lettered as Options 4, Section 5(c), to remove the phrase “stock or Exchange-Traded Fund Share” similar to other proposed changes herein. Finally, the rule text within current Options 4, Section 5(a)(i)(D) is being relocated to new Options 4, Section 8(a) with some amendments discussed in that section.

Current Options 4, Section 5(a)(ii), which is reserved, is being deleted.

Current Options 4, Section 5(a)(iii) and subparagraphs (A)-(E) are being relocated to proposed new Options 4C, Section 5 without amendment.²⁰

The Exchange proposes to relocate current Options 4, Section 5(a)(iv) to proposed Options 4, Section 5(k) and update the rule citation to Supplementary Material .10 to proposed Options 4, Section 6(b) as that rule text is proposed to be relocated as well.

The Exchange proposes to relocate and amend rule text within current Supplementary Material .05 (a)(iii) of Options 4, Section 5 to proposed Options 4, Section 5(d) to mirror ISE. The Exchange proposes to instead provide,

(d) Except as otherwise provided in the Supplementary Material hereto, the interval between strike prices of series of options on individual stocks will be:

- (1) \$2.50 or greater where the strike price is \$25.00 or less;
- (2) \$5.00 or greater where the strike price is greater than \$25.00; and
- (3) \$10.00 or greater where the strike price is greater than \$200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(h) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.

The Exchange notes that the examples are unnecessary. The exception for \$2.50 below \$50 will be covered within the \$2.50 Strike Program rules, which are being relocated into proposed Supplementary Material .02 to Options 4, Section 5. The Exchange also proposes to note, similar to ISE the intervals between strike prices for Exchange-Traded Fund shares are noted within proposed new Section 3(h) of Options 4.

²⁰ The Exchange notes that Supplementary .06 of Options 4, Section 5 is also being relocated into proposed new Options 4C, Section 5 without amendment.

This cross citation will provide greater information as to the criteria for Exchange-Traded Fund shares.

The Exchange proposes to relocate the rule text within current Supplementary Material .05 (a)(iv)(C) of Options 4, Section 5 to proposed Options 4, Section 5(e) without change.

The Exchange proposes to relocate the rule text within current Supplementary Material .12 of Options 4, Section 5 to proposed Options 4, Section 5(f) and proposes to add references to Supplementary .01, .05 and subparagraph (e).

The Exchange proposes to add rule text within proposed Options 4, Section 5(g) identical to ISE, which provides, “The Exchange will open at least one expiration month for each class of options open for trading on the Exchange.” This proposed new sentence will add more clarity to current listing rules. Today, the Exchange opens at least one expiration month for each class of options open for trading on the Exchange.

The Exchange proposes to relocate the rule text within current Supplementary Material .05 (a)(v) and (vi) of Options 4, Section 5 to proposed Options 4, Sections 5(h) and (i), respectively. The rule text is being moved without change except that within Options 4, Sections 5(h) a citation is being added to Options 4, Section 3(k) for reference.

The rule text proposed within Options 4, Section 5(j) is identical to ISE Options 4, Section 5(j) and provides, “The interval of strike prices may be \$2.50 in any multiply-traded option class to the extent permitted on the Exchange by the Commission or once another exchange trading that option lists strike prices of \$2.50 on such options class.”

The Exchange proposes to adopt similar language to ISE. The \$2.50 Strike Program was

adopted in 1995 as a joint pilot program of the options exchanges²¹ and expanded and permanently approved in 1998.²² As part of that program, each options exchange, however, is permitted to list options with \$2.50 strike price intervals on any option class that another exchange selects as part of the Program. This rule text is non-substantive as Phlx may today list options with \$2.50 strike price intervals on any option class that another exchange. This rule text will bring greater clarity to Phlx's listing rules.

The Exchange described above the relocation of Options 4, Section 5(a)(iv) to proposed Options 4, Section 5(k).

The Exchange proposes to delete the following current rule text from Options 4, Section 5, which does not appear in ISE or BX Options 4, Section 5.

(b) Rotation. On the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date of a particular series of options, a closing rotation (as defined in Supplementary Material .01 to Options 3, Section 9) for such series shall commence at 4:00 p.m. in the case of options on stocks or 4:15 p.m. in the case of options on designated Exchange-Traded Fund Shares.

(c) Adjustments. The unit of trading and the exercise price initially established for option contracts of a particular series are subject to adjustment in accordance with the rules of The Options Clearing Corporation. When such adjustment or adjustments have been determined, announcement thereof shall be made by the Exchange and, effective as of the time specified in such announcement, the adjusted unit of trading and the adjusted exercise price shall be applicable with respect to all subsequent transactions in such series of options.

(d) Option contracts shall be subject to adjustments in accordance with the rules of The Options Clearing Corporation.

²¹ See Securities Exchange Act Release No. 35993 (July 19, 1995), 60 FR 38073 (July 25, 1995) (approving File Nos. SR-Phlx-95-08, SR-Amex-95-12, SR-PSE-95-07, SR-CBOE-95-19, and SR-NYSE-95-12).

²² See Securities Exchange Act Release No. 40662 (November 12, 1998), 63 FR 64297 (November 19, 1998) (approving File Nos. SR-Amex-98-21, SR-CBOE-98-29, SR-PCX-98-31, and SR-Phlx-98-26).

The Exchange notes within Options 4, Section 2 that the rights and obligations of holders and writers of option contracts of any class of options dealt in on the Exchange shall be as set forth in the rules of The Options Clearing Corporation, which contemplates an option contract expiring on a day that is not a business day and adjustments.

The Exchange proposes to delete current Supplementary Material .01 to Options 4, Section 5 as each program details the manner in which series of options may be open. Also, the relocated foreign currency rules detail how foreign currency may open. This language within current Supplementary Material .01 to Options 4, Section 5 is unnecessary.

The Exchange proposes to relocate Supplementary Material .02 to Options 4, Section 5 to new Options 4C, Section 5(c) without change.

Supplementary Material .03 and .04 of Options 4, Section 5, which are reserved, are being deleted.

The Exchange proposes to renumber Supplementary Material .05 of Options 4, Section 5 as .01. The Exchange proposes to re-letter and renumber this section to conform to ISE's Options 4, Section 5 at Supplementary Material .01.

The following changes are being proposed to the \$1 Strike Price Interval Program so that the language mirrors ISE's Options 4, Section 5 at Supplementary Material .01. At new (a) of Options 4, Section 5 at Supplementary Material .01, the Exchange proposes to add "Program Description. The interval between strike prices of series of options on individual stocks may be \$1.00" to introduce the material which follows. In a few places "Strike Program" is proposed to be changed to "Strike Price Interval Program," or "Strike Price Program" to mirror ISE rule text. Also, the term "national" is added before

“securities exchange” and the remainder of the proposed amendments are technical in nature.

Similar changes are proposed at new (b) of Options 4, Section 5 at Supplementary Material .01 including the word “stock” being changed to “security.” A citation to relocated rule text was made within new (b)(iii) of Options 4, Section 5 at Supplementary Material .01.

The Exchange proposes to add “Long-Term Options Series” or “LEAPs” before new (b)(v) of Options 4, Section 5 at Supplementary Material .01. Finally, the Exchange proposes to remove “the Exchange may grant” and add the phrase “may be granted” to the end of new (d) of Options 4, Section 5 at Supplementary Material .01 to mirror ISE rule text in the same location. This change is non-substantive.

The Exchange proposes to relocate current Supplementary Material .05(a)(ii) to Options 4, Section 5 to new Supplementary Material .05 to Options 4, Section 5. The relocation will be explained below.

The Exchange proposes to delete the phrase “..., except that strike prices of \$2 and \$3 shall be permitted within \$0.50 of a \$2.50 strike price for classes also selected to participate in the \$0.50 Strike Program.” The Exchange separately describes the \$0.50 and \$2.50 Programs within .05 and .02 of the proposed Supplementary Material to Options 4, Section 5, respectively. The clause is not necessary within the \$1 Strike Program and currently not contained within the ISE rules wherein the \$1 Strike Program operates in the same manner.

The Exchange explained above that current Supplementary Material .05(a)(iii) to Options 4, Section 5 was relocated to Options 4, Section 5(d).

The Exchange proposes to delete Supplementary Material .05(a)(iv)(A) to Options 4, Section 5 as proposed Options 4, Section 5(h) will detail the interval between strike prices of series of options on Index-Linked Securities, as defined in Options 4, Section 3(k)(1), that will be \$1 or greater when the strike price is \$200 or less and \$5 or greater when the strike price is greater than \$200 and will be consistent with the equivalent ISE rule.

The Exchange proposes to delete Supplementary Material .05(a)(iv)(B) to Options 4, Section 5 related to the listing of “SLV”²³ and “USO”²⁴ Exchange-Traded Fund Shares which currently provides, “The interval of strike prices of series of options on SLV and USO Exchange-Traded Fund Shares will be \$.50 or greater where the strike price is less than \$75.” The Exchange is removing this rule text as SLV and USO are currently listed pursuant to current Supplementary Material .12 to Options 4, Section 5, which is being relocated to new Options 4, Section 5(f). SLV and USO both are used to calculate volatility indexes (“OVX”²⁵ and “VXSLV,”²⁶ respectively) and therefore subject to the listing provisions of new Options 4, Section 5(f). Supplementary Material .05(a)(iv)(B) to Options 4, Section 5 is therefore unnecessary as SLV and USO would trade according to these rules.

The Exchange noted above that Supplementary Material .05(a)(iv)(C) to Options 4, Section 5 was relocated to proposed Options 4, Section 5(e). The Exchange also noted

²³ The symbol “SLV” refers to iShares Silver Trust.

²⁴ The symbol “USO” refers to the United States Oil Fund LP.

²⁵ The symbol “OVX” refers to the Cboe Crude Oil Volatility Index.

²⁶ The symbol “VXSLV” refers to the CBOE Silver ETF Volatility Index.

that Supplementary Material .05(a)(v) and (vi) were relocated to Options 4, Section 5(h) and (i), respectively.

The Exchange proposes to relocate rule text from current Supplementary Material .05(b) and (b)(i) of Options 5, Section 4 to new Supplementary Material .02 to Options 4, Section 5 with the title “\$2.50 Strike Price Interval Program”. The Exchange proposes to delete Supplementary Material .05(b)(ii) of Options 4, Section 5 as that language is not necessary and provided for within The Options Clearing Corporation Rules.

The Exchange proposes to relocate rule text from current Supplementary Material .11 of Options 5, Section 4 to new Supplementary Material .03 to Options 4, Section 5 with the title “Short Term Options Series Program”. The Exchange proposes to add the following titles, “Classes,” “Expiration,” “Initial Series,” “Additional Series,” and “Strike Interval,” before Supplementary Material .03(a)-(e) of Options 5, Section 4. The Exchange proposes to amend the rule text to mirror ISE rule text. Within proposed .03(a) the Exchange proposes to replace the word “fifty” with the number “50” and the word “thirty” with the number “30”. The Exchange also proposes to relocate the word “may” in the second sentence. Within proposed .03(b) the Exchange proposes to remove the words “on the same class” at the end of the paragraph. Within proposed .03(c) the Exchange proposes to add a sentence at the beginning which provides, “The Exchange may open up to 30 initial series for each options class that participates in the Short Term Options Series Program.” The Exchange also proposes to replace the number “7” with the word “seven” and the number “3” in two places with the word “three”. Within proposed .03(d) the Exchange proposes to add a new sentence to the end of Supplementary Material .11(d) of Options 4, Section 5 that provides, “Notwithstanding

any other provisions in this Rule, Short Term Option Series may be added up to and including on the Short Term Option Expiration Date for that options series.” This sentence appears in ISE’s rule in the same location. Finally, rule text from current Supplementary Material .05(a)(vii) to Options 4, Section 5 is being relocated to the beginning of proposed .03(e) to provide, “During the month prior to expiration of an option class that is selected for the Short Term Option Series Program pursuant to this Rule (“Short Term Option”), the strike price intervals for the related non-Short Term Option (“Related non-Short Term Option”) shall be the same as the strike price intervals for the Short Term Option.”²⁷The Exchange also removes the last sentence of current Supplementary Material .11(e) of Options 5, Section 4 as that language is repetitive of the first new sentence.

The Exchange proposes to relocate rule text from Supplementary Material .08 to Options 4, Section 5 to proposed Supplementary Material .04 to Options 4, Section 5. The Exchange proposes to add the title “Expiration” before current Supplementary Material .08(a) to Options 4, Section 5. The Exchange proposes new language within Supplementary Material .08(b) to Options 4, Section 5, which is reserved, that provides, “The Exchange will not list a Short Term Option Series on an options class whose expiration coincides with that of a Quarterly Options Series on that same options class.” This rule text is identical to ISE rule text in the same location. The Exchange proposes to

²⁷ This change is non-substantive as the current rule text within Supplementary Material .11 indicates that Related non-Short Term Options series shall be opened during the month prior to expiration of such Related non-Short Term Options series in the same manner as permitted in Supplementary Material .11 to this Options 4, Section which is the Short Term Options Series rule text. The Exchange’s amendments are not modifying the Short Term Options Series rules in any substantive way and Related non-Short Term Options series will continue to be subject to the same rules.

add the title “Strike Interval” before Supplementary Material .04(e) to Options 4, Section 5 which is being related from Supplementary Material .11(e) of Options 4, Section 5.

The Exchange proposes to delete the word “Reserved” after (f) and instead relocate the Delisting Policy within current Supplementary Material .04(g) to Options 4, Section 5 to “f.” The remainder of the changes to this new Supplementary Material .04 are technical renumbering changes and Supplementary Material .04(h) to Options 4, Section 5, which is reserved, is being deleted.

As noted above, current Supplementary Material .05(a)(ii) to Options 4, Section 5 is being relocated to new Supplementary Material .05 to Options 4, Section 5 with the title “\$0.50 Strike Program.” The Exchange proposes to add rule text to the beginning of the rule, which provides, “The interval of strike prices of series of options on individual stocks may be” to introduce the text that follows, otherwise there are no changes proposed to the current rule text. This rule text is identical to ISE’s rule text in the same location.

The Exchange proposes to amend current Supplementary Material .05(c) to Options 4, Section 5 to new Supplementary Material .06 with the title “\$5 Strike Program.” The Exchange proposes to begin this section with new text, which provide, “The interval of strike prices may be” which introduces the rule text. This rule text is identical to ISE’s rule text in the same location.

The Exchange proposes to relocate current Supplementary Material .06 to Options 4C, Section 5(a)(1) without change. The Exchange proposes to relocate current Supplementary Material .07 to Options 4, Section 5 to the beginning of new Options 4C, Section 5(b) without change.

The Exchange noted above that current Supplementary Material .08 to Options 4, Section 5 was relocated to Supplementary Material .04 to Options 4, Section 5.

The Exchange proposes to delete current Supplementary Material .09 to Options 4, Section 5 as the intervals for indexes are noted within Options 4A and do not need to be discussed in Options 4 which concerns multiply-listed options.

The Exchange discusses the relocation of current Supplementary Material 10 to Options 4, Section 5 within the next section.

The Exchange relocated current Supplementary Material 11 to Options 4, Section 5 to new Supplementary Material .03 to Options 4, Section 5.

The Exchange relocated current Supplementary Material 12 to Options 4, Section 5 to new Options 4, Section 5(f).

Proposed Section 6. Select Provisions of Options Listing Procedures Plan

Proposed Section 6 of the Options Listing Rules is adopting the language of the ISE version of the rule²⁸ with the revised rule text not being new, but largely relocated from Supplementary Material .10 of Options 4, Section 5. This aligns with the goal of harmonizing and uniformizing Phlx's Options Listing Rules with those of ISE and providing greater information to market participants.

Proposed Section 6 of the Options Listing Rules will include Select Provisions of Options Listing Procedures Plan ("OLPP") that will mirror the language in the ISE rules.²⁹ Proposed Section 6(a) of the Options Listing Rules references the quote mitigation strategy that is codified in the OLPP at

²⁸ See ISE Options Listing Rule Section 6.

²⁹ Id.

http://www.optionsclearing.com/products/options_listing_procedures_plan.pdf.

Specifically, proposed Section 6(b) states that the exercise price of each options series listed by the Exchange is fixed at a price per share that is reasonably close to the price of the underlying equity security, ETF or Trust Issued Receipt at or about the time the Exchange determines to list such series. Proposed subsection (b)(i) says that except as provide in subparagraphs (ii) - (iv), if the price of the underlying security is less than or equal to \$20, the Exchange will not list new options series with an exercise price more than 100% above or below the price of the underlying security. However, the foregoing restriction will not prohibit the listing of at least three exercise prices per expiration month in an options class. Except as provided in Supplementary Material .02(d) to Options 3, Section 5, if the price of the underlying security is greater than \$20, the Exchange will not list new options series with an exercise price more than 50% above or below the price of the underlying security. Subsection (b)(i) also details how to measure the price of the underlying security.

Proposed subsection (b)(ii) of Options 4, Section 6 explains that the series exercise price range limitations contained in subparagraph (i) above do not apply with regard to the listing of \$1 strike prices in options classes participating in the \$1 Strike Program, as well as the listing of series of Flexible Exchange Options. The Exchange proposes to add additional rule text to proposed (b)(ii)(1) which provides, “Instead, the Exchange shall be permitted to list \$1 strike prices to the fullest extent as permitted under its Rules for the \$1 Strike Program...”³⁰ This additional rule text is identical to ISE

³⁰ Current Phlx Supplementary Material .10(b) of Options 4, Section 5 provides, “The series exercise price range limitations contained in subparagraph (a) above do not apply with regard to: (i) the listing of \$1 strike prices in option classes

Options 4, Section 6(b)(ii)(1) and serves to make clear that Phlx may list \$1 strikes pursuant to its rules.

Proposed subsection (b)(iii) says that the Exchange may designate up to five options classes to which the series exercise price range may be up to 100% above and below the price of the underlying security and that such designations will be made on an annual basis and will not be removed during the calendar year unless the options class is delisted by the Exchange, in which case it may designate another options class to replace the delisted class. If a designated options class is delisted by the Exchange but continues to trade on at least one options exchange, the options class shall be subject to the limitations on listing new series set forth in subparagraph (i) above unless designated by another exchange.

Proposed subsection (b)(iv) says that if the Exchange that has designated five options classes pursuant to subparagraph (iii) above requests that one or more additional options classes be excepted from the limitations on listing new series set forth in subparagraph (i) above, the additional options class(es) will be designated upon the unanimous consent of all exchanges that trade the options class(es). In addition, at the Exchange's request, the percentage range for the listing of new series may be increased to more than 100% above and below the price of the underlying security for an options class, by the unanimous consent of all exchanges that trade the designated options class. Exceptions for an additional class or for an increase of the exercise price range will apply to all standard expiration months existing at the time of the vote, plus the next standard expiration month to be added, and also to any non-standard expirations that occur prior to

participating in the \$1 Strike Program or (ii) the listing of series of FLEX options.”

the next standard monthly expiration.

Proposed subsection (b)(v) is not being relocated, rather this provision is new to Phlx.³¹ The provisions of this subparagraph (b) will not permit the listing of series that are otherwise prohibited by the Rules of the Exchange or the OLPP. To the extent the Rules of the Exchange permit the listing of new series that are otherwise prohibited by the provisions of the OLPP, the provisions of the OLPP will govern.

Proposed subsection (b)(vi) says that the Exchange may list an options series that is listed by another options exchange, provided that at the time such series was listed it was not prohibited under the provisions of the OLPP or the rules of the exchange that initially listed the series.

Proposed Section 7. Adjustments

Proposed Options 4, Section 7 of the Options Listing Rules is adopting the language of the ISE version of the rule.³² Phlx currently does not have a similar rule, however Phlx members and member organizations are subject to the rules of The Options Clearing Corporation (“OCC”) today as all options are cleared at OCC. Proposed Section 7 will be amended to say that options contracts will be subject to adjustments in accordance with the Rules of the Clearing Corporation that such changes will be effective

³¹ Proposed Options 4, Section 6(b)(v) provides, “(v) The provisions of this subparagraph (b) shall not permit the listing of series that are otherwise prohibited by the Rules of the Exchange or the OLPP. To the extent the Rules of the Exchange permit the listing of new series that are otherwise prohibited by the provisions of the OLPP, the provisions of the OLPP shall govern.”

³² See ISE Options Listing Rule Section 7. Proposed Options 4, Section 7 provides, “Options contracts shall be subject to adjustments in accordance with the Rules of the Clearing Corporation. When adjustments have been made, the Exchange will announce that fact, and such changes will be effective for all subsequent transactions in that series at the time specified in the announcement.”

for all subsequent transactions in that series at the time specified in the announcement.

Proposed Changes to Section 8. Long-Term Options Contracts

Proposed Options 4, Section 8 of the Options Listing Rules is adopting the language of the ISE version of the rule.³³ Current Options 4, Section 5(a)(i)(D)³⁴ is being relocated to new Options 4, Section 8(a) with some amendments.

Proposed Options 4, Section 8(a) of the Options Listing Rules says that notwithstanding conflicting language in Options 3, Section 5, the Exchange may list long-term options contracts that expire from twelve to thirty-nine months from the time they are listed, this is consistent with current rule text within Options 4, Section 5(a)(i)(D) but accounts for Options 3, Section 5 which describes entry of orders. It also specifies that there may be up to ten expiration months for options on the SPDR® S&P 500® ETF and up to six expiration months for options on all other securities. The new language utilizes the term “securities” instead of stocks or Exchange Traded Fund Shares. The remainder of proposed Section 8(a) remains the same.

Proposed Options 4, Section 8(b) is new. The proposed provision states that after a new long-term options contract series is listed, that series will be opened for trading either when there is buying or selling interest, or forty minutes prior to the close,

³³ See ISE Options Listing Rule Section 8.

³⁴ Current Options 4, Section 5(a)(i)(D) provides, “Long Term Options. The Exchange may list, with respect to any class of stock or Exchange-Traded Fund Share options series, options having from twelve up to thirty-nine months from the time they are listed until expiration. There may be up to ten expiration months for options on the SPDR® S&P 500® exchange-traded fund (the “SPY ETF”) and up to six expiration months for options on all other stocks or Exchange Traded Fund Shares. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine months.”

whichever occurs first and that no quotations will be posted for such options series until they are opened for trading. This is the case today, however this specificity is not currently noted in the rules. The addition of this provision will bring greater specificity to Phlx's Rule and align the rule text with ISE rule text.

Section 9. Limitation on the Liability of Index Licensors for Options on Fund Shares

Proposed Options 4, Section 9 of the Options Listing Rules is adopting the language of the ISE version of the rule³⁵ since it is not in the current Exchange Rulebook and it will now be consistent with the ISE rulebook. Proposed Section 9(a) defines the term "index licensor" as any entity that grants the Exchange a license to use one or more indexes or portfolios in connection with the trading of options on Exchange-Traded Fund Shares (as defined in Options 4, Section 3(h)).

Proposed Options 4, Section 9(b) says that no index licensor with respect to any index or portfolio underlying an option on Exchange-Traded Fund Shares traded on the Exchange makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of such index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any option contract on Exchange-Traded Fund Shares based thereon or for any other purpose. The index licensor will obtain information for inclusion in, or for use in the calculation of, such index or portfolio from sources it believes to be reliable, but the index licensor does not guarantee the accuracy or completeness of such index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or related thereto. The index licensor disclaims all warranties of merchantability or fitness

³⁵ See ISE Options Listing Rule Section 9.

for a particular purpose or use with respect to any such index or portfolio, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Exchange-Traded Fund Shares based thereon. The index licensor will have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person's use of such index or portfolio, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Exchange-Traded Fund Shares based thereon, or arising out of any errors or delays in calculating or disseminating such index or portfolio.

Proposed Changes to Section 10. Back-up Trading Arrangements

Except as noted otherwise, the proposed changes to Options 4, Section 10 are minor changes that are designed to conform the Phlx Options rules to the equivalent ISE rules,³⁶ as well as to increase the clarity of the rules, which includes some reorganization and renumbering within the Options Listing Rules' subsections to ensure they remain consistent. It is in the interest of the Exchange to have similar back-up trading arrangements that are harmonized with ISE and the other affiliated markets in the event that Phlx needs to be hosted, which are fair and representative of a common understanding.

For Exchange Exclusively Listed Options, in subsection (a)(iii) a clarification is made that Phlx members that are trading on Phlx's facility at the Back-up Exchange (not including members of the Back-up Exchange who become temporary Members of Phlx

³⁶ See ISE Options Listing Rule Section 10.

pursuant to paragraph (a)(1)(vi)) will be subject to Phlx rules governing or applying to the maintenance of a person's or a firm's status as a Member of Phlx.

Additionally, subsection (a)(v) will be amended to clarify that Phlx will have the right to designate its Members that will be authorized to trade Phlx exclusively listed options on Phlx's facility at the Back-up Exchange and, if applicable, its Member(s) that will be a lead market maker in those options.

For Singly Listed Options, proposed Options 4, Section 10(a)(2) is being amended to make clarifying changes.

For Multiply Listed Options, proposed Options 4, Section 10(a)(3) has been added to clarify that the Exchange may enter into arrangements with a Back-up Exchange to permit Phlx members to conduct trading on a Back-up Exchange of some or all of the Exchange's multiply listed options in the event of a Disabling Event. The revised language is consistent with current Exchange procedures. Such options will trade as a listing of the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such options shall be traded by members of the Back-up Exchange and by Phlx members selected by Phlx to the extent the Back-up Exchange can accommodate Exchange members in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all Phlx members that desire to trade multiply listed options at the Back-up Exchange, Phlx may determine which members will be eligible to trade such options at the Back-up Exchange. Proposed Section 10(a)(3) also covers the factors to be considered in making such determinations.

For Disabled Exchange Exclusively Listed Options, proposed Options 4, Section 10(b)(1) is being amended to make clarifying changes.

For Disabled Exchange Singly Listed Options, proposed Options 4, Section 10(b)(2) is being amended to make clarifying changes and to delete language pertaining to granting temporary access to any member of a Disabled Exchange under certain conditions because the Exchange now addresses this in proposed Options 4, Section 10(b)(3). For Multiply Listed Options, proposed Options 4, Section 10(b)(3) is new and is consistent with current Phlx procedures and will clarify that Phlx may enter into arrangements with a Disabled Exchange to permit the Disabled Exchange's members to conduct trading on Phlx of some or all of the Disabled Exchange's multiply listed options in the event of a Disabling Event.³⁷ Such options will trade as a listing of Phlx and in accordance with Phlx Rules and will be traded by Phlx members and by members of the Disabled Exchange to the extent Phlx can accommodate members of the Disabled Exchange in the capacity of temporary members of Phlx. Options 4, Section 10(b)(2) and (3) will govern in the case of an unanticipated event and addresses both singly and multiply listed options. The Exchange believes it is important that the governing rules are identical across all exchanges for business continuity planning purposes and it is also intended to discourage the potential for "shopping" across the exchanges by a Disabled Exchange's members.

Proposed Options 4, Sections 10(c) - (e) are being amended to conform to ISE and to provide clarity.

Finally, .01 of the Supplementary Material to Options 4, Section 10 is new and is consistent with Phlx procedures and says that this Rule reflects back-up trading arrangements that Phlx has entered into or may enter into with one or more other

³⁷ All options exchanges may list options once they are made available by the OCC.

exchanges and that to the extent that this Rule provides that another exchange will take certain action, the Rule is reflecting what that exchange has agreed to do by contractual agreement with Phlx, but the Rule itself is not binding upon the other exchange.

Proposed Changes to Section 11. U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value

The Exchange is relocating Section 11 of Options 4 to new Options 4C, Section 6 without change.

Proposed Section Options 4C U.S. Dollar-Settled Foreign Currency Options

Proposed Section Options 4C of the Options Listing Rules covers U.S. Dollar-Settled Foreign Currency Options and is comprised of language relocated from Options 4, along with some added introductory language added in Section 1 of Options 4C.

Proposed Supplementary Material to Options 8, Section 30

Proposed .04 to Supplementary Material to Options 8, Section 30 is new, but is simply text relocated from current Options 4, Section 4(a) and is not a substantive change.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,³⁸ in general, and furthers the objectives of Section 6(b)(5) of the Act,³⁹ 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.

³⁸ 15 U.S.C. 78f(b).

³⁹ 15 U.S.C. 78f(b)(5).

The Exchange believes that the relocation of its Options Listing Rules is a non-substantive change and is consistent with similar filings by the Exchange for the relocation of its rules.⁴⁰ As noted above, the relocation of the Options Listing Rules is part of the Exchange's continued effort to promote efficiency and the structural conformity of its processes with those of the Affiliated Exchanges,⁴¹ and its goal of harmonizing and uniformizing its rules.⁴² Additionally, the relocation of the Options Listing Rules will facilitate the use of the Rulebook by Members of the Exchange, who are members of other Affiliated Exchanges; other market participants; and the public in general.

The majority of the changes are also consistent with the ISE rulebook and the overarching goal is to align the Phlx Options rules with those of the ISE.

The Exchange believe that adding definitions for the terms "class", "series", and "underlying security" to Options 1, Section 1 of the Phlx rulebook from the OCC By-Laws will help 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 through providing uniform, clear and precise definitions for these terms and increase consistency, lessen potential confusion and add clarity for market participants.⁴³

The Exchange believes that amending Options 4, Section 1 to clarify that the Exchange trades options contracts and to relocate a sentence dealing with foreign

⁴⁰ See supra footnote 3.

⁴¹ Id.

⁴² See supra footnote 6.

⁴³ See supra footnote 8.

currency option contracts to Options 4C, Section 2(a) will help 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 through providing clear and precise language and through relocating certain language will increase consistency, lessen potential confusion and add clarity for market participants.

The Exchange believes that the changes to Options 4, Section 2, Section 3(a), and Section 3(b) are non-substantive in nature and removes 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 since the changes are intended to ease the Members', market participants', and the general public's navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

New Options 4, Section 3(c), which address securities of restructured companies, reflects the language of the ISE version of the rule.⁴⁴ The section adds guidelines and definitions, including "Restructuring Transaction", "Restructure Security", "Original Equity Security", "Relevant Percentage", "market information sharing agreement", and deletes the definition of "Partnership Unit" since it is a remnant from the legacy Exchange ETF listing rule since it is unnecessary because it has never been used and also is not reflected in the ISE rule version being adopted for this section.⁴⁵ The definitional additions coupled with changes reflecting reorganization and clarifications, including the deletion of language included elsewhere and language no longer necessary, and to reflect the language of the ISE version of the rule, the Exchange believes removes impediments

⁴⁴ See ISE Options Listing Rule Section 3.

⁴⁵ Id.

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 since the changes are intended to ease the Members', market participants', and the general public's navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

The Exchange believes that the clarification to the term "security" in Options 4, Section 3(e) and the deletion of the remainder of Section 3(e) removes 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 because these changes add clarity for market participants and removes unnecessary language that will make this section consistent with the rules of ISE rules and of other affiliated markets.

The Exchange believes that the changes to proposed Options 4, Section 3(f) - (k) (excluding Options 4 Sections (g) and (h) that is a new and reflects the language of the ISE version of the rule and is discussed below), which include changes are of a non-substantive nature that reflect reorganization, definitions and clarifications, removes 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 because these changes are intended to ease the Members', market participants', and the general public's navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

Proposed Options 4, Sections 3(g) and (h) both deal with securities deemed appropriate for options trading, contain changes reflecting reorganization and clarifications, including the deletion of language included elsewhere and language no longer necessary, and copy the language of the ISE version of the rule. Proposed Options

4, Section 3(h)(1) is consistent with the Act because it adds language stating that subparagraph (2) applies to the extent the Exchange-Traded Fund Share is based on international or global indexes. This language is intended to clarify that subparagraph (2) does not apply to an Exchange-Traded Fund Shares based on a U.S. domestic index. The phrase “if not available or applicable” added to Proposed Options 4, Section 3(h)(2)(B), (C), and (D) is intended to clarify that when component securities are not available, the portfolio of securities upon which the Exchange-Traded Fund Share is based can be used instead.

The Exchange believes the update to Options 4, Sections 4 and 5 removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general protects investors and the public interest. Overall, these changes are of a non-substantive nature and either modify, clarify or relocate the existing Rulebook language to reflect the language of the ISE version of the rule and are intended to ease the Members’, market participants’, and the general public’s navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

With respect to the removal of current Supplementary Material .09 to Options 4, Section 3, which describes inadequate volume delisting, the Exchange believes these amendments are consistent with the Act. In order to remain competitive with other options markets the Exchange proposes to adopt the same obligations for continuance of trading. With this proposal, the Exchange would eliminate the requirement that an option must be trading for more than 6 months. The Exchange notes that this condition is not present on other options markets such as ISE and Cboe.⁴⁶ This also applies to the

⁴⁶ See ISE Options 4, Section 3 and Cboe Rule 4.4.

requirement that the average daily volume of the entire class of options over the last six (6) month period was less than twenty (20) contracts. The Exchange notes that Phlx's requirements are different than other options markets and to remain competitive the Exchange proposes to adopt the same standards as ISE, GEMX, MRX and Cboe in order to remain competitive and list similar options as the other markets. While the Exchange may in the future determine to delist an option that is singly listed, the Exchange proposes to remove the rule text which provides that "If the option is singly listed only on the Exchange, the Exchange will cease to add new series and may delist the class of options when there is no remaining open interest." This rule text does not exist on ISE, GEMX, MRX and Cboe. The Exchange today provides notification of a delisting to all members so therefore it is not necessary to retain the provisions within (b)(2). Also, proposed new Options 4, Section 4(e) establishes the rules by which the Exchange will announce securities that have been withdrawn. The rule text within Options 4, Section 4(b), as amended to conform to ISE rule text, will continue to govern the continued approval of options on the Exchange. The Exchange believes that the requirements noted within Options 4, Section 4(b) review various requirements when determining whether an options should continue to be listed. Among the criteria are: number of shares, number of holders, trading volume, and whether the underlying security is an NMS stock, among others. The Exchange believes that this criteria, which is the same as the criteria on ISE, GEMX and MRX, will ensure that the Exchange continues to list options which are in demand and have adequate liquidity.

Specifically, the Exchange's proposal within proposed .03(c) of Options 4, Section 5 to add a sentence at the beginning which provides, "The Exchange may open

up to 30 initial series for each options class that participates in the Short Term Options Series Program” is consistent with the Act as this is not a change to Phlx’s current rules. This provision exists today with Phlx’s rule within Supplementary Material .11(a) of Options 4, Section 5.⁴⁷ Also, ISE has this provision in its rules today. This provision permits Phlx to remain competitive with listings of other options exchanges with respect to Short Term Options Series listings.

The Exchange believes the update to Options 4, Section 6 removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general protects investors and the public interest because the changes are mainly of a non-substantive nature with much of the rule text largely simply being relocated from Supplementary Material .10 of Options 4, Section 5, including Select Provisions of OLPP that will mirror the language in the ISE rules, and is intended to ease the Members’, market participants’, and the general public’s navigation and reading of the rules and lessen potential confusion and add clarity for market participants. The Exchange’s proposal to add additional rule text to proposed (b)(ii)(1) which provides, “Instead, the Exchange shall be permitted to list \$1 strike prices to the fullest extent as permitted under its Rules for the \$1 Strike Program...” will bring greater clarity to Phlx’s

⁴⁷ Supplementary Material .11(a) of Options 4, Section 5 provides, with emphasis added, “The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. **For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty (30) Short Term Option Series for each expiration date in that class.** The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.”

rule. This additional rule text is identical to ISE Options 4, Section 6(b)(ii)(1) and serves to make clear that Phlx may list \$1 strikes pursuant to its rules, which amendment is non-substantive as that is the case today. Proposed subsection (b)(v) is new to Phlx. The provisions of this subparagraph (b) will not permit the listing of series that are otherwise prohibited by the Rules of the Exchange or the OLPP. To the extent the Rules of the Exchange permit the listing of new series that are otherwise prohibited by the provisions of the OLPP, the provisions of the OLPP will govern. While new, this amendment is non-substantive as this is the case today as Phlx is subject to OLPP.

The Exchange believes that the changes to proposed Options 4, Section 7 removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general protects investors and the public interest because the changes are of a non-substantive nature and intended to reflect the language of the ISE version of the rule and provide greater information to market participants about adjustments and is intended to ease the Members', market participants', and the general public's navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

The Exchange believes that the changes to proposed Options 4, Section 8 removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general protects investors and the public interest because the changes are mainly of a non-substantive nature with much of the rule text largely simply being relocated from current Options 4, Section 5(a)(i)(D) to new Options 4, Section 8(a) with some minor amendments and is intended to ease the Members', market participants', and the general public's navigation and reading of the rules and lessen potential

confusion and add clarity for market participants.

Specifically with respect to OLPP, proposed Section 8(a) of the Options Listing Rules states that notwithstanding conflicting language in Options 3, Section 5, the Exchange may list long-term options contracts that expire from twelve to thirty-nine months from the time they are listed, this is consistent with current rule text within Options 4, Section 5(a)(i)(D) but accounts for Options 3, Section 5 which describes entry of orders. It also specifies that there may be up to ten expiration months for options on the SPDR® S&P 500® ETF and up to six expiration months for options on all other securities. The new language utilizes the term “securities” instead of stocks or Exchange Traded Fund Shares. The remainder of proposed Section 8(a) remains the same. Proposed Section 8(b) is new. The proposed provision states that after a new long-term options contract series is listed, that series will be opened for trading either when there is buying or selling interest, or forty minutes prior to the close, whichever occurs first and that no quotations will be posted for such options series until they are opened for trading. This is the case today, however this specificity is not currently noted in the rules. The addition of this provision is consistent with the Act as it will bring greater specificity to BX’s Rule and align the rule text with ISE rule text.

The Exchange believes that the changes to proposed Options 4, Section 9 removes impediments to and perfects the mechanism of a free and open market and a national market system, and, in general protects investors and the public interest because the Exchange is adopting the language of the ISE version of the rule so it will now be consistent with the ISE rulebook and, as with ISE, the Exchange does not itself do the calculation. Proposed Section 9 of the Options Listing Rules is adopting the language of

the ISE version of the rule⁴⁸ since it is not in the current Exchange Rulebook and it will now be consistent with the ISE rulebook. Proposed Section 9(a) defines the term “index licensor.” Proposed Section 9(b) provides that no index licensor with respect to any index or portfolio underlying an option on Exchange-Traded Fund Shares traded on the Exchange makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of such index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any option contract on Exchange-Traded Fund Shares based thereon or for any other purpose. The disclaimers within proposed Section 9 are consistent with the Act in that these disclaimers provide market participants with relevant information as to the liabilities on option contracts on Exchange-Traded Fund Shares. ISE has the identical language within Options 4, Section 9.

The Exchange believes that the proposed rule change is consistent with section 6(b)(5) of the Act⁴⁹ in that it is designed to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that the changes to proposed Options 4, Section 10 are mainly of a non-substantive nature that are designed to modernize and conform the Phlx Options rules to the equivalent ISE rules and remove impediments to and perfect the

⁴⁸ See ISE Options Listing Rule Section 9.

⁴⁹ 15 U.S.C. 78f(b).

mechanism of a free and open market and a national market system, and, in general protects investors and the public interest because it is in the interest of the Exchange to have similar back-up trading arrangements that are harmonized with the ISE and the other affiliated markets, which are fair and representative of a common understanding. The Exchange believes it is critical that the governing rules are identical across all exchanges for business continuity planning purposes and to discourage the potential for “shopping” across the exchanges by a Disabled Exchange’s members.

The Exchange believes that the relocation of Options 4, Section 11 to new Options 4C, Section 6 without change, as well as the addition of Options 4C (U.S. Dollar-Settled Foreign Currency Options) in its entirety which is comprised of language relocated from Options 4 with some added introductory language, will help 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 through non-substantive changes and reorganization to mirror the ISE rule and for greater clarity.

The Exchange believes that the relocation of a portion of Options 4, Section 4(a) to proposed .04 to Supplementary Material to Options 8, Section 30 will help 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 through non-substantive changes and reorganization to mirror the ISE rule and for greater clarity.

As a result, the Exchange believes that the changes included in this filing serve 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 since the changes are intended to organize the Rulebook in a way that it will ease the

Members', market participants', and the general public's navigation and reading of the rules and lessen potential confusion and add clarity for market participants.

With respect to the proposed technical corrections to the rules, the Exchange believes that these changes are consistent with the Act because they will prevent investor confusion that may be caused by including in the Rules incorrect rule citations and defunct rule text.

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 does not impose a burden on competition because, as previously stated, it (i) is of a non-substantive nature, (ii) is intended to harmonize the structure of the Exchange's rules with those of its Affiliated Exchanges, and (iii) is intended to organize the Rulebook in a way that it will ease the Members', market participants', and the general public's navigation and reading of the rules.

Consequently, the Exchange does not believe that the proposed changes implicate competition at all.

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.

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 Act⁵⁰ and subparagraph (f)(6) of Rule 19b-4 thereunder.⁵¹

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 necessary or appropriate in the public interest, for the protection of investors, or 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
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2021-14 on the subject line.

⁵⁰ 15 U.S.C. 78s(b)(3)(A)(iii).

⁵¹ 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.

Paper comments:

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

All submissions should refer to File Number SR-Phlx-2021-14. 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-2021-14 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.⁵²

J. Matthew DeLesDernier
Assistant Secretary

⁵² 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined; deleted text is in brackets.

Nasdaq PHLX LLC Rules

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OPTIONS RULES

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Options 1 General Provisions**Section 1. Applicability, Definitions and References**

(a) No change.

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

* * * * *

(9) The term “**class**” means, when applied to options, all option contracts of the same type and style covering the same underlying interest; provided, however, that OTC options and listed options that would otherwise constitute a single class of options shall constitute separate classes. When applied to futures, the term “class” means all futures covering the same underlying interest. [The term “**class of options**” means all option contracts of the same type of option covering the same underlying stock or Exchange-Traded Fund Share (in the case of options on a stock or Exchange-Traded Fund Share) or the same underlying foreign currency (in the case of options on a foreign currency).]

* * * * *

(51) The term “**series,**” when used in respect of options, means all option contracts of the same class and having otherwise identical terms including exercise price (or, in the case of delayed start option contracts that do not yet have a set exercise price, the same exercise price setting formula and exercise price setting date), expiration date, unit of trading and, in the case of futures options or commodity options, series marker if any; and when used in respect of futures, means all futures of the same class having identical terms, including the same maturity date and series marker, if any. [The term “**series of options**” means all option contracts of the same class of options having the same expiration date and exercise price.]

* * * * *

(60) The term “**underlying security**” when used in respect of any contract other than a cash-settled contract means the security or other asset which the Corporation is obligated to sell or purchase upon exercise or maturity of the contract. When used in respect of a cash-settled contract, the term means the index or other underlying interest on which the

exercise settlement amount or final settlement price is based. [The term "**underlying stock**" or "**underlying Exchange-Traded Fund Share**" in respect of an option contract means the security which The Options Clearing Corporation shall be obligated to sell (in the case of a call) or purchase (in the case of a put) upon the valid exercise of such option contract.]

* * * * *

Options 4 Options Listing Rules

Section 1. Designation [O]f Securities

[Stock or Exchange-Traded Fund Share option contracts purchased and sold on the Exchange are designated by reference to the issuer of the underlying security, expiration month, exercised price and type (put or call). Foreign currency option contracts purchased and sold on the Exchange are designated by reference to the underlying foreign currency (e.g., the British pound), expiration month, exercise price and type (put or call).] The Exchange trades options contracts, each of which is designated by reference to the issuer of the underlying security, expiration month or expiration date, exercise price and type (put or call).

Section 2. Rights [A]nd Obligations Of Holders And Writers

[(a) Subject to the provisions of General 1, Section 1, Options 1, Section 1, Options 9, Sections 15, 17 and 19, t] The rights and obligations of holders and writers [of option contracts of any class of options dealt in on the Exchange] shall be [as] set forth in the [r] Rules of [T] the [Options] Clearing Corporation.

Section 3. Criteria for Underlying Securities

(a) Underlying securities [in] with respect [of] to which put or call options contracts are approved for listing and trading on the Exchange must meet the following criteria:

(1) [T] the security must be [duly] registered and be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act; and

(2) the security shall be characterized by a substantial number of outstanding shares [which] that are widely held and actively traded.

(b) In addition, the [Board of Directors] Exchange shall from time to time establish guidelines to be considered [by the Exchange] in evaluating potential underlying securities for Exchange options transactions. There are[, however,] many relevant factors which must be considered in arriving at such a determination[.] and [T] the fact that a particular security may meet the guidelines established by the [Board] Exchange does not necessarily mean that it will be [approved] selected as an underlying security. Further, in exceptional circumstances an underlying security may be [approved] selected by the Exchange even though it does not meet all of the guidelines. The Exchange may also give consideration to maintaining diversity among various industries and issuers in selecting underlying securities. Notwithstanding the forgoing, however, absent exceptional circumstances, an underlying security will not be selected unless:

[(c) The British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the U.S. dollar, the Mexican peso, the Euro, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona may be approved as underlying foreign currencies for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. In the event that any of the sovereign governments or the European Economic Community's European Monetary System issuing any of the above-mentioned currencies should issue a new currency intended to replace one of the above-mentioned currencies as the standard unit of the official medium of exchange of such government, such new currency also may be approved as an underlying foreign currency for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. Options trading in such new currency may occur simultaneously with options trading in any of the above-mentioned currencies; provided, however, that the Exchange shall withdraw its approval of options transactions in the currency which is intended to be replaced by such new currency as expeditiously as it deems consistent with the maintenance of a fair and orderly market or the protection of investors.

Supplementary Material to Options 4, Section 3

.01 The Board of Directors has established guidelines to be considered by the Exchange in evaluating potential underlying securities for Exchange option transactions. Absent exceptional circumstances with respect to items 1, 2, 3, or 4 listed below, at the time the Exchange selects an underlying security for Exchange options transactions, the following guidelines with respect to the issuer shall be met:]

- (1) There are a minimum of seven (7)[,000,000]million shares of the underlying security which are owned by persons other than those required to report their stock holdings under Section 16(a) of the Exchange Act.
- (2) There are a minimum of 2,000 holders of the underlying security.
- (3) The issuer is in compliance with any applicable requirements of the Exchange Act.
- [(3)4] Trading volume (in all markets in which the underlying security is traded) has been at least 2,400,000 shares in the preceding twelve (12) months.
- [(4)5] Either:
 - (i) If the underlying security is a "covered security" as defined [in]under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$3.00 for the previous three [(3)]consecutive business days preceding the date on which the

Exchange submits a certificate to [T]the [Options]Clearing Corporation for listing and trading[. For purposes of this Rule, the market price of such underlying security is]as measured by the closing price reported in the primary market in which the underlying security is traded[.]; or

(ii) If the underlying security is not a "covered security," the market price per share of the underlying security has been at least \$7.50 for the majority of business days during the three calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days.

[(5) The issuer is in compliance with any applicable requirements of the Exchange Act.]

(6) Notwithstanding the requirements set forth in Paragraphs 1, 2, [through] 4 and 5 above, the Exchange may list and trade an options contract if[:]

(i) the underlying security meets the guidelines for continued [listing]approval in Options 4, Section 4; and[

](ii) options on such underlying security are [listed and]traded on at least one other registered national securities exchange.

[.02 (a) Members, member organizations or any person proposing to list any option not currently listed on the Exchange shall submit a form of request (a "Request to List an Option"), available from the Exchange's "designated staff" or "designated department" (together "the designated department").

(b) As soon as practicable, but not later than three (3) business days following receipt of the Request to List an Option, the designated department shall review the proposed option's eligibility for listing, using the objective listing criteria set forth in Supplementary Material .01 of this Rule. If the designated department determines that the proposed option does not meet the objective listing criteria set forth in Supplementary Material .01 of this Rule, the designated department shall prepare a responsive form (a "Notification Memorandum") stating the reason(s) why the proposed option is not eligible for listing. The designated department shall forward the Notification Memorandum to the member or member organization that submitted the Request to List an Option within three (3) business days of its determination that the proposed option does not meet objective listing criteria. The designated department shall maintain all Requests to List an Option and Notification Memoranda in a central file for a period of not less than five (5) years.

(c) If the designated department determines that the proposed option meets the objective listing criteria set forth in Supplementary Material .01 of this Rule, the designated department shall present the initial Request to List an Option and the subsequent review to the Chairman of the Board of Directors or his designee, who shall, within ten (10) business days of receipt of the Request to List an Option, instruct the designated

department to: If the designated department determines that the proposed option meets the objective listing criteria set forth in Supplementary Material .01 of this Rule, the designated department shall present the initial Request to List an Option and the subsequent review to the Chairman of the Board of Directors or his designee, who shall, within ten (10) business days of receipt of the Request to List an Option, instruct the designated department to:

(i) solicit options Lead Market Makers to submit applications for Lead Market Maker privileges in the option; or

(ii) within three (3) business days, prepare and forward a letter to the member or member organization that submitted the Request to List an Option, setting forth in reasonable detail the basis on which the decision not to list, or to place limitations or conditions upon, the proposed option was made.]

(c) Securities of Restructured Companies.

(1) Definitions. The following definitions shall apply to the provisions of this paragraph (c):

(A) "Restructuring Transaction" refers to a spin-off, reorganization, recapitalization, restructuring or similar corporate transaction.

(B) "Restructure Security" refers to an equity security that a company issues, or anticipates issuing, as the result of a Restructuring Transaction of the company.

(C) "Original Equity Security" refers to a company's equity security that is issued and outstanding prior to the effective date of a Restructuring Transaction of the company.

(D) "Relevant Percentage" refers to either:

(i) twenty-five percent (25%), when the applicable measure determined with respect to the Original Equity Security or the business it represents includes the business represented by the Restructure Security; or

(ii) thirty-three and one-third percent (33-1/3%), when the applicable measure determined with respect to the Original Equity Security or the business it represents excludes the business represented by the Restructure Security.

(2) "Share" and "Number of Shareholder" Guidelines. In determining whether a Restructure Security satisfies the share guideline set forth in this Rule (the "Share Guideline") or the number of holders guideline set forth in this Rule (the "Number

of Shareholders Guideline"), the Exchange may rely upon the facts and circumstances that it expects to exist on the option's intended listing date, rather than on the date on which the Exchange selects for options trading the underlying Restructure Security.

(A) The Exchange may assume that:

(i) both the "Share" and "Number of Shareholders" Guidelines are satisfied if, on the option's intended listing date, the Exchange expects no fewer than forty (40) million shares of the Restructure Security to be issued and outstanding; and

(ii) either such Guideline is satisfied if, on the option's intended listing day, the Exchange expects the Restructure Security to be listed on an exchange or automatic quotation system that has, and is subject to, an initial listing requirement that is no less stringent than the Guideline in question.

(B) The Exchange may not rely on any such assumption, however, if a reasonable Exchange investigation or that of another exchange demonstrates that either the Share Guideline or Number of Shareholders Guideline will not in fact be satisfied on an option's intended listing date.

(C) In addition, in the case of a Restructuring Transaction in which the shares of a Restructure Security are issued or distributed to the holders of shares of an Original Equity Security, the Exchange may determine that either the Share Guideline or the Number of Shareholders Guideline is satisfied based upon the Exchange's knowledge of the outstanding shares or number of shareholders of the Original Equity Security.

(3) "Trading Volume" Guideline. In determining whether a Restructure Security that is issued or distributed to the holders of shares of an Original Equity Security (but not a Restructure Security that is issued pursuant to a public offering or rights distribution) satisfies the trading volume guideline set forth in Options 4, Section 3(b)(4) of this Rule (the "Trading Volume Guideline"), the Exchange may consider the trading volume history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (c)(5) below.

(4) "Market Price" Guideline. In determining whether a Restructure Security satisfies the market price history guideline set forth in Options 4, Section 3(b)(5) (the "Market Price Guideline"), the Exchange may consider the market price history of the Original Equity Security prior to the "ex-date" of the Restructuring Transaction if:

(A) the Restructure Security satisfies the "Substantiality Test" set forth in subparagraph (c)(5) below; and

(B) in the case of the application of the Market Price Guideline to a Restructure Security that is distributed pursuant to a public offering or a rights distribution:

(i) the Restructure Security trades "regular way" on an exchange or automatic quotation system for at least the five trading days immediately preceding the date of selection; and

(ii) at the close of trading on each trading day on which the Restructure Security trades "regular way" prior to the date of selection, and the opening of trading on the date of selection, the market price of the Restructure Security was at least \$7.50, or, if the Restructure Security is a "covered security," as defined in Options 4, Section 3(b)(5)(i) of this Rule, the market price of the Restructure Security was at least \$3.00.

(5) The "Substantiality Test." A Restructure Security satisfies the "Substantiality Test" if:

(A) the Restructure Security has an aggregate market value of at least \$500 million; or

(B) at least one of the following conditions is met:

(i) the aggregate market value of the Restructure Security equals or exceeds the Relevant Percentage of the aggregate market value of the Original Equity Security;

(ii) the aggregate book value of the assets attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the aggregate book value of the assets attributed to the business represented by the Original Equity Security; or

(iii) the revenues attributed to the business represented by the Restructure Security equals or exceeds both \$50 million and the Relevant Percentage of the revenues attributed to the business represented by the Original Equity Security.

(6) A Restructure Security's aggregate market value may be determined from "when issued" prices, if available.

- (7) In calculating comparative aggregate market values for the purpose of assessing whether a Restructure Security qualifies to underlie an option, the Exchange shall use the Restructure Security's closing price on its primary market on the last business day prior to the selection date or the Restructure Security's opening price on its primary market on the selection date and shall use the corresponding closing or opening price of the related Original Equity Security.
- (8) In calculating comparative asset values and revenues, the Exchange shall use (i) the issuer's latest annual financial statements or (ii) the issuer's most recently available interim financial statements (so long as such interim financial statements cover a period of not less than three months), whichever are more recent. Those financial statements may be audited or unaudited and may be pro forma.
- (9) Except in the case of a Restructure Security that is distributed pursuant to a public offering or rights distribution, the Exchange may not rely upon the trading volume or market price history of an Original Equity Security as this paragraph (c) permits for any trading day unless it relies upon both of those measures for that trading day.
- (10) Once the Exchange commences to rely upon a Restructure Security's trading volume and market price history for any trading day, the Exchange may not rely upon the trading volume and market price history of the security's related Original Equity Security for any trading day thereafter.
- (11) "When Issued" Trading Prohibited. The Exchange shall not list for trading options contracts that overlie a Restructure Security that is not yet issued and outstanding, regardless of whether the Restructure Security is trading on a "when issued" basis or on another basis that is contingent upon the issuance or distribution of shares.
- (d) In considering underlying securities, the Exchange shall ordinarily rely on information made publicly available by the issuer and/or the markets in which the security is traded.
- (e) The word "security" shall be broadly interpreted to mean any equity security, as defined in Rule 3a11-1 under the Exchange Act, which is appropriate for options trading, and the word "shares" shall mean the unit of trading of such security.[In determining whether to list an option that otherwise meets objective listing criteria, the Chairman of the Board of Directors or his designee may consider such factors as the Exchange's current and projected computer capacity, and the current and projected demands for that capacity, including telecommunications and Option Price Reporting Authority ("OPRA") inbound and outbound message capacity or message volume restrictions placed on the Exchange by OPRA; the projected likely number of series and open interest in the option; the projected likely volatility of the option; the projected likely liquidity of the option; name recognition of the option or underlying security; the projected volume of trading in the option that is likely to occur on the Exchange; the projected share of total trading in

the option that is likely to occur at the Exchange; whether any intellectual property right or license thereof exists with respect to the option; whether the proposal is consistent with Exchange Rules and/or the Exchange Act and the rules, regulations, and orders thereunder; whether unusual or unfavorable market conditions exist with respect to the option; and whether it is in the *bona fide* business interest of the Exchange to list the option. If, in denying a request or approving a request subject to conditions or limitations, the Exchange relies upon a factor of other bona fide business interests, the Exchange shall, in addition to providing the member with a written response specifying that the Exchange has relied upon other bona fide business interests, maintain a record of the bona fide business interests supporting its decision.

.03 As used both in Options 4, Sections 3 and 4, the word "security" may be broadly interpreted to mean any equity security as defined in Rule 3a11-1 promulgated under the Exchange Act, which is appropriate for options trading. The word "shares" shall mean the unit of trading of such security. The Exchange deems that American Depositary Receipts ("ADRs") and non-convertible preferred stock which meet the criteria set forth in this Rule are appropriate for options trading and in the case of options on an ADR, (i)]

(f) Securities deemed appropriate for options trading shall include nonconvertible preferred stock issues and American Depositary Receipts ("ADRs") if they meet the criteria and guidelines set forth in this Rule and if, in the case of ADRs:

(1) the Exchange has in place, an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded;

(2) [or (ii)] the combined trading volume of the ADR and other related ADRs and securities (as defined below) occurring in the U.S. ADR market or in markets with which the Exchange has in place an effective surveillance sharing agreement represents (on a share equivalent basis) at least fifty percent (50%) of the combined worldwide trading volume in the ADR, the security underlying the ADR, other classes of common stock related to the underlying security, and ADRs overlying such other stock (together, "other related ADRs and securities") over the three month period preceding the date of selection of the ADR for options trading; [or (iii) (a)]

(3)(i) the combined trading volume of the ADR and other related ADRs and securities occurring in the U.S. ADR market and in markets where the Exchange has in place an effective surveillance sharing agreement, represents (on a share equivalent basis) at least twenty percent (20%) of the combined worldwide trading volume in the ADR and in other related ADRs and securities over the three month period preceding the date of selection of the ADR for options trading, (b)ii the average daily trading volume for the security in the U.S. markets over the three (3) months preceding the selection of the ADR for options trading is 100,000 or more shares, and (c)iii the trading volume is at least 60,000 shares per day in U.S. markets on a majority of the trading days for the three (3) months

preceding the date of selection of the ADR for options trading ("Daily Trading Volume Standard"), or

(iv) the SEC has otherwise authorized the listing.

[.04](g) Securities deemed appropriate for options trading shall include shares issued by registered closed-end management investment companies that invest in the securities of issuers based in one or more foreign countries ("International Funds") if they meet the criteria and guidelines set forth in this Rule [above]and either:

(i) the Exchange has a market information sharing agreement with the primary home exchange for each of the securities held by the fund[;], or

(ii) the International Fund is classified as a diversified fund as that term is defined by Section 5(b) of the Investment Company Act of 1940, as amended, and the securities held by the fund are issued by issuers based in five or more countries. A "market information sharing agreement" for purposes of this [Supplementary Material]Rule is an agreement that would permit the Exchange to obtain trading information relating to the securities held by the fund including the identity of the member of a foreign exchange executing the trade. International Funds not meeting either (i) or (ii) above shall be deemed appropriate for options trading if the Commission specifically authorizes the listing.

[.05 (a)] In determining whether an equity security (the "restructure security") issued or anticipated to be issued in a spin-off, reorganization, recapitalization, restructuring, or similar corporate transaction (a "restructuring transaction") satisfies the guidelines set forth in paragraphs (3) and (4) of Supplementary Material .01 above, the Exchange may rely on the trading volume and market price history of the related equity security in respect of which the restructure security was or is to be issued (the "original security") determined prior to the ex-date for the restructuring transaction, but only if (i) both the trading volume and the market price history of the original security are used for this purpose for any trading days when either is so used, (ii) once the Exchange commences to rely on the trading volume and market price history of the restructure security for any trading day, the Exchange may not rely on the trading volume and market price history of the original security for any trading day thereafter, and (iii) at least one of the following conditions is met:

(1) At least one of (i) the aggregate market value of the restructure security, (ii) the aggregate book value of the assets attributed to the business represented by the restructure security, or (iii) revenues attributed to the business represented by the restructure security is no less than the relevant percentage of the same measure determined with respect to the original security or the business represented by the original security, as applicable, calculated in a comparable manner, provided that in the case of the qualification of a restructure security under clause (ii), the aggregate book value of the assets attributed to the business represented by the restructure security is not less than \$50 million, and in the case of the qualification of a restructure security under

clause (iii), the revenues attributed to the business represented by the restructure security are not less than \$50 million. For purposes of the foregoing sentence, the relevant percentage is 25% when the applicable measure determined with respect to the original security or the business it represents reflects the *inclusion* of the business represented by the restructure security, and the relevant percentage is 33 1/3% when the applicable measure determined with respect to the original security or the business it represents reflects the *exclusion* of the business represented by the restructure security.

(2) The aggregate market value represented by the shares of the restructure security is at least five hundred million dollars (\$500,000,000).

For purposes of the foregoing, (i) aggregate market value of the shares of the restructure security may be determined from "when issued" prices, if available; (ii) comparative aggregate market value calculations shall be based upon share prices that are all either (a) closing prices in the primary market on the last business day preceding the selection date of the restructure security or (b) opening prices in the primary market on the selection date of the restructure security; and (iii) comparative asset values and revenues shall be derived from either the latest annual or most recently available interim (not less than three months) financial statements of the issuer, which may be audited or unaudited or *pro forma*.

(b) Option contracts may not be initially listed for trading on a restructure security until such time as shares of the restructure security are issued and outstanding and are the subject of trading that is not on a "when issued" basis or in some similar fashion that is not contingent on the shares being issued, distributed, redesignated or created.

(c) In certifying a restructure security for options trading, the Exchange may determine that the requirements of paragraphs (1) and (2) of Supplementary Material .01 above are satisfied based on the facts and circumstances that will exist on the intended date for listing the option rather than at the time the restructure security is so selected. In the case of a transaction within the scope of this Supplementary Material .05 in which shares of a restructure security are issued or distributed to the holders of shares of an original security, this determination may either be based on the public ownership and number of shareholders of the original security, or the Exchange may assume that one or both of these requirements will be satisfied if either of the following conditions is met on the date the restructure security is selected for options trading: (i) the restructure security will be listed on an exchange or automatic quotation system subject to initial listing requirements in respect of public ownership of shares of number of shareholders or both that are no less stringent than the requirements assumed to be satisfied, or (ii) at least 40,000,000 shares of the restructure security will be issued and outstanding on the intended date for listing the option, unless in the case of (i) or (ii) above, the Exchange, after reasonable investigation, has determined that such requirements will in fact not be satisfied on that date. Any determination by the Exchange that such requirements will be satisfied based on an assumption made pursuant to this paragraph is subject to the right of any objecting exchange to demonstrate that such requirements will in fact not be satisfied.

(d) In the case of a Restructured Transaction that satisfies either or both of the conditions of subparagraphs (a)(1) or (2) above in which shares of the restructure security are sold in a public offering or pursuant to a rights distribution: (i) the Exchange may assume the satisfaction of one or both of the requirements of paragraph (1) and (2) of Supplementary Material .01 above on the date the restructure security is selected for options trading only if (A) the applicable conditions set forth in paragraph (c)(i) above are met with respect to whichever of these requirements is assumed to be satisfied, or (B) the condition set forth in paragraph (c)(ii) above is met, in either case subject to the limitations stated in said paragraph (c); (ii) the Exchange may certify that the market price of the restructure security satisfies the requirement of paragraph (4) of Supplementary Material .01 above by relying on the market price history of the original security prior to the ex-date for the Restructure Transaction in the manner described in paragraph (a) above, but only if the restructure security has traded "regular way" on an exchange or automatic quotation system for at least five trading days immediately preceding the date of selection, and at the close of trading on each trading day preceding the date of selection, as well as at the opening of trading on the date of selection the market price of the restructure security was at least \$7.50 or, if the restructure security is a "covered security" as defined in paragraph (4) of Supplementary Material .01 above, the market price of the restructure security was at least \$3.00; and (iii) the Exchange may certify that the trading volume of the restructure security satisfies the requirement of paragraph (3) of Supplementary Material .01 above only if the trading volume in the restructure security has been at least 2,400,000 shares during a period of 12 months or less ending on the date the restructure security is selected for options trading.]

[.06](h) Securities deemed appropriate for options trading shall include shares or other securities ("Exchange-Traded Fund Shares"), including but not limited to Partnership Units as defined in Supplementary Material .08 to Options 4, Section 3, that are principally traded on a national securities exchange and are defined as an "NMS" stock under Rule 600 of Regulation NMS, and that (i) represent interests in a registered investment company (or series thereof) organized as an open-end management investment company, a unit investment trust or a similar entity that hold portfolios of which holds securities and/or financial instruments, including, but not limited to, stock index futures contracts, options on futures, options on securities and indexes, equity caps, collars and floors, swap agreements, forward contracts, repurchase agreements and reverse repurchase agreements (the "Financial Instruments"), and money market instruments, including, but not limited to, U.S. government securities and repurchase agreements (the "Money Market Instruments") constituting or otherwise based on or representing investments in broad-based indexes or portfolios of securities and/or Financial Instruments and Money Market Instruments, (or that hold securities in one or more other registered investment companies that themselves hold such portfolios of securities and/or Financial Instruments and Money Market Instruments) or (ii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency ("Commodity Pool ETFs") or (iii) represent interests in a trust or similar

entity that holds a specified non-U.S. currency or currencies deposited with the trust [or similar entity]when aggregated in some specified minimum number may be surrendered to the trust or similar entity by the beneficial owner to receive the specified non-U.S. currency or currencies and pays the beneficial owner interest and other distributions on the deposited non-U.S. currency or currencies, if any, declared and paid by the trust ("Currency Trust Shares"), (iii) represent commodity pool interests principally engaged, directly or indirectly, in holding and/or managing portfolios or baskets of securities, commodity futures contracts, options on commodity futures contracts, swaps, forward contracts and/or options on physical commodities and/or non-U.S. currency ("Commodity Pool ETFs") or (iv) represent interests in SPDR® Gold Trust, iShares COMEX Gold Trust, iShares Silver Trust, or ETFS Gold Trust ("SGOL") [provided:]or (v) represents an interest in a registered investment company ("Investment Company") organized as an open-end management company or similar entity, that invests in a portfolio of securities selected by the Investment Company's investment adviser consistent with the Investment Company's investment objectives and policies, which is issued in a specified aggregate minimum number in return for a deposit of a specified portfolio of securities and/or a cash amount with a value equal to the next determined net asset value ("NAV"), and when aggregated in the same specified minimum number, may be redeemed at a holder's request, which holder will be paid a specified portfolio of securities and/or cash with a value equal to the next determined NAV ("Managed Fund Share"); provided that all of the following conditions are met:

[(a)

][(i)] the Exchange-Traded Fund Shares either (i) meet the criteria and guidelines [for underlying securities]set forth in paragraphs (a) and (b) above [Supplementary Material .01 to this Options 4, Section 3;]or (ii) [T]the Exchange-Traded Fund Shares are [must be]available for creation or redemption each business day [in cash or in kind]from or through the issuing trust, [the]investment company, commodity pool or other entity in cash or in kind at a price related to [the]net asset value, and the issuer is obligated to issue Exchange-Traded Fund Shares in a specified aggregate number even if some or all of the investment assets and/or cash required[. In addition, the investment company, commodity pool or other entity shall provide that fund shares may be created even though some or all of the securities and/or cash needed]to be deposited have not been received by the issuer, subject to the condition that the person obligated to deposit the investment assets [unit investment trust or the management investment company, provided the authorized creation participant]has undertaken to deliver [the shares and/or cash]them as soon as possible and such undertaking [has been]is secured by the delivery and maintenance of collateral consisting of cash or cash equivalents satisfactory to the issuer of the Exchange-Traded Fund Shares, all [fund which underlies the option]as described in the Exchange-Traded Fund Shares' [fund or unit trust]prospectus; and subparagraph (2) shall apply to the extent the Exchange-Traded Fund Share is based on international or global indexes.

(b)(2) (T) the Exchange-Traded Fund Shares meet the following criteria:

(i)(A) [The Fund Shares] are listed pursuant to generic listing standards for series of portfolio depositary receipts and index fund shares based on international or global indexes or eligible to operate pursuant to Rule 6c-11 under the Investment Company Act of 1940, as amended, [in] under which [case] a comprehensive surveillance agreement is not required; or

(ii) [(A)(B) any non-U.S. component [stocks in the] securities of an index or if not available or applicable, the portfolio of securities on which the Fund Shares are based that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 50% of the weight of the index or portfolio;

(B)(C) component securities of an index or if not available or applicable, the portfolio of securities on which the Exchange-Traded Fund Shares are based [stocks] for which the primary market is in any one country that is not subject to a comprehensive surveillance agreement do not represent 20% or more of the weight of the index; [and]

(C)(D) component securities of an index or if not available or applicable, the portfolio of securities on which the Exchange-Traded Fund Shares are based [stocks] for which the primary market is in any two countries that are not subject to comprehensive surveillance agreements do not represent 33% or more of the weight of the index[.];

(iii)(E) For Currency Trust Shares, the Exchange has entered into an appropriate comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in derivatives (options or futures) on the specified non-U.S. currency or currencies, which are utilized by the national securities exchange where the underlying Currency Trust Shares are listed and traded; and

(F) For Commodity Pool ETFs that engage in holding and/or managing portfolios or baskets commodity futures contracts, options on commodity futures contracts, swaps, forward contracts, options on physical commodities, options on non-U.S. currency and/or securities, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in such commodity futures contracts and/or options on commodity futures contracts on the specified commodities or non-U.S. currency, which are utilized by the national securities exchange where the underlying Commodity Pool ETFs are listed and traded.

[(iv) For Currency Trust Shares, the Exchange has entered into a comprehensive surveillance sharing agreement with the marketplace or marketplaces with last sale reporting that represent(s) the highest volume in derivatives (options or futures) on the specified non-U.S. currency, which are utilized by the national securities exchange where the underlying Currency Trust Shares are listed and traded.

.07](i) A "market information sharing agreement" for purposes of this Rule is as defined in subparagraph (g)(2).

(j) Securities deemed appropriate for options trading shall include shares or other securities ("Trust Issued Receipts") that are principally traded on a national securities exchange or through the facilities of a national securities association and reported as a national market security, and that represent ownership of the specific deposited securities held by a trust, provided:

[(a)]

([i]A) the Trust Issued Receipts (i) meet the criteria and guidelines for underlying securities set forth in [Supplementary Material.01]paragraph (b) to this [Options 4, Section 3]Rule; or (ii) [the Trust Issued Receipts]must be available for issuance or cancellation each business day from the Trust in exchange for the underlying deposited securities; and

([b]B) not more than 20% of the weight of the Trust Issued Receipt is represented by ADRs on securities for which the primary market is not subject to a comprehensive surveillance agreement.

.08 The term "Partnership Units" means a security (a) that is issued by a partnership that invests in any combination of futures contracts, options on futures contracts, forward contracts, commodities (as defined in Section 1(a)(4) of the Commodity Exchange Act) and/or securities; and (b) that is issued and redeemed daily in specified aggregate amounts at net asset value.

.09 Index-Linked Securities

[(a)k] Securities deemed appropriate for options trading shall include shares or other securities ("Equity Index-Linked Securities," "Commodity-Linked Securities," "Currency-Linked Securities," "Fixed Income Index-Linked Securities," "Futures-Linked Securities," and "Multifactor Index-Linked Securities," collectively known as "Index-Linked Securities" or "ETNs") that are principally traded on a national securities exchange and an "NMS Stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934), and represent ownership of a security that provides for the payment at maturity, as described below:

([i]1) Equity Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple

or inverse) performance of an underlying index or indexes of equity securities ("Equity Reference Asset");

([ii]A) Commodity-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more physical commodities or commodity futures, options on commodities, or other commodity derivatives or Commodity-Based Trust Shares or a basket or index of any of the foregoing ("Commodity Reference Asset");

([iii]B) Currency-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more currencies, or options on currencies or currency futures or other currency derivatives or Currency Trust Shares (as defined in [Supplementary Material .06 to this]Options 4, Section 3(h)), or a basket or index of any of the foregoing ("Currency Reference Asset");

([iv]C) Fixed Income Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of one or more notes, bonds, debentures or evidence of indebtedness that include, but are not limited to, U.S. Department of Treasury securities ("Treasury Securities"), government-sponsored entity securities ("GSE Securities"), municipal securities, trust preferred securities, supranational debt and debt of a foreign country or a subdivision thereof or a basket or index of any of the foregoing ("Fixed Income Reference Asset");

([v]D) Futures-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of an index or indexes of futures contracts or options or derivatives on futures contracts ("Futures Reference Asset"); and

([vi]E) Multifactor Index-Linked Securities are securities that provide for the payment at maturity of a cash amount based on the performance or the leveraged (multiple or inverse) performance of any combination of two or more Equity Reference Assets, Commodity Reference Assets, Currency Reference Assets, Fixed Income Reference Assets, or Futures Reference Assets ("Multifactor Reference Asset[]");

([b]2) For purposes of [Supplementary Material .09 to]this Options 4, Section 3(k), Equity Reference Assets, Commodity Reference Asset, Currency Reference Assets, Fixed Income Reference Assets, Futures Reference Assets together with Multifactor Reference Assets, collectively will be referred to as "Reference Assets."

(c)3] (i)A) The Index-Linked Securities must meet the criteria and guidelines for underlying securities set forth in [Supplementary Material .01 to this]Options 4, Section 3(b); or_

(ii) (B) the Index-Linked Securities must be redeemable at the option of the holder at least on a weekly basis through the issuer at a price related to the applicable underlying Reference Asset. In addition, the issuing company is obligated to issue or repurchase the securities in aggregation units for cash, or cash equivalents, satisfactory to the issuer of Index-Linked Securities which underlie the option as described in the Index-Linked Securities prospectus.

(d)4) The Exchange will implement surveillance procedures for options on Index-Linked Securities, including adequate comprehensive surveillance sharing agreements with markets trading in non-U.S. components, as applicable.

Section 4. Withdrawal of Approval of Underlying Securities[or Options]

(a) Whenever the Exchange determines that an underlying security previously approved for Exchange options transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, the Exchange [shall]will not open for trading any additional series of options of the class covering that underlying security and may [therefore]prohibit any opening purchase transactions in series of options of that class previously opened (except that [(i)]opening transactions by Market Makers executed to accommodate closing transactions of other market participants [and (ii) opening transactions by member organizations to facilitate the closing transactions of Public Customers executed as crosses pursuant to and in accordance with Options 8, Section 30(b)] may be permitted), to the extent it [shall] deems such action necessary or appropriate; provided, however, that where exceptional circumstances have caused an underlying security not to comply with the Exchange's current approval maintenance requirements[,] regarding number of publicly held shares [of publicly held principal amount], number of shareholders, trading volume or market price the Exchange may, in the interest of maintaining a fair and orderly market or for the protection of investors, determine to continue to open additional series of options contracts of the class covering that underlying security. When all options contracts [in]with respect [of]to any underlying security that is no longer approved have expired, the Exchange may make application to the SEC to strike from trading and listing all such options contracts.

[Supplementary Material to Options 4, Section 4

.01 The Board of Directors has established guidelines to be considered by the Exchange in determining whether an underlying security previously approved for Exchange option transactions no longer meets its requirements for the continuance of such approval. Absent exceptional circumstances, with respect to items 1, 2, or 3 listed below,]

(b) Absent exceptional circumstances, an underlying security will not be deemed to meet the Exchange's requirements for continued approval whenever any of the following occur:

(1[.]) There are fewer than 6,300,000 shares of the underlying security held by persons other than those who are required to report their security holdings under Section 16(a) of the Exchange Act.

(2[.]) There are fewer than 1,600 holders of the underlying security.

(3[.]) The trading volume (in all markets in which the underlying security is traded) ~~[was]~~has been less than 1,800,000 shares in the preceding twelve (12) months.

(4[.]) The underlying security ceases to be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act.

(5[.]) If an underlying security is approved for options listing and trading under the provisions of ~~[Supplementary Material .01 of this Rule,]~~Options 4, Section 3(c), the trading volume of the ~~[o]Original [s]Security~~ (as therein defined) prior to but not after the commencement of trading in the ~~[r]Restructure [s]Security~~ (as therein defined), including "when-issued" trading, may be taken into account in determining whether the trading volume requirement of ~~[paragraph](3) of this [Supplementary Material .01]~~paragraph is satisfied.

.02](c) In considering whether any of the events specified in ~~[Supplementary Material .01]paragraph (b) of this Rule~~ have occurred with respect to an underlying security, the Exchange shall ordinarily rely on information made publicly available by the issuer and/or the markets in which such security is traded.

.03](d) If prior to the delisting of a class of options contracts covering an underlying security ~~[which]that~~ has been found not to meet the Exchange's requirements for continued approval, the Exchange ~~[shall]determines~~ that the underlying security again meets the Exchange's requirements~~[for approval of such underlying security]~~, the Exchange may open for trading additional series of options of that class and may lift any restriction on opening purchase transactions imposed ~~[under]by~~ this Rule.

.04 The Exchange may determine to withdraw approval of an underlying foreign currency whenever it deems such withdrawal advisable in the public interest or for the protection of investors. In the event that the Exchange effects such a withdrawal, the Exchange shall not open for trading any additional series of options of the class covering that underlying foreign currency.

.05](e) Whenever the Exchange announces that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with SEC reporting requirements,

each Member shall, prior to effecting any transaction in options contracts with respect to such underlying security for a customer, inform such customer of such fact and of the fact that the Exchange may prohibit further transactions in such options contracts to the extent it shall deem such action necessary and appropriate.

(f) If an ADR [is]was initially deemed appropriate for options trading[, pursuant to the criteria in Supplementary Material .02(ii) or (iii)], on the grounds that fifty percent (50%) or more of the worldwide trading volume (on a share-equivalent basis) in the ADR and other related ADRs and securities takes place in U.S. markets or in markets with which the Exchange has in place an effective surveillance sharing agreement, or if an ADR was initially deemed appropriate for options trading based on the daily trading volume standard Options 4, Section 3(f)(3) the Exchange may not open for trading [any]additional series of options on [that]the ADR unless:

([A]1) [t]The percentage of worldwide trading volume in the ADR and other related [ADRs and]securities that takes place in the U.S. and in markets with which the Exchange has in place effective surveillance sharing agreements for any consecutive three (3) month period is either (i) at least thirty percent (30%) without regard to the average daily trading volume in the ADR, or (ii) at least fifteen percent (15%) when the average U.S. daily trading volume in the ADR for the previous three (3) months is at least 70,000 shares[.]; or

([B]2) the Exchange then has in place[, a comprehensive]an effective surveillance sharing agreement with the primary exchange in the home country where the security underlying the ADR is traded; or

([C]3) the SEC has otherwise authorized the listing.

[.06 Absent exceptional circumstances, securities initially](g) Exchange-Traded Fund Shares approved for options trading pursuant to [Supplementary Material .04 of this Rule (such securities are defined and referred to in that Supplementary Material as "Exchange-Traded Fund Shares") shall]Options 4, Section 3(h) will not be deemed to meet the [Exchange's] requirements for continued approval, and the [e]Exchange shall not open for trading any additional series of option contracts of the class covering such Exchange-Traded Fund Shares[, whenever] the Exchange-Traded Fund Shares are delisted [and]from trading as provided in [the Shares is suspended on a national securities exchange,]subparagraph (b)(5) of this Rule or the Exchange-Traded Fund Shares [cease to be an "NMS stock"]are halted or suspended from trading on their primary market. In addition, the [e]Exchange shall consider the suspension of opening transactions in any series of options of the class covering Exchange-Traded Fund Shares in any of the following circumstances:

(1) In [accordance with the terms of paragraphs 1, through 7, of Supplementary Material .01 of this Rule in]the case of options covering Exchange-Traded Fund Shares [when such]approved pursuant to Options 4, Section 3(h)(A)(i), in accordance with the terms of subparagraphs (b)(1), (2), (3) and (4) [options were

approved pursuant to paragraph (a)(i) of Supplementary Material .04]of this Rule[.];

(2) Options 4, Section 3(h)(A)(ii) [F]following the initial twelve-month period beginning upon the commencement of trading [of]in the Exchange-Traded Fund Shares on a national securities exchange and are defined as an "NMS stock" under Rule 600 of Regulation NMS, there [are]were fewer than 50 record and/or beneficial holders of such Exchange-Traded Fund Shares for 30 or more consecutive trading days;

(3) [T]the value of the index[,] or portfolio of securities or non-U.S. currency, portfolio of commodities including commodity futures contracts, options on commodity futures contracts, swaps, forward contracts, [and/or] options on physical commodities and/or Financial Instruments [or]and Money Market Instruments, [or portfolio of securities]on which the Exchange-Traded Fund Shares are based is no longer calculated or available; or

(4) [S]such other event [shall]occurs_ or condition exists_ that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

[.07] Absent exceptional circumstances, securities initially approved for options trading pursuant to [Supplementary Material .04 to this Rule]paragraph (j) of Options 4, Section 3 (such securities are defined and referred to in that [Supplementary Material]paragraph as "Trust Issued Receipts") shall not be deemed to meet the Exchange's requirements for continued approval, and the Exchange shall not open for trading any additional series of option contracts of the class covering such Trust Issued Receipts, whenever the Trust Issued Receipts are delisted and trading in the Receipts is suspended on a national securities exchange, or the Trust Issued Receipts are no longer traded as national market securities through the facilities of a national securities association. In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Trust Issued Receipts in any of the following circumstances:

(1) [I]in accordance with the terms of [Supplementary Material .01]paragraph (b) of this Rule in the case of options covering Trust Issued Receipts when such options were approved pursuant to [paragraph (a)(i) of Supplementary Material .04]subparagraph (j)(1)(i) under this Rule;

(2) [T]the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 or more consecutive trading days;

(3) [T]the Trust has fewer than 50,000 receipts issued and outstanding;

(4) [T]the market value of all receipts issued and outstanding is less than \$1,000,000; or

(5) [S]such other event shall occur or condition exist that in the opinion of the Exchange makes further dealing in such options on the Exchange inadvisable.

[.08](i) For Holding Company Depository Receipts (HOLDERS), the Exchange will not open additional series of options overlying HOLDERS (without prior Commission approval) if:

(1) the proportion of securities underlying standardized equity options to all securities held in a HOLDERS trust is less than 80% (as measured by their relative weightings in the HOLDERS trust); or

(2) less than 80% of the total number of securities held in a HOLDERS trust underlie standardized equity options.

[.09 Inadequate volume delisting.

(1) Absent exceptional circumstances, a security initially approved for options trading may be deemed by the Exchange not to meet the requirements for continued approval, in which case the Exchange will not open for trading any additional series of equity option contracts of the class of options and may determine to delist the class of options if it meets the following criteria:

(a) The option has been trading on the Exchange not less than six (6) months; and

(b) The Exchange average daily volume ("ADV") of the entire class of options over the last six (6) month period was less than twenty (20) contracts.

If the option is singly listed only on the Exchange, the Exchange will cease to add new series and may delist the class of options when there is no remaining open interest;

(2) Should the Exchange determine to delist an equity option pursuant to this Supplementary Material .09, it will notify the Lead Market Maker to whom the affected option is allocated of the determination to delist such option not less than ten (10) days prior to the scheduled delisting date (the "options delisting letter").

(a) Within two (2) days of receiving an options delisting letter the affected Lead Market Maker may in writing submit to the person designated by the Exchange in the options delisting letter the Lead Market Maker's justification for and/or explanation of the low ADV in such option and reasons why the Exchange should continue to list the option (the "justification letter");

(b) The Exchange may, but is not required to, take into account the information provided in the justification letter in its determination to delist the option, and will indicate its determination to delist in writing to the affected Lead Market Maker that provided the

justification letter to the Exchange. The Exchange's decision to delist the option is exclusively its own and is not appealable.

.10 Index Linked Securities]

(j) Absent exceptional circumstances, Index-Linked Securities ("Securities") initially approved for options trading pursuant to [Supplementary Material .07 to this Rule] Options 4, Section 3(k) shall not be deemed to meet the Exchange's requirements for continued approval, and the Exchange shall not open for trading any additional series or option contracts of the class covering such Securities whenever the underlying Securities are delisted and trading in the Securities is suspended on a national securities exchange, or the Securities are no longer an "NMS Stock" (as defined in Rule 600 of Regulation NMS under the Securities Exchange Act of 1934). In addition, the Exchange shall consider the suspension of opening transactions in any series of options of the class covering Index-Linked Securities in any of the following circumstances:

([a]1) The underlying Index-Linked Security fails to comply with the terms of [Supplementary Material .07 to this Rule] Options 4, Section 3(k);

([b]2) In accordance with the terms of [Supplementary Material .01 to this Rule] paragraph (b), in the case of options covering Index-Linked Securities when such options were approved pursuant to [Supplementary Material .07 to this Rule] Options 4, Section 3(k), except that, in the case of options covering Index-Linked Securities approved pursuant to [Supplementary Material .07(c)(ii) to this Rule] Options 4, Section 3(k)(3)(ii) that are redeemable at the option of the holder at least on a weekly basis, then option contracts of the class covering such Securities may only continue to be open for trading as long as the Securities are listed on a national securities exchange and are "NMS" stock as defined in Rule 600 of Regulation NMS;

([c]3) In the case of any Index-Linked Security trading pursuant to [Supplementary Material .07 to this Rule] Options 4, Section 3(k), the value of the Reference Asset is no longer calculated; or

([d]4) Such other event shall occur or condition exist that in the opinion of the Exchange make further dealing in such options on the Exchange inadvisable.

Supplementary Material to Options 4, Section 4

[.11].01 If an option series is listed but restricted to closing transactions on another national securities exchange, the Exchange may list such series (even if such series would not otherwise be eligible for listing under the Exchange's Rules), which shall also be restricted to closing transactions on the Exchange.

Section 5. Series of Options Contracts Open for Trading

(a) After a particular class of options [(call option contracts or put option contracts relating to a specific underlying stock or Exchange-Traded Fund Share or to a specific underlying foreign currency)]has been approved for listing and trading on the Exchange, the Exchange [shall]from time to time may open for trading series of options [therein] in that class. Only options contracts in series of options currently open for trading may be purchased or written on the Exchange. Prior to the opening of trading in [any]a given series[of options], the Exchange [shall]will fix the type of option, expiration month, year and exercise price of [option contracts included in each such]that series. Exercise-price setting parameters adopted part of the Options Listing Procedures Plan ("OLPP") are set forth in Options 4, Section 6. For Short Term Option Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .03 to this Section 5. For Quarterly Options Series, the Exchange will fix a specific expiration date and exercise price, as provided in Supplementary Material .04 to this Section 5.[as follows:]

(1) Notwithstanding the requirements set forth in this section and any Supplementary Material thereto, the Exchange may list additional expiration months on options classes opened for trading on the Exchange if such expiration months are opened for trading on at least one other registered national securities exchange.

[(i) Stock or Exchange-Traded Fund Share Options.]

[(A)b] At the commencement of trading on the Exchange of a particular class of [stock or Exchange-Traded Fund Share]options, the Exchange shall open a minimum of one (1) [expiration month and]series [for each class] of options [open for trading on the Exchange]in that class. The exercise price of that series will be fixed at a price per share, relative to the underlying stock price in the primary market at about the time that class of options is first opened for trading on the Exchange.

[(B)c] Additional series of [stock or Exchange-Traded Fund Share]options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the second business day prior to expiration.

[(C) The exercise price of each series of stock or Exchange-Traded Fund Share options opened for trading on the Exchange shall be fixed at a price per share which is reasonably close to the price per share at which the underlying stock or Exchange-Traded Fund

Share is traded in the primary market at or about the time such series of options is first opened for trading on the Exchange.

(D) Long Term Options. The Exchange may list, with respect to any class of stock or Exchange-Traded Fund Share options series, options having from twelve up to thirty-nine months from the time they are listed until expiration. There may be up to ten expiration months for options on the SPDR® S&P 500® exchange-traded fund (the "SPY ETF") and up to six expiration months for options on all other stocks or Exchange Traded Fund Shares. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine months.

(ii) Reserved.

(iii) **U.S. Dollar-Settled Foreign Currency Options.** Within each class of approved U.S. dollar-settled foreign currency options, the Exchange may open for trading series of options expiring in consecutive calendar months ("consecutive month series"), as provided in subparagraph (A) of this paragraph (iii), and series of options expiring at three-month intervals ("cycle month series"), as provided in subparagraph (B) of this paragraph. Prior to the opening of trading in any series of U.S. dollar-settled FCO, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

(A) Consecutive Month Series

With respect to each class of U.S. dollar-settled FCO, series of options having up to four consecutive expiration months may be opened for trading simultaneously, with the shortest-term series initially having no more than two months to expiration. Additional consecutive month series of the same class may be opened for trading on the Exchange at or about the time a prior consecutive month series expires, and the expiration month of each such new series shall normally be the month immediately succeeding the expiration month of the then outstanding consecutive month series of the same class of options having the longest remaining time to expiration.

(B) Cycle Month Series

The Exchange may designate one expiration cycle for each class of U.S. dollar-settled FCO. An expiration cycle shall consist of four calendar months ("cycle months") occurring at three-month intervals.

With respect to any particular class of U.S. dollar-settled FCO, series of options expiring in the four cycle months designated by the Exchange for that class may be opened for trading simultaneously, with the shortest-term series initially having approximately three months to expiration. Additional cycle month series of the same class may be opened for trading on the Exchange at or about the time a prior cycle month series expires, and the expiration month of each such new

series shall normally be approximately three months after the expiration month of the then outstanding cycle month series of the same class of options having the longest remaining time to expiration.

(C) Long-Term Series.

The Exchange may list, with respect to any U.S. dollar-settled foreign currencies, options having up to three years from the time they are listed until expiration. There may be up to ten options series, options having up to thirty-six months from the time they are listed until expiration. There may be up to six additional expiration months. Strike price interval, bid/ask differential and continuity Rules shall not apply to such options series until the time to expiration is less than nine months.

(D) For each expiration month opened for trading of U.S. dollar-settled foreign currency options, in addition to the strike prices listed by the Exchange pursuant to subsection (a)(iii)(U.S. Dollar-Settled Foreign Currency Options) of this Options 4, Section 5, the Exchange shall also list a single strike price of \$0.01.

(E) Additional series of options of the same class may be opened for trading on the Exchange as the market price of the underlying foreign currency moves substantially from the initial exercise price or prices. The opening of a new series of options on the Exchange shall not affect any other series of options of the same class previously opened.

(iv) New series of equity options, options on Exchange Traded Fund Shares, and options on Trust Issued Receipts opened for trading shall be subject to the range limitations set forth in Supplementary Material .10 to this Rule.]

(d) Except as otherwise provided in the Supplementary Material hereto, the interval between strike prices of series of options on individual stocks will be:

(1) \$2.50 or greater where the strike price is \$25.00 or less;

(2) \$5.00 or greater where the strike price is greater than \$25.00; and

(3) \$10.00 or greater where the strike price is greater than \$200.00.

The interval between strike prices of series of options on Exchange-Traded Fund Shares approved for options trading pursuant to Section 3(h) of this Options 4 shall be fixed at a price per share which is reasonably close to the price per share at which the underlying security is traded in the primary market at or about the same time such series of options is first open for trading on the Exchange, or at such intervals as may have been established on another options exchange prior to the initiation of trading on the Exchange.

(e) Notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this Rule, the interval of strike prices on SPDR S&P 500 ETF ("SPY"), iShares Core S&P 500 ETF ("IVV"), PowerShares QQQ Trust ("QQQ"), iShares Russell 2000 Index Fund ("IWM"), and the SPDR Dow Jones Industrial Average ETF ("DIA") options will be \$1 or greater.

(f) \$0.50 and \$1.00 Strike Price Intervals for Options Used to Calculate Volatility Indexes. Notwithstanding the requirements set forth in this section and Supplementary Material .01, .05, and subparagraph (e) above, the Exchange may open for trading series at \$0.50 or greater strike price intervals where the strike price is less than \$75 and \$1.00 or greater strike price intervals where the strike price is between \$75 and \$150 for options that are used to calculate a volatility index.

(g) The Exchange will open at least one expiration month for each class of options open for trading on the Exchange.

(h) The interval between strike prices of series of options on Index-Linked Securities, as defined in Options 4, Section 3(k), will be \$1 or greater when the strike price is \$200 or less and \$5 or greater when the strike price is greater than \$200.

(i) The interval between strike prices of series of options on Trust Issued Receipts, including Holding Company Depository Receipts (HOLDERS), will be \$1 or greater where the strike price is \$200 or less and \$5 or greater where the strike price is greater than \$200.

(j) The interval of strike prices may be \$2.50 in any multiply-traded option class to the extent permitted on the Exchange by the Commission or once another exchange trading that option lists strike prices of \$2.50 on such options class.

(k) New series of equity options, options on Exchange Traded Funds, and options on Trust Issued Receipts opened for trading shall be subject to the range limitations set forth in Options 4, Section 6(b).

[(i) Stock or Exchange-Traded Fund Share Options.

(A) At the commencement of trading on the Exchange of a particular class of stock or Exchange-Traded Fund Share options, the Exchange shall open a minimum of one expiration month and series for each class of options open for trading on the Exchange.

(B) Additional series of stock or Exchange-Traded Fund Share options of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying stock moves more than five strike prices from the initial exercise price or prices. The opening of a new series of options shall not affect the series of options of the same class previously opened. New series of

options on an individual stock may be added until the beginning of the month in which the options contract will expire. Due to unusual market conditions, the Exchange, in its discretion, may add a new series of options on an individual stock until the close of trading on the business day prior to the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the second business day prior to expiration.

(C) The exercise price of each series of stock or Exchange-Traded Fund Share options opened for trading on the Exchange shall be fixed at a price per share which is reasonably close to the price per share at which the underlying stock or Exchange-Traded Fund Share is traded in the primary market at or about the time such series of options is first opened for trading on the Exchange.

(D) Long Term Options. The Exchange may list, with respect to any class of stock or Exchange-Traded Fund Share options series, options having from twelve up to thirty-nine months from the time they are listed until expiration. There may be up to ten expiration months for options on the SPDR® S&P 500® exchange-traded fund (the "SPY ETF") and up to six expiration months for options on all other stocks or Exchange Traded Fund Shares. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine months.

(ii) Reserved.

(iii) **U.S. Dollar-Settled Foreign Currency Options.** Within each class of approved U.S. dollar-settled foreign currency options, the Exchange may open for trading series of options expiring in consecutive calendar months ("consecutive month series"), as provided in subparagraph (A) of this paragraph (iii), and series of options expiring at three-month intervals ("cycle month series"), as provided in subparagraph (B) of this paragraph. Prior to the opening of trading in any series of U.S. dollar-settled FCO, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series.

(A) Consecutive Month Series

With respect to each class of U.S. dollar-settled FCO, series of options having up to four consecutive expiration months may be opened for trading simultaneously, with the shortest-term series initially having no more than two months to expiration. Additional consecutive month series of the same class may be opened for trading on the Exchange at or about the time a prior consecutive month series expires, and the expiration month of each such new series shall normally be the month immediately succeeding the expiration month of the then outstanding consecutive month series of the same class of options having the longest remaining time to expiration.

(B) Cycle Month Series

The Exchange may designate one expiration cycle for each class of U.S. dollar-settled FCO. An expiration cycle shall consist of four calendar months ("cycle months") occurring at three-month intervals.

With respect to any particular class of U.S. dollar-settled FCO, series of options expiring in the four cycle months designated by the Exchange for that class may be opened for trading simultaneously, with the shortest-term series initially having approximately three months to expiration. Additional cycle month series of the same class may be opened for trading on the Exchange at or about the time a prior cycle month series expires, and the expiration month of each such new series shall normally be approximately three months after the expiration month of the then outstanding cycle month series of the same class of options having the longest remaining time to expiration.

(C) Long-Term Series.

The Exchange may list, with respect to any U.S. dollar-settled foreign currencies, options having up to three years from the time they are listed until expiration. There may be up to ten options series, options having up to thirty-six months from the time they are listed until expiration. There may be up to six additional expiration months. Strike price interval, bid/ask differential and continuity Rules shall not apply to such options series until the time to expiration is less than nine months.

(D) For each expiration month opened for trading of U.S. dollar-settled foreign currency options, in addition to the strike prices listed by the Exchange pursuant to subsection (a)(iii)(U.S. Dollar-Settled Foreign Currency Options) of this Options 4, Section 5, the Exchange shall also list a single strike price of \$0.01.

(E) Additional series of options of the same class may be opened for trading on the Exchange as the market price of the underlying foreign currency moves substantially from the initial exercise price or prices. The opening of a new series of options on the Exchange shall not affect any other series of options of the same class previously opened.

(iv) New series of equity options, options on Exchange Traded Fund Shares, and options on Trust Issued Receipts opened for trading shall be subject to the range limitations set forth in Supplementary Material .10 to this Rule.

(b) **Rotation.** On the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date of a particular series of options, a closing rotation (as defined in Supplementary Material .01 to Options 3, Section 9) for such series shall commence at 4:00 p.m. in the case of options on stocks or 4:15 p.m. in the case of options on designated Exchange-Traded Fund Shares.

(c) **Adjustments.** The unit of trading and the exercise price initially established for option contracts of a particular series are subject to adjustment in accordance with the rules of The Options Clearing Corporation. When such adjustment or adjustments have been determined, announcement thereof shall be made by the Exchange and, effective as of the time specified in such announcement, the adjusted unit of trading and the adjusted exercise price shall be applicable with respect to all subsequent transactions in such series of options.

(d) Option contracts shall be subject to adjustments in accordance with the rules of The Options Clearing Corporation.]

Supplementary Material to Options 4, Section 5

.01 When put option contracts or put and call option contracts are first opened for trading on an underlying security or underlying foreign currency, the Exchange may open a series of put option contracts corresponding to each series of call option contracts open or to be opened for trading on the same underlying security or on the same underlying foreign currency.

.02 FCO Series. In fixing the exercise price of one or more series of options on any underlying foreign currency, the Exchange may take into account the forward sales prices quoted for that underlying foreign currency in the interbank foreign exchange market.

.03 Reserved.

.04 Reserved.]

.0[5]1 (a) The interval of strike prices of series of options on individual stocks may be:

(i) **[\$1 Strike Price Interval Program.**

([A]a) Program Description. The interval between strike prices of series of options on individual stocks may be \$1.00[\$1] or greater strike price intervals where the strike price is \$50.00 or less, but not less than \$1. Except as provided in subparagraph ([C]c) below, the listing of \$1 strike price intervals shall be limited to options classes overlying no more than 150 individual stocks [(the "\$1 Strike Program")] as specifically designated by the Exchange. The Exchange may list \$1 strike price intervals on any other option classes if those classes are specifically designated by other national securities exchanges that employ a [similar] \$1 Strike Price Interval Program under their respective rules. If a class participates in the \$1 Strike Price Interval Program, \$2.50 strike price intervals are not permitted between \$1 and \$50 for non-LEAPS and LEAP[S]s.

([B]b) Initial and Additional Series. To be eligible for inclusion into the \$1 Strike Price Interval Program, an underlying [stock]security must close below \$50 in its primary market on the previous trading day. After a stock is added to the \$1

Strike Price Interval Program, the Exchange may list \$1 strike price intervals from \$1 to \$50 according to the following parameters:

([1]i) If the price of the underlying stock is equal to or less than \$20, the Exchange may list series with an exercise price up to 100% above and 100% below the price of the underlying stock. However, the foregoing restriction shall not prohibit the listing of at least five (5) strike prices above and below the price of the underlying stock per expiration month in an option class. For example, if the price of the underlying stock is \$2, the Exchange would be permitted to list the following series: \$1, \$2, \$3, \$4, \$5, \$6 and \$7.

([2]ii) If the price of the underlying stock is greater than \$20, the Exchange may list series with an exercise price up to 50% above and 50% below the price of the underlying security up to \$50.

([3]iii) For the purpose of adding strikes under the \$1 Strike Price Interval Program, the "price of the underlying stock" shall be measured in the same way as "the price of the underlying security" is as set forth in [Supplementary Material. 01(a) to]Options 4, Section [5]6(b)(i).

([4]iv) No additional series in \$1 strike price intervals may be listed if the underlying stock closes at or above \$50 in its primary market. Additional series in \$1 strike price intervals may not be added until the underlying stock closes again below \$50.

([5]v) Long-Term Options Series or "LEAPS". For stocks in the \$1 Strike Price Interval Program, the Exchange may list one \$1 strike price interval between each standard \$5 strike interval, with the \$1 strike price interval being \$2 above the standard strike for each interval above the price of the underlying stock, and \$2 below the standard strike for each interval below the price of the underlying stock ("\$2 wings"). For example, if the price of the underlying stock is \$24.50, the Exchange may list the following standard strikes in \$5 intervals: \$15, \$20, \$25, \$30 and \$35. Between these standard \$5 strikes, the Exchange may list the following \$2 wings: \$18, \$27 and \$32.

In addition, the Exchange may list the \$1 strike price interval which is \$2 above the standard strike just below the underlying price at the time of listing. In the above example, since the standard strike just below the underlying price (\$24.50) is \$20, the Exchange may list a \$22 strike. The Exchange may add additional long-term options series strikes as the price of the underlying stock moves, consistent with the OLPP. A security shall remain in the \$1 Strike Price Interval Program until otherwise designated by the Exchange. Additional long-term option strikes may not be listed within \$1 of an existing strike until less than nine months to expiration. A

[stock]security shall remain in the \$1 Strike Program until otherwise designated by the Exchange.

([C]c) The Exchange may list \$1 strike prices up to \$5 in LEAPS[(R)] in up to 200 option classes on individual stocks. The Exchange may not list \$1 strike price intervals within \$0.50 [on]of an existing \$2.50 strike in the same expiration[, except that strike prices of \$2 and \$3 shall be permitted within \$0.50 of a \$2.50 strike price for classes also selected to participate in the \$0.50 Strike Program].

([D]d) Delisting Policy. For options classes selected to participate in the \$1 Strike Price Program, the Exchange will, on a monthly basis, review series that were originally listed under the \$1 Strike Price Program with strike prices that are more than \$5 from the current value of an options class and delist those series with no open interest in both the put and the call series having a: ([1]i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; and ([2]ii) strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

If the Exchange identifies series for delisting pursuant to this policy, the Exchange shall notify other options exchanges with similar delisting policies regarding the eligible series for delisting, and shall work jointly with such other exchanges to develop a uniform list of series to be delisted so as to ensure uniform series delisting of multiply listed options classes.

Notwithstanding the above delisting policy, [the Exchange may grant m]Member requests to add strikes and/or maintain strikes in series of options classes traded pursuant to the \$1 Strike Price Interval Program that are eligible for delisting may be granted.

(ii) \$0.50 or greater beginning at \$.50 where the strike price is \$5.50 or less, but only for options classes whose underlying security closed at or below \$5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1000 contracts per day as determined by The Options Clearing Corporation during the preceding three calendar months. The listing of \$0.50 strike prices shall be limited to options classes overlying no more than 20 individual stocks (the "\$0.50 Strike Program") as specifically designated by the Exchange. The Exchange may list \$0.50 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar \$0.50 Strike Program under their respective rules. A stock shall remain in the \$0.50 Strike Program until otherwise designated by the Exchange.

(iii) (A) \$2.50 or greater where the strike price is \$25 or less: provided, however, that the Exchange may not list \$2.50 intervals below \$50 (e.g., \$12.50, \$17.50) for any class included within the \$1 Strike Program;

(B) \$5 or greater where the strike price is greater than \$25 but less than \$200; and

(C) \$10 or greater where the strike price is \$200 or more, except as provided in paragraphs (b) and (c) below.

(iv) (A) The interval of strike prices of series of options on Exchange-Traded Fund Shares will be \$1 or greater where the strike price is \$200 or less and \$5 or greater where the strike price is more than \$200.

(B) The interval of strike prices of series of options on SLV and USO Exchange-Traded Fund Shares will be \$.50 or greater where the strike price is less than \$75.

(C) Notwithstanding any other provision regarding the interval of strike prices of series of options on Exchange-Traded Fund Shares in this rule, the interval of strike prices on SPDR® S&P 500®ETF ("SPY"), iShares Core S&P 500 ETF ("IVV"), PowerShares QQQ Trust ("QQQ"), iShares Russell 2000 Index Fund ("IWM"), and the SPDR®Dow Jones®Industrial Average ETF ("DIA") options will be \$1 or greater.

(v) The interval of strike prices of series of options on Index Linked Securities will be \$1 or greater where the strike price is \$200 or less and \$5 or greater where the strike price is more than \$200.

(vi) The interval between strike prices of series of options of series of options on Trust issued Receipts, including HOLDing Company Depository ReceiptS (HOLDRS), will be \$1 or greater where the strike price is \$200 or less and \$5 or greater where the strike price is more than \$200.]

.02 \$2.50 Strike Price Interval Program. The Exchange may select up to 60 options classes on individual stocks for which the interval of strike prices will be \$2.50 where the strike price is greater than \$25 but less than \$50 (the "\$2.50 Strike Price Program"). On any option class that has been selected as part of this \$2.50 Strike Price Program, \$2.50 strike prices between \$50 and \$100 may be listed, provided that \$2.50 strike prices between \$50 and \$100 are no more than \$10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an options class has been selected as part of the \$2.50 Strike Price Program, and the underlying stock closes at \$48.50 in its primary market, the Exchange may list the \$52.50 strike price and the \$57.50 strike price on the next business day. If an underlying security closes at \$54, the Exchange may list the \$52.50 strike price, the \$57.50 strike price and the \$62.50 strike price on the next business day. The Exchange may list a strike price interval of \$2.50 in any multiply-traded option once an exchange selects an option as part of the \$2.50 Strike Price Program.

.03 Short Term Option Series Program: After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire at the close of business on each of the next five Fridays that are business days and are not Fridays in which monthly options series or Quarterly Options Series expire ("Short Term Option Expiration Dates"). The Exchange may have no more

than a total of five Short Term Option Expiration Dates, not including any Monday or Wednesday SPY Expirations as provided below. If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on a Friday, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 ETF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations"). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations"), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. Regarding Short Term Option Series:

(a) Classes. The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the 50 option class restriction, the Exchange may also list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to 30 Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) Expiration. With the exception of Monday and Wednesday SPY Expirations, no Short Term Option Series may expire in the same week in which monthly option series on the same class expire. In the case of Quarterly Options Series, no Short Term Option Series may expire on the same day as an expiration of Quarterly Options Series.

(c) Initial Series. The Exchange may open up to 30 initial series for each option class that participates in the Short Term Option Series Program. The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven series are initially opened, there will be at least three strike prices above and three strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be reasonably

close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to \$20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than \$20, strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

(d) Additional Series. If the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.

Any additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to \$20, additional strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than \$20, additional strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

The Exchange may also open additional strike prices on Short Term Option Series that are more than 50% above or below the current price of the underlying security (if the price is greater than \$20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market makers trading for their own account shall not be considered when determining customer interest under this provision.

In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest strike price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week. The opening of new Short Term Option Series shall not affect the series of options of the same class previously opened. Notwithstanding any other provisions in this Rule, Short Term Option Series may be added up to and including on the Short Term Option Expiration Date for that options series.

(e) Strike Interval. During the month prior to expiration of an option class that is selected for the Short Term Option Series Program pursuant to this Rule ("Short Term Option"), the strike price intervals for the related non-Short Term Option ("Related non-Short Term Option") shall be the same as the strike price intervals for the Short Term Option. The Exchange may open for trading Short Term Option Series on the Short Term Option Opening Date that expire on the Short Term Option

Expiration Date at strike price intervals of (i) \$0.50 or greater where the strike price is less than \$100, and \$1 or greater where the strike price is between \$100 and \$150 for all option classes that participate in the Short Term Options Series Program; (ii) \$0.50 for option classes that trade in one dollar increments and are in the Short Term Option Series Program; or (iii) \$2.50 or greater where the strike price is above \$150.

[(vii) Notwithstanding any other provision regarding strike prices in this rule, non- Short Term Options that are on a class that has been selected to participate in the Short Term Option Series Program (referred to as a "Related non-Short Term Option series") shall be opened during the month prior to expiration of such Related non-Short Term Option series in the same manner as permitted in Supplementary Material .11 to this Options 4, Section 5 and in the same strike price intervals that are permitted in Supplementary Material .11 to this Options 4, Section 5.

(b) The Exchange may select up to 60 options classes on individual stocks for which the interval of strike prices will be \$2.50 where the strike price is greater than \$25 but less than \$50 (the "\$2.50 Strike Price Program"). In addition to those options selected by the Exchange, the strike price interval may be \$2.50 in any multiply-traded option once another exchange trading that option selects such option, as part of this program.

(i) In addition, on any option class that has been selected as part of the \$2.50 Strike Price Program pursuant to paragraph (b) above, the Exchange may list \$2.50 strike prices between \$50 and \$100, provided the \$2.50 strike prices between \$50 and \$100 are no more than \$10 from the closing price of the underlying stock in its primary market on the preceding day. For example, if an option class has been selected as part of the \$2.50 Strike Price Program, and the underlying stock closes at \$48.50 in its primary market, the Exchange may list the \$52.50 strike price and the \$57.50 strike price on the next business day. If an underlying security closes at \$54, the Exchange may list the \$52.50 strike price, the \$ 57.50 strike price and the \$62.50 strike price on the next business day.

(ii) An option class shall remain in the \$2.50 Strike Price Program until otherwise designated by the Exchange and a decertification notice is sent to The Options Clearing Corporation.]

.04 Quarterly Options Series Program.: The Exchange may list and trade P.M. settled options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series"). The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are either Index Options or options on Exchange Traded Funds ("ETFs"). In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(a) Expiration. The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year.

(b) The Exchange will not list a Short Term Option Series on an options class whose expiration coincides with that of a Quarterly Options Series on that same options class.

(c) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange shall list strike prices for a Quarterly Options Series that are within \$5 from the closing price of the underlying on the preceding day.

(d) Additional Series. Additional Quarterly Options Series of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying ETF (or "Exchange-Traded Fund Shares") as defined in Options 1, Section 1(b)(18) on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in ETF options that are more than 30% above or below the current price of the underlying ETF provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(e) Strike Interval. The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(f) (1) Delisting Policy. With respect to Quarterly Options Series in ETF options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current price of the underlying ETF, and delist series with no open interest in both the put and the call series having: (a) a strike higher than the highest strike price with open interest in the put and/or call series for a given expiration month; or (b) a strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(2) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series in ETF options in series eligible for delisting shall be granted.

(3) In connection with the above-referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges

with similar delisting policies regarding eligible series for delisting and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Quarterly Options Series in ETF options.

.05 \$0.50 Strike Program: The interval of strike prices of series of options on individual stocks may be \$0.50 or greater beginning at \$0.50 where the strike price is \$5.50 or less, but only for options classes whose underlying security closed at or below \$5.00 in its primary market on the previous trading day and which have national average daily volume that equals or exceeds 1000 contracts per day as determined by The Options Clearing Corporation during the preceding three calendar months. The listing of \$0.50 strike prices shall be limited to options classes overlying no more than 20 individual stocks (the "\$0.50 Strike Program") as specifically designated by the Exchange. The Exchange may list \$0.50 strike prices on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar \$0.50 Strike Program under their respective rules. A stock shall remain in the \$0.50 Strike Program until otherwise designated by the Exchange.

[(c) The Exchange may list series in intervals of]

.06 \$5 Strike Program: The interval of strike prices may be \$5 or greater where the strike price is more than \$200 in up to five (5) option classes on individual stocks or on any other option classes if those classes are specifically designated by other securities exchanges that employ a similar \$5 Strike Price Program under their respective rules.

[.06 The Exchange may initially list exercise strike prices for each expiration of U.S. dollar-settled options on currencies within a 40 percent band around the current Exchange Spot Price at fifty cent (\$.50) intervals. Thus, if the Exchange Spot Price of the Euro were at \$100.00, the Exchange would list strikes in \$.50 intervals up to \$120.00 and down to \$80.00, for a total of eighty-one strike prices available for trading. As the Exchange Spot Price for U.S. dollar-settled FCOs moves, the Exchange may list new strike prices that, at the time of listing, do not exceed the Exchange Spot Price by more than 20 percent and are not less than the Exchange Spot Price by more than 20 percent. For example, if at the time of initial listing, the Exchange Spot Price of the Euro is at \$100.00, the strike prices the Exchange will list will be \$80.00 to \$120.00. If the Exchange Spot Price then moves to \$105.00, the Exchange may list additional strikes at the following prices: \$105.50 to \$126.00.

.07 The exercise price of each series of foreign currency options opened for trading on the Exchange normally shall be fixed at a price per unit which is reasonably close to the current Exchange Spot Price per unit of the underlying foreign currency in the foreign exchange market at or before the time such series of options is first opened for trading on the Exchange, as determined by finding the arithmetic mean of Exchange Spot Prices as defined in Options 1, Section 1(b)(17) at or about such time.

.08 Quarterly Options Series Program. The Exchange may list and trade P.M. settled options series that expire at the close of business on the last business day of a calendar quarter ("Quarterly Options Series"). The Exchange may list Quarterly Options Series for up to five (5) currently listed options classes that are either Index Options or options on Exchange Traded Funds ("ETFs"). In addition, the Exchange may also list Quarterly Options Series on any options classes that are selected by other securities exchanges that employ a similar program under their respective rules.

(a) The Exchange may list series that expire at the end of the next consecutive four (4) calendar quarters, as well as the fourth quarter of the next calendar year.

(b) Reserved.

(c) Initial Series. The strike price of each Quarterly Options Series will be fixed at a price per share, with at least two strike prices above and two strike prices below the value of the underlying security at about the time that a Quarterly Options Series is opened for trading on the Exchange. The Exchange shall list strike prices for a Quarterly Options Series that are within \$5 from the closing price of the underlying on the preceding day.

(d) Additional Series. Additional Quarterly Options Series of the same class may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the initial exercise price or prices. To the extent that any additional strike prices are listed by the Exchange, such additional strike prices shall be within thirty percent (30%) above or below the closing price of the underlying ETF (or "Exchange-Traded Fund Shares") as defined in Options 1, Section 1(b)(18) on the preceding day. The Exchange may also open additional strike prices of Quarterly Options Series in ETF options that are more than 30% above or below the current price of the underlying ETF provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market Makers trading for their own account shall not be considered when determining customer interest under this provision. The opening of new Quarterly Options Series shall not affect the series of options of the same class previously opened.

(e) The interval between strike prices on Quarterly Options Series shall be the same as the interval for strike prices for series in that same options class that expire in accordance with the normal monthly expiration cycle.

(f) Reserved.

(g) Delisting Policy. (i) With respect to Quarterly Options Series in ETF options added pursuant to the above paragraphs, the Exchange will, on a monthly basis, review series that are outside a range of five (5) strikes above and five (5) strikes below the current price of the underlying ETF, and delist series with no open interest in both the put and the call series having: (a) a strike higher than the highest strike price with open interest in the

put and/or call series for a given expiration month; or (b) a strike lower than the lowest strike price with open interest in the put and/or call series for a given expiration month.

(ii) Notwithstanding the above referenced delisting policy, customer requests to add strikes and/or maintain strikes in Quarterly Options Series in ETF options in series eligible for delisting shall be granted.

(iii) In connection with the above-referenced delisting policy, if the Exchange identifies series for delisting, the Exchange shall notify other options exchanges with similar delisting policies regarding eligible series for delisting and shall work with such other exchanges to develop a uniform list of series to be delisted, so as to ensure uniform series delisting of multiply listed Quarterly Options Series in ETF options.

(h) Reserved.

.09 Notwithstanding Supplementary Material .05 to this Option 4, Section 5, the intervals between strike prices for options on the Reduced Value Russell 2000® Index and the Reduced Value Nasdaq 100® Options shall be determined in accordance with Supplementary Material .02 and Supplementary Material .03 to Options 4A, Section 12.

.10 Range Limitations for New Options Series. Range Limitations applicable to equity options, options on Exchange Traded Funds, and options on Trust Issued Receipts opened for trading are adopted by the Exchange to codify a quote mitigation strategy in the Options Listing Procedures Plan ("OLPP").

(a) Except as provided in subparagraphs (b) through (d) below, if the price of the underlying security is less than or equal to \$20, the Exchange shall not list new option series with an exercise price more than 100% above or below the price of the underlying security. However, the foregoing restriction shall not prohibit the listing of at least three exercise prices per expiration month in an option class. Except as provided in Supplementary Material .11(d) to Options 4, Section 5, if the price of the underlying security is greater than \$20, the Exchange shall not list new option series with an exercise price more than 50% above or below the price of the underlying security.

The price of the underlying security is measured by:

- (i) for intra-day add-on series and next-day series additions, the daily high and low of all prices reported by all national securities exchanges;
- (ii) for new expiration months, the daily high and low of all prices reported by all national securities exchanges on the day the Exchange determines to list a new series; and

(iii) for option series to be added as a result of pre-market trading, the most recent share price reported by all national securities exchanges between 8:45 a.m. and 9:30 a.m. Eastern Time

(b) The series exercise price range limitations contained in subparagraph (a) above do not apply with regard to:

(i) the listing of \$1 strike prices in option classes participating in the \$1 Strike Program or

(ii) the listing of series of FLEX options.

(c) The Exchange may designate up to five option classes to which the series exercise price range may be up to 100% above and below the price of the underlying security (which underlying security price shall be determined in accordance with subparagraph (i) above). Such designations shall be made on an annual basis and shall not be removed during the calendar year unless the option class is delisted by the Exchange, in which case the Exchange may designate another option class to replace the delisted class. If a designated option class is delisted by the Exchange but continues to trade on at least one options exchange, the option class shall be subject to the limitations on listing new series set forth in this Supplementary Material .10 unless designated by another exchange.

(d) If the Exchange has designated five option classes pursuant to subparagraph (c) above, and requests that one or more additional option classes be excepted from the limitations on listing new series set forth in subparagraph (a) above, the additional option class(es) may so be designated upon the unanimous consent of all exchanges that trade such option class(es). Additionally, the Exchange may increase the percentage range for the listing of new series to more than 100% above and below the price of the underlying security for an option class, upon the unanimous consent of all exchanges that trade such option class(es).

Exceptions for an additional class or for an increase of the exercise price range shall apply to all standard expiration months existing at the time of the unanimous consent, plus the next standard expiration month to be added, and also to any nonstandard expirations that occur prior to the next standard monthly expiration.

(e) The Exchange can list an options series that is listed by another options exchange, provided that at the time such series was listed it was not prohibited under the provisions of the OLPP or the rules of the exchange that initially listed the series.

.11 Short Term Option Series Program. After an option class has been approved for listing and trading on the Exchange, the Exchange may open for trading on any Thursday or Friday that is a business day ("Short Term Option Opening Date") series of options on that class that expire at the close of business on each of the next five consecutive Fridays that are business days ("Short Term Option Expiration Date"). If the Exchange is not open for business on the respective Thursday or Friday, the Short Term Option Opening

Date will be the first business day immediately prior to that respective Thursday or Friday. Similarly, if the Exchange is not open for business on the Friday of the following business week, the Short Term Option Expiration Date will be the first business day immediately prior to that Friday. With respect to Wednesday SPY Expirations, the Exchange may open for trading on any Tuesday or Wednesday that is a business day series of options on the SPDR S&P 500 EFTF Trust (SPY) to expire on any Wednesday of the month that is a business day and is not a Wednesday in which Quarterly Options Series expire ("Wednesday SPY Expirations"). With respect to Monday SPY Expirations, the Exchange may open for trading on any Friday or Monday that is a business day series of options on the SPY to expire on any Monday of the month that is a business day and is not a Monday in which Quarterly Options Series expire ("Monday SPY Expirations"), provided that Monday SPY Expirations that are listed on a Friday must be listed at least one business week and one business day prior to the expiration. The Exchange may list up to five consecutive Wednesday SPY Expirations and five consecutive Monday SPY Expirations at one time; the Exchange may have no more than a total of five Wednesday SPY Expirations and a total of five Monday SPY Expirations. Monday and Wednesday SPY Expirations will be subject to the provisions of this Rule. Regarding Short Term Option Series:

(a) The Exchange may select up to fifty (50) currently listed option classes on which Short Term Option Series may be opened on any Short Term Option Opening Date. In addition to the fifty-option class restriction, the Exchange also may list Short Term Option Series on any option classes that are selected by other securities exchanges that employ a similar program under their respective rules. For each option class eligible for participation in the Short Term Option Series Program, the Exchange may open up to thirty (30) Short Term Option Series for each expiration date in that class. The Exchange may also open Short Term Option Series that are opened by other securities exchanges in option classes selected by such exchanges under their respective short term option rules.

(b) With the exception of Monday and Wednesday SPY Expirations, no Short Term Option Series may expire in the same week in which monthly option series on the same class expire. In the case of Quarterly Options Series, no Short Term Option Series may expire on the same day as an expiration of Quarterly Option Series on the same class.

(c) The strike price of each Short Term Option Series will be fixed at a price per share, with approximately the same number of strike prices being opened above and below the value of the underlying security at about the time that the Short Term Option Series are initially opened for trading on the Exchange (e.g., if seven (7) series are initially opened, there will be at least three (3) strike prices above and three (3) strike prices below the value of the underlying security). Any strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to \$20, strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than \$20, strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

(d) If the Exchange opens less than thirty (30) Short Term Option Series for a Short Term Option Expiration Date, additional series may be opened for trading on the Exchange when the Exchange deems it necessary to maintain an orderly market, to meet customer demand or when the market price of the underlying security moves substantially from the exercise price or prices of the series already opened.

Any additional strike prices listed by the Exchange shall be reasonably close to the price of the underlying equity security and within the following parameters: (i) if the price of the underlying security is less than or equal to \$20, additional strike prices shall be not more than one hundred percent (100%) above or below the price of the underlying security; and (ii) if the price of the underlying security is greater than \$20, additional strike prices shall be not more than fifty percent (50%) above or below the price of the underlying security.

The Exchange may also open additional strike prices of Short Term Option Series that are more than 50% above or below the current price of the underlying security (if the price is greater than \$20); provided that demonstrated customer interest exists for such series, as expressed by institutional, corporate or individual customers or their brokers. Market-Makers trading for their own account shall not be considered when determining customer interest under this provision.

In the event that the underlying security has moved such that there are no series that are at least 10% above or below the current price of the underlying security, the Exchange will delist any series with no open interest in both the call and the put series having a: (i) strike higher than the highest price with open interest in the put and/or call series for a given expiration week; and (ii) strike lower than the lowest strike price with open interest in the put and/or the call series for a given expiration week. The opening of the new Short Term Option Series shall not affect the series of options of the same class previously opened.

(e) The interval between strike prices on Short Term Option Series may be (i) \$0.50 or greater where the strike price is less than \$100, and \$1 or greater where the strike price is between \$100 and \$150 for all classes that participate in the Short Term Options Series Program; (ii) \$0.50 for classes that trade in one dollar increments in Related non-Short Term Options and that participate in the Short Term Option Series Program; or (iii) \$2.50 or greater where the strike price is above \$150. Related non-Short Term Option series shall be opened during the month prior to expiration of such Related non-Short Term Option series in the same manner as permitted in Supplementary Material .11 to this Options 4, Section 5 and in the same strike price intervals that are permitted in Supplementary Material .11 to this Options 4, Section 5.

.12 \$0.50 and \$1 Intervals for Options Used to Calculate Volatility Indexes.

Notwithstanding the provisions of this Options 4, Section 5, the Exchange may open for trading series at \$0.50 or greater strike price intervals where the strike price is less than \$75 and \$1.00 or greater strike price intervals where the strike price is between \$75 and \$150 for options that are used to calculate a volatility index.]

[Section 6. Reserved

Section 7. Reserved

Section 8. Reserved

Section 9. Reserved]

Section 6. Select Provisions of Options Listing Procedures Plan

(a) The provisions set forth in this Rule were adopted by the Exchange as a quote mitigation strategy and are codified in the OLPP. A complete copy of the current OLPP may be accessed at:

http://www.optionsclearing.com/products/options_listing_procedures_plan.pdf.

(b) The exercise price of each options series listed by the Exchange shall be fixed at a price per share which is reasonably close to the price of the underlying equity security, Exchange Traded Fund ("ETF" and referred to as Exchange Traded Fund Shares in Options 4, Section 3(h)) or Trust Issued Receipt ("TIR") at or about the time the Exchange determines to list such series. Additionally,

(i) Except as provided in subparagraphs (ii) through (iv) below, if the price of the underlying security is less than or equal to \$20, the Exchange shall not list new options series with an exercise price more than 100% above or below the price of the underlying security. However, the foregoing restriction shall not prohibit the listing of at least three exercise prices per expiration month in an options class. Except as provided in Supplementary Material .02(d) to Options 3, Section 5, if the price of the underlying security is greater than \$20, the Exchange shall not list new options series with an exercise price more than 50% above or below the price of the underlying security.

The price of the underlying security is measured by:

(1) for intra-day add-on series and next-day series additions, the daily high and low of all prices reported by all national securities exchanges;

(2) for new expiration months, the daily high and low of all prices reported by all national securities exchanges on the day the Exchange determines its preliminary notification of new series; and

(3) for options series to be added as a result of pre-market trading, the most recent share price reported by all national securities exchanges between 8:45 a.m. and 9:30 a.m. Eastern Time.

(ii) The series exercise price range limitations contained in subparagraph (i) above do not apply with regard to:

(1) the listing of \$1 strike prices in options classes participating in the \$1 Strike Program. Instead, the Exchange shall be permitted to list \$1 strike prices to the fullest extent as permitted under its Rules for the \$1 Strike Program; or

(2) the listing of series of Flexible Exchange Options.

(iii) The Exchange may designate up to five options classes to which the series exercise price range may be up to 100% above and below the price of the underlying security (which underlying security price shall be determined in accordance with subparagraph (i) above). Such designations shall be made on an annual basis and shall not be removed during the calendar year unless the options class is delisted by the Exchange, in which case the Exchange may designate another options class to replace the delisted class. If a designated options class is delisted by the Exchange but continues to trade on at least one options exchange, the options class shall be subject to the limitations on listing new series set forth in subparagraph (i) above unless designated by another exchange.

(iv) If the Exchange that has designated five options classes pursuant to subparagraph (iii) above, and requests that one or more additional options classes be excepted from the limitations on listing new series set forth in subparagraph (i) above, the additional options class(es) shall be so designated upon the unanimous consent of all exchanges that trade the options class(es). Additionally, pursuant to the Exchange's request, the percentage range for the listing of new series may be increased to more than 100% above and below the price of the underlying security for an options class, by the unanimous consent of all exchanges that trade the designated options class.

Exceptions for an additional class or for an increase of the exercise price range shall apply to all standard expiration months existing at the time of the vote, plus the next standard expiration month to be added, and also to any non-standard expirations that occur prior to the next standard monthly expiration.

(v) The provisions of this subparagraph (b) shall not permit the listing of series that are otherwise prohibited by the Rules of the Exchange or the OLPP. To the extent the Rules of the Exchange permit the listing of new series that are otherwise prohibited by the provisions of the OLPP, the provisions of the OLPP shall govern.

(vi) The Exchange may list an options series that is listed by another options exchange, provided that at the time such series was listed it was not prohibited under the provisions of the OLPP or the rules of the exchange that initially listed the series.

Section 7. Adjustments

Options contracts shall be subject to adjustments in accordance with the Rules of the Clearing Corporation. When adjustments have been made, the Exchange will announce that fact, and such changes will be effective for all subsequent transactions in that series at the time specified in the announcement.

Section 8. Long-Term Options Contracts

(a) Notwithstanding conflicting language in Options 3, Section 5, the Exchange may list long-term options contracts that expire from twelve (12) to thirty-nine (39) months from the time they are listed. There may be up to ten expiration months for options on the SPDR® S&P 500® exchange-traded fund (the "SPY ETF") and up to six (6) expiration months for options on all other securities. Strike price interval, bid/ask differential and continuity rules shall not apply to such options series until the time to expiration is less than nine (9) months.

(b) After a new long-term options contract series is listed, such series will be opened for trading either when there is buying or selling interest, or forty (40) minutes prior to the close, whichever occurs first. No quotations will be posted for such options series until they are opened for trading.

Section 9. Limitation on the Liability of Index Licensors for Options on Fund Shares

(a) The term "index licensor" as used in this Rule refers to any entity that grants the Exchange a license to use one or more indexes or portfolios in connection with the trading of options on Exchange-Traded Fund Shares (as defined in Options 4, Section 3(h)).

(b) No index licensor with respect to any index or portfolio underlying an option on Exchange-Traded Fund Shares traded on the Exchange makes any warranty, express or implied, as to the results to be obtained by any person or entity from the use of such index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any option contract on Exchange-Traded Fund Shares based thereon or for any other purpose. The index licensor shall obtain information for inclusion in, or for use in the calculation of, such index or portfolio from sources it believes to be reliable, but the index licensor does not guarantee the accuracy or completeness of such index or portfolio, any opening, intra-day or closing value therefor, or any data included therein or related thereto. The index licensor hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any such index or portfolio, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Exchange-Traded Fund Shares based thereon. The index licensor shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses or delays, whether direct or indirect, foreseen or unforeseen, suffered by any person arising out of any circumstance or occurrence relating to the person's use of such index or portfolio, any

opening, intra-day or closing value therefor, any data included therein or relating thereto, or any option contract on Exchange-Traded Fund Shares based thereon, or arising out of any errors or delays in calculating or disseminating such index or portfolio.

Section 10. Back-up Trading Arrangements

(a) *Phlx is Disabled Exchange.*

([i]1) Exchange ("Phlx") Exclusively Listed Options.

([A]i) For purposes of this Rule, the term "exclusively listed option" means an option that is listed exclusively by an exchange (because [such]the exchange has an exclusive license to use, or has proprietary rights in, the interest underlying the option).

([B]ii) The Phlx may enter into arrangements with one or more other exchanges (each a "Back-up Exchange") to permit the Phlx and its [m]Members [and associated persons and other personnel]to use a portion of the Back-up Exchange's facilities to conduct the trading of some or all of the Phlx's exclusively listed options in the event that the functions of the Phlx are[, or are threatened to be,] severely and adversely affected by an emergency or extraordinary circumstances (a "Disabling Event"). Such option[s] classes shall trade as listings of Phlx. The facility of the Back-up Exchange used by the Phlx for this purpose will be deemed to be a facility of the Phlx.

([C]iii) Trading of Phlx exclusively listed options on Phlx's facility at the Back-up Exchange shall be conducted in accordance with the rules of the Back-up Exchange, except that (A) such trading shall be subject to Phlx Rules with respect to doing business with the public, margin requirements, net capital requirements, listing requirements, and position limits and (B) Phlx members that are trading on Phlx's facility at the Back-up Exchange (not including members of the Back-up Exchange who become temporary Members of Phlx pursuant to paragraph (a)(1)(vi)) will be subject to Phlx rules governing or applying to the maintenance of a person's or a firm's status as a Member of Phlx. In addition, the Phlx and the Back-up Exchange may agree that other Rules of the Phlx will apply to such trading. The Phlx and the Back-up Exchange have agreed to communicate to their respective members which rules apply in advance of trading. The Back-up Exchange rules that govern trading on Phlx's facility at the Back-up Exchange shall be deemed to be Phlx Rules for purposes of such trading.

([D]iv) The Back-up Exchange has agreed to perform the related regulatory functions with respect to trading of Phlx exclusively listed options on Phlx's facility at the Back-up Exchange, in each case except as Phlx and the Back-up Exchange may specifically agree otherwise. The Back-up Exchange and Phlx have agreed to coordinate with each other regarding surveillance and enforcement respecting trading of Phlx exclusively listed options on Phlx's facility at the Back-up Exchange. Phlx shall retain the ultimate legal responsibility for the performance of its self-regulatory obligations with respect to Phlx's facility at the Back-up Exchange.

([E]v) Phlx shall have the right to designate its Members that will be authorized to trade Phlx exclusively listed options on Phlx's facility at the Back-up Exchange and, if applicable, its Member(s) that will be a Lead Market Maker in those options. If the Back-up Exchange is unable to accommodate all Phlx members that desire to trade on Phlx's facility at the Back-up Exchange[pursuant to paragraph (a)(i)(A)], the Phlx may determine which [m]Members shall be eligible to trade at that facility. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the [m]Member is a Lead Market Maker in the applicable product(s), the number of contracts traded by the [m]Member [or member organization]in the applicable product(s), market performance, and other factors relating to a [m]Member's contribution to the market in the applicable product(s)[during a specific period].

([F]vi) Members of the Back-up Exchange shall not be authorized to trade in any Phlx exclusively listed options, except that (i) Phlx may deputize willing floor brokers of the Back-up Exchange as temporary Phlx [m]Members to permit them to execute orders as brokers in Phlx exclusively listed options traded on Phlx's facility at the Back-up Exchange; and (ii) the Back-up Exchange has agreed that it will, at the instruction of Phlx, select [m]Members of the Back-up Exchange that are willing to be deputized by Phlx as temporary Phlx [m]Members authorized to trade Phlx exclusively listed options on Phlx's facility at the Back-up Exchange for such period of time following a Disabling Event as Phlx determines to be appropriate, and Phlx may deputize such members of the Back-up Exchange as temporary Phlx [m]Members for that purpose.

([ii]2) Phlx Singly Listed Options.

([A]i) For purposes of this Rule, the term "singly listed option" means an option that is not an "exclusively listed option" but that is listed by an exchange and not by any other national securities exchange.

([B]ii) The Exchange may enter into arrangements with a Back-up Exchange under which the Back-up Exchange will agree, in the event of a Disabling Event, to list for trading singly listed option[s] classes that are then singly listed only by the Phlx and not by the Back-up Exchange. Any such option[s] classes listed by the Back-up Exchange shall trade on the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such option[s] classes shall be traded by members of the Back-up Exchange and by Phlx members selected by the Phlx to the extent the Back-up Exchange can accommodate Phlx members in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all Phlx members that desire to trade singly listed options at the Back-up Exchange[pursuant to paragraph (a)(i)(A)], Phlx may determine which members shall be eligible to trade such options at the Back-up Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the member is a Lead Market Maker in the applicable product(s), the number of contracts traded by the member[or Lead Market Maker unit] in the applicable product(s), market performance,

and other factors relating to a member's contribution to the market in the applicable product(s).

(iii) Any options class listed [Phlx member who is granted temporary access to the Backup Exchange pursuant to this paragraph shall only be permitted (i) to act in those Backup Exchange capacities that are authorized by the Backup Exchange and that are comparable to capacities in which the temporary member has been authorized to act on the Phlx and (ii) to trade in those options in which the temporary member is authorized to trade on the Phlx.

(C) Any options listed]by the Back-up Exchange pursuant to paragraph (a)(2)(ii)[(B)] that does not satisfy the standard listing and maintenance criteria of the Back-up Exchange will be subject, upon listing by the Back-up Exchange, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in the rules of the Back-up Exchange).

(3) Multiply Listed Options. Phlx may enter into arrangements with a Back-up Exchange to permit Phlx members to conduct trading on a Back-up Exchange of some or all of Phlx's multiply listed options in the event of a Disabling Event. Such options shall trade as a listing of the Back-up Exchange and in accordance with the rules of the Back-up Exchange. Such options shall be traded by members of the Back-up Exchange and by Phlx members selected by Phlx to the extent the Back-up Exchange can accommodate Phlx members in the capacity of temporary members of the Back-up Exchange. If the Back-up Exchange is unable to accommodate all Phlx members that desire to trade multiply listed options at the Back-up Exchange, Phlx may determine which members shall be eligible to trade such options at the Back-up Exchange. Factors to be considered in making such determinations may include, but are not limited to, any one or more of the following: whether the member is a Lead Market Maker in the applicable product(s), the number of contracts traded by the member in the applicable product(s), market performance, and other factors relating to a member's contribution to the market in the applicable product(s).

(b) *Phlx is Backup Exchange.*

(i) Disabled Exchange Exclusively Listed Options.

[A]i) The Exchange may enter into arrangements with one or more other exchanges (each a "Disabled Exchange") to permit the Disabled Exchange and its members to use a portion of the Phlx's facilities to conduct the trading of some or all of the Disabled Exchange's [E]xclusively [L]isted [Securities]options in the event of a Disabling Event. The facility of the Phlx used by the Disabled Exchange for this purpose will be deemed to be a facility of the Disabled Exchange.

[B]ii) Trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Phlx shall be conducted in accordance with Phlx Rules, except that ([1]A) such trading shall be subject to the Disabled Exchange's rules with respect to

doing business with the public, margin requirements, net capital requirements, listing requirements, and position limits, and ([2]B) members of the Disabled Exchange that are trading on the Disabled Exchange's facility at Phlx (not including Phlx members who become temporary members of the Disabled Exchange pursuant to paragraph (b)(i)(D)(1)(iv)) will be subject to the rules of the Disabled Exchange governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled Exchange. In addition, the Disabled Exchange and Phlx may agree that other Disabled Exchange rules will apply to such trading. The Disabled Exchange and Phlx have agreed to communicate to their [respective]members which rules apply in advance of trading.

([C]iii) Phlx will perform the related regulatory functions with respect to trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Phlx, in each case except as the Disabled Exchange and Phlx may specifically agree otherwise. Phlx and the Disabled Exchange have agreed to coordinate with each other regarding surveillance and enforcement respecting trading of the Disabled Exchange's exclusively listed options on the Disabled Exchange's facility at Phlx. The Disabled Exchange has agreed that it shall retain the ultimate legal responsibility for the performance of its self-regulatory obligations with respect to the Disabled Exchange's facility at Phlx.

([D]iv) Phlx members shall not be authorized to trade in any exclusively listed options of the Disabled Exchange, except (A) that: (1) the Disabled Exchange may deputize willing Phlx floor brokers as temporary members of the Disabled Exchange to permit them to execute orders as brokers in exclusively listed options of the Disabled Exchange traded on the facility of the Disabled Exchange at Phlx; and ([2]B) at the instruction of the Disabled Exchange, the Phlx shall select Phlx members that are willing to be deputized by the Disabled Exchange as temporary members of the Disabled Exchange authorized to trade the Disabled Exchange's exclusively listed options on the facility of the Disabled Exchange at the Phlx for such period of time following a Disabling Event as the Disabled Exchange determines to be appropriate, and the Disabled Exchange may deputize such Phlx members as temporary members of the Disabled Exchange for that purpose.

(ii)2) Disabled Exchange Singly Listed Options.

([A]i) The Phlx may enter into arrangements with a Disabled Exchange under which the Phlx will agree, in the event of a Disabling Event, to list for trading [options]singly listed option classes that are then singly listed only by the Disabled Exchange and not by the Phlx. Any such option[s] classes listed by the Phlx shall trade on the Phlx and in accordance with Phlx Rules. Such option[s] classes shall be traded by Phlx members and by members of the Disabled Exchange selected by the Disabled Exchange to the extent the Phlx can accommodate members of the Disabled Exchange in the capacity of temporary members of Phlx. [Any member of a Disabled Exchange granted temporary access to conduct business on the Phlx under this paragraph shall only be permitted (i) to act in those Phlx capacities that are authorized by the Phlx and that are comparable to capacities in which the temporary member has been authorized to act on the Disabled

Exchange and (ii) to trade in those options in which the temporary member is authorized to trade on the Disabled Exchange.]The Phlx may allocate such option[s] classes to a Phlx Lead Market Maker in advance of a Disabling Event, without utilizing the allocation process under Options 2, Section 3, to enable the Phlx to quickly list such option[s] classes upon the occurrence of a Disabling Event.

([B]ii) Any options class [of options]listed by the Phlx pursuant to paragraph (b)[(ii)(A)](2)(i) that does not satisfy the listing and maintenance criteria under [Options 4, Sections 3 and 4]Phlx Rules will be subject, upon listing by the Phlx, to delisting (and, thus, restrictions on opening new series, and engaging in opening transactions in those series with open interest, as may be provided in Phlx Rules).

(3) Multiply Listed Options. Phlx may enter into arrangements with a Disabled Exchange to permit the Disabled Exchange's members to conduct trading on Phlx of some or all of the Disabled Exchange's multiply listed options in the event of a Disabling Event. Such options shall trade as a listing of Phlx and in accordance with Phlx Rules. Such options shall be traded by Phlx members and by members of the Disabled Exchange to the extent Phlx can accommodate members of the Disabled Exchange in the capacity of temporary members of Phlx.

(c) *Member Obligations.*

([i]1) Temporary Members of [a]the Disabled Exchange

([A]i) A Phlx member acting in the capacity of [as]a temporary member of the Disabled Exchange pursuant to paragraph (b)[(i)(D)](1)(iv) shall be subject to, and obligated to comply with, the rules that govern the operation of the facility of the Disabled Exchange at Phlx, including the rules of the Disabled Exchange to the extent applicable during the period of such trading. Additionally, ([1]A) such Phlx member shall be deemed to have satisfied, and the Disabled Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Disabled Exchange, including all dues, fees and charges imposed generally upon members of the Disabled Exchange based on their status as such[;], ([2]B) such Phlx member shall have none of the rights of a member of the Disabled Exchange except the right to conduct business on the facility of the Disabled Exchange at Phlx to the extent described in this Rule[;], ([3]C) the Phlx member [organization associated with such Phlx member, if any,]shall be responsible for all obligations arising out of [that Phlx member's]its activities on or relating to the Disabled Exchange[;], and ([4]D) the [c]Clearing [m]Member of such Phlx member shall guarantee and clear the transactions of such Phlx member on the Disabled Exchange.

([B]ii) A member of a Back-up Exchange acting in the capacity of a temporary member of Phlx pursuant to paragraph (a)[(i)(F)](1)(vi) shall be subject to, and obligated to comply with, the [R]rules that govern the operation of the facility of Phlx at the Back-up Exchange, including Phlx Rules to the extent applicable during the period of such trading. Additionally, ([1]A) such temporary member shall be deemed to have satisfied,

and Phlx will waive specific compliance with, [R]rules governing or applying to the maintenance of a person's or a firm's status as a member of Phlx, including all dues, fees and charges imposed generally upon Phlx members based on their status as such[;], (2) such temporary member shall have none of the rights of a Phlx member except the right to conduct business on the facility of Phlx at the Back-up Exchange to the extent described in this Rule[;], ([3]C) the member organization associated with such temporary member, if any, shall be responsible for all obligations arising out of that temporary member's activities on or relating to Phlx[;], and ([4]D) the [c]Clearing [m]Member of such temporary member shall guarantee and clear the transactions on Phlx of such temporary member.

(ii)2) Temporary Members of the Back-up Exchange

(A) A Phlx member acting in the capacity of a temporary member of the Back-up Exchange pursuant to paragraphs (a)(ii)(B)(2)(ii) or (a)(3) shall be subject to, and obligated to comply with, the rules of the Back-up Exchange that are applicable to the Back-up Exchange's own members. Additionally, ([1]A) such Phlx member shall be deemed to have satisfied, and the Back-up Exchange has agreed to waive specific compliance with, rules governing or applying to the maintenance of a person's or a firm's status as a member of the Back-up Exchange, including all dues, fees and charges imposed generally upon members of the Back-up Exchange based on their status as such, ([2]B) such Phlx member shall have none of the rights of a member of the Back-up Exchange except the right to conduct business on the Back-up Exchange to the extent described in this Rule[;], ([3]C) the Phlx member [organization associated with such Phlx member, if any,]shall be responsible for all obligations arising out of [that Phlx member's]its activities on or relating to the Back-up Exchange[;], ([4]D) the [c]Clearing [m]Member of such Phlx member shall guarantee and clear the transactions of such Phlx member on the Back-up Exchange[;], and ([5]E) such Phlx member shall only be permitted (x) to act in those capacities on the Back-up Exchange that are authorized by the Back-up Exchange and that are comparable to capacities in which the Phlx member has been authorized to act on Phlx, and (y) to trade in those options in which the Phlx member is authorized to trade on Phlx.

(B) A member of a Disabled Exchange acting in the capacity of a temporary member of Phlx pursuant to paragraph (b)(ii)(A)(2)(i) or (b)(3) shall be subject to, and obligated to comply with, Phlx Rules that are applicable to Phlx's own members. Additionally, ([1]A) such temporary member shall be deemed to have satisfied, and Phlx will waive specific compliance with, [R]rules governing or applying to the maintenance of a person's or a firm's status as a member of Phlx, including all dues, fees and charges imposed generally upon Phlx members based on their status as such[;], ([2]B) such temporary member shall have none of the rights of a Phlx member except the right to conduct business on Phlx to the extent described in this Rule[;], ([3]C) the member organization associated with such temporary member, if any, shall be responsible for all obligations arising out of that temporary member's activities on or relating to Phlx[;], ([4]D) the [c]Clearing [m]Member of such temporary member shall guarantee and clear the transactions of such temporary member on the Phlx[;], and ([5]E) such temporary member shall only be

permitted (x) to act in those Phlx capacities that are authorized by Phlx and that are comparable to capacities in which the temporary member has been authorized to act on the Disabled Exchange, and (y) to trade in those option classes in which the temporary member is authorized to trade on the Disabled Exchange.

(d) *Member Proceedings.*

([i]1) If the Phlx initiates an enforcement proceeding with respect to the trading during a back-up period of the singly or multiply listed options of the Disabled Exchange by a temporary member of the Phlx or the exclusively listed options of the Disabled Exchange by a member of the Disabled Exchange (other than a Phlx member who is a temporary member of the Disabled Exchange), and such proceeding is in process upon the conclusion of the back-up period, the Phlx may transfer responsibility for such proceeding to the Disabled Exchange following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of singly or multiply listed options of the Disabled Exchange or of exclusively listed options of the Disabled Exchange on the Disabled Exchange's facility at the Phlx will be conducted in accordance with Phlx Rules, unless the parties to an arbitration agree that it shall be conducted in accordance with the rules of the Disabled Exchange.

([ii]2) If the Back-up Exchange initiates an enforcement proceeding with respect to the trading during a back-up period of Phlx singly or multiply listed options by a temporary member of the Back-up Exchange or Phlx exclusively listed options by a Phlx member (other than a member of the Back-up Exchange who is a temporary member of the Phlx), and such proceeding is in process upon the conclusion of the back-up period, the Back-up Exchange may transfer responsibility for such proceeding to the Phlx following the conclusion of the back-up period. Arbitration of any disputes with respect to any trading during a back-up period of Phlx singly or multiply listed options on the Back-up Exchange or of Phlx exclusively listed options on the facility of the Phlx at the Back-up Exchange will be conducted in accordance with the rules of the Back-up Exchange, unless the parties to an arbitration agree that it shall be conducted in accordance with Phlx Rules.

(e) *Member Preparations.* Phlx members are required to take appropriate actions as instructed by the Exchange to accommodate Phlx's back-up trading arrangements with other exchanges and Phlx's own back-up trading arrangements.

Supplementary Material to Options 4, Section 10

.01 This Rule reflects back-up trading arrangements that Phlx has entered into or may enter into with one or more other exchanges. To the extent that this Rule provides that another exchange will take certain action, the Rule is reflecting what that exchange has agreed to do by contractual agreement with Phlx, but the Rule itself is not binding upon the other exchange.

[Section 11. U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value

U.S. dollar-settled foreign currency options are settled in U.S. dollars.

The closing settlement value for the U.S. dollar-settled FCO on the Australian dollar, the Euro, the British pound, the Canadian dollar, the Swiss franc, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona shall be the Exchange Spot Price at 12:00:00 Eastern Time (noon) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

Neither the Exchange, 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 settlement value or the closing settlement value resulting from an 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; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the current settlement value or the closing settlement value by the Exchange.

The Exchange shall post the closing settlement value on its website or disseminate it through one or more major market data vendors.]

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Options 4C U.S. Dollar-Settled Foreign Currency Options

Section 1. Applicability

(a) The Rules in Options 4C are applicable to U.S. Dollar-Settled Foreign Currency Options. Except to the extent that specific rules in this Section 4C govern, or unless the context otherwise requires, the provisions of Options 4C are applicable to the trading on the Exchange of U.S. Dollar-Settled Foreign Currency Options.

Section 2. Definitions

(a) **Applicability.** The Rules in Options 4C shall be applicable to the trading on the Exchange in option contracts issued by The Options Clearing Corporation, the terms and conditions of such contracts, the exercise and settlement thereof, the handling of orders, and the conduct of accounts and other matters relating to options trading. Except to the extent that specific Rules in this Options 4C govern or unless the context otherwise requires, the provisions of the By-Laws and of all other Rules and Policies of the Board of Directors shall be applicable to the trading on the Exchange of option contracts.

Foreign currency option contracts purchased and sold on the Exchange are designated by reference to the underlying foreign currency (e.g., the British pound), expiration month, exercise price and type (put or call).

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

(1) The term "aggregate exercise price" is as defined within Options 1, Section 1(b)(2).

(2) The term "foreign currency" is as defined within Options 1, Section 1(b)(23).

(3) The term "Exchange Spot Price" is as defined within Options 1, Section 1(b)(17).

(4) The term "unit of underlying foreign currency" is as defined within Options 1, Section 1(b)(61).

Section 3. Criteria for Underlying Securities

(a) The British pound, the Swiss franc, the Canadian dollar, the Australian dollar, the Japanese yen, the U.S. dollar, the Mexican peso, the Euro, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona may be approved as underlying foreign currencies for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. In the event that any of the sovereign governments or the European Economic Community's European Monetary System issuing any of the above-mentioned currencies should issue a new currency intended to replace one of the above-mentioned currencies as the standard unit of the official medium of exchange of such government, such new currency also may be approved as an underlying foreign currency for options transactions by the Exchange, subject to any approval criteria the Exchange may deem necessary or appropriate in the interests of maintaining a fair and orderly market or for the protection of investors. Options trading in such new currency may occur simultaneously with options trading in any of the above-mentioned currencies; provided, however, that the Exchange shall withdraw its approval of options transactions in the currency which is intended to be replaced by such new currency as expeditiously as it deems consistent with the maintenance of a fair and orderly market or the protection of investors.

Section 4. Withdrawal of Approval of Underlying Securities or Options

(a) The Exchange may determine to withdraw approval of an underlying foreign currency whenever it deems such withdrawal advisable in the public interest or for the protection of investors. In the event that the Exchange effects such a withdrawal, the Exchange shall

not open for trading any additional series of options of the class covering that underlying foreign currency.

Section 5. Series of U.S. Dollar-Settled Foreign Currency Options Contracts Open for Trading

(a) After a particular class of options (call option contracts or put option contracts relating to a specific underlying foreign currency) has been approved for listing and trading on the Exchange, the Exchange shall from time to time open for trading series of options therein. Prior to the opening of trading in any series of options, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series as follows:

(1) Within each class of approved U.S. dollar-settled foreign currency options, the Exchange may open for trading series of options expiring in consecutive calendar months ("consecutive month series"), as provided in subparagraph (A) of this paragraph, and series of options expiring at three-month intervals ("cycle month series"), as provided in subparagraph (B) of this paragraph. Prior to the opening of trading in any series of U.S. dollar-settled FCO, the Exchange shall fix the expiration month and exercise price of option contracts included in each such series. The Exchange may initially list exercise strike prices for each expiration of U.S. dollar-settled options on currencies within a 40 percent band around the current Exchange Spot Price at fifty cent (\$.50) intervals. Thus, if the Exchange Spot Price of the Euro were at \$100.00, the Exchange would list strikes in \$.50 intervals up to \$120.00 and down to \$80.00, for a total of eighty-one strike prices available for trading. As the Exchange Spot Price for U.S. dollar-settled FCOs moves, the Exchange may list new strike prices that, at the time of listing, do not exceed the Exchange Spot Price by more than 20 percent and are not less than the Exchange Spot Price by more than 20 percent. For example, if at the time of initial listing, the Exchange Spot Price of the Euro is at \$100.00, the strike prices the Exchange will list will be \$80.00 to \$120.00. If the Exchange Spot Price then moves to \$105.00, the Exchange may list additional strikes at the following prices: \$105.50 to \$126.00.

(A) Consecutive Month Series. With respect to each class of U.S. dollar-settled FCO, series of options having up to four consecutive expiration months may be opened for trading simultaneously, with the shortest-term series initially having no more than two months to expiration. Additional consecutive month series of the same class may be opened for trading on the Exchange at or about the time a prior consecutive month series expires, and the expiration month of each such new series shall normally be the month immediately succeeding the expiration month of the then outstanding consecutive month series of the same class of options having the longest remaining time to expiration.

(B) **Cycle Month Series.** The Exchange may designate one expiration cycle for each class of U.S. dollar-settled FCO. An expiration cycle shall consist of four calendar months (“cycle months”) occurring at three-month intervals. With respect to any particular class of U.S. dollar-settled FCO, series of options expiring in the four cycle months designated by the Exchange for that class may be opened for trading simultaneously, with the shortest-term series initially having approximately three months to expiration. Additional cycle month series of the same class may be opened for trading on the Exchange at or about the time a prior cycle month series expires, and the expiration month of each such new series shall normally be approximately three months after the expiration month of the then outstanding cycle month series of the same class of options having the longest remaining time to expiration.

(C) **Long-Term Series Options or “LEAPs”.** The Exchange may list, with respect to any U.S. dollar-settled foreign currencies, options having up to three years from the time they are listed until expiration. There may be up to ten options series, options having up to thirty-six months from the time they are listed until expiration. There may be up to six additional expiration months. Strike price interval, bid/ask differential and continuity Rules shall not apply to such options series until the time to expiration is less than nine months.

(D) For each expiration month opened for trading of U.S. dollar-settled foreign currency options, in addition to the strike prices listed by the Exchange pursuant to subsection (a)(1) of this Options 4(C), Section 5, the Exchange shall also list a single strike price of \$0.01.

(E) Additional series of options of the same class may be opened for trading on the Exchange as the market price of the underlying foreign currency moves substantially from the initial exercise price or prices. The opening of a new series of options on the Exchange shall not affect any other series of options of the same class previously opened.

(b) **Exercise Price.** The exercise price of each series of foreign currency options opened for trading on the Exchange normally shall be fixed at a price per unit which is reasonably close to the current Exchange Spot Price per unit of the underlying foreign currency in the foreign exchange market at or before the time such series of options is first opened for trading on the Exchange, as determined by finding the arithmetic mean of Exchange Spot Prices as defined in Options 1, Section 1(b)(17) at or about such time. The Exchange may initially list exercise strike prices for each expiration of U.S. dollar-settled options on currencies within a 40 percent band around the current Exchange Spot Price at fifty cent (\$.50) intervals. Thus, if the Exchange Spot Price of the Euro were at \$100.00, the Exchange would list strikes in \$.50 intervals up to \$120.00 and down to \$80.00, for a total of eighty-one strike prices available for trading. As the Exchange Spot Price for U.S. dollar-settled FCOs moves, the Exchange may list new strike prices that, at

the time of listing, do not exceed the Exchange Spot Price by more than 20 percent and are not less than the Exchange Spot Price by more than 20 percent. For example, if at the time of initial listing, the Exchange Spot Price of the Euro is at \$100.00, the strike prices the Exchange will list will be \$80.00 to \$120.00. If the Exchange Spot Price then moves to \$105.00, the Exchange may list additional strikes at the following prices: \$105.50 to \$126.00.

(c) In fixing the exercise price of one or more series of options on any underlying foreign currency, the Exchange may take into account the forward sales prices quoted for that underlying foreign currency in the interbank foreign exchange market.

(d) When put option contracts or put and call option contracts are first opened for trading on an underlying foreign currency, the Exchange may open a series of put option contracts corresponding to each series of call option contracts open or to be opened for trading on the same underlying foreign currency.

Section 6. U.S. Dollar-Settled Foreign Currency Option Closing Settlement Value

(a) U.S. dollar-settled foreign currency options are settled in U.S. dollars.

(b) The closing settlement value for the U.S. dollar-settled FCO on the Australian dollar, the Euro, the British pound, the Canadian dollar, the Swiss franc, the Japanese yen, the Mexican peso, the Brazilian real, the Chinese yuan, the Danish krone, the New Zealand dollar, the Norwegian krone, the Russian ruble, the South African rand, the South Korean won, and the Swedish krona shall be the Exchange Spot Price at 12:00:00 Eastern Time (noon) on the business day of expiration, or, in the case of an option contract expiring on a day that is not a business day, on the business day prior to the expiration date unless the Exchange determines to apply an alternative closing settlement value as a result of extraordinary circumstances.

(c) Neither the Exchange, 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 settlement value or the closing settlement value resulting from an 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; any error, omission, or delay in the reports of transactions in one or more underlying currencies or any error, omission or delay in the reports of the current settlement value or the closing settlement value by the Exchange.

(d) The Exchange shall post the closing settlement value on its website or disseminate it through one or more major market data vendors.

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Options 8 Floor Trading

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Section 30. Crossing, Facilitation and Solicited Orders

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Supplementary Material to Options 8, Section 30:

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.04 This rule is pursuant to Options 4, Section 4. In addition to Options 4, Section 4, opening transactions by member organizations to facilitate the closing transactions of Public Customers executed as crosses pursuant to and in accordance with subparagraph (b) of this rule.

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