

with just and equitable principles of trade.

(G) Notwithstanding the first sentence of Rule 1014(g)(i), neither Rule 119(b) and (c) concerning precedence based on the size of bids on parity, nor Rule 120 (insofar as it incorporates those provisions by reference) shall apply to the allocation of orders covered by this Rule 1014(g)(v).

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B-6 Priority of Options Orders for Equity Options and Index Options by Account Type (Equity Option and Index Option Only)

(i) Exchange Rules 119 and 120 direct members in the establishment of priority of orders on the floor. In addition, equity option and index option orders of controlled accounts are required to yield priority to customer orders when competing at the same price, as described below.

For the purposes of this Advice, "Initiating Order" means an incoming contra-side order. "Remainder of the Order" means the portion of an Initiating Order that remains following the allocation of contracts to customers that are on parity, in accordance with this Rule 1014(g)(i). The Remainder of the Order shall be allocated pursuant to this Rule 1014. [a]An account type is either a controlled account or a customer account. A controlled account includes any account controlled by or under common control with a broker-dealer. [Specialist accounts of PHLX Option Specialists, however, are not subject to yielding requirements placed upon controlled accounts by this Rule.] Customer accounts are all other accounts.

Section A

(i) Orders of controlled accounts must yield priority to customer orders[, except that, PHLX ROTs closing in-person are not required to yield priority to orders of customer accounts].

(ii) Orders of controlled accounts are not required to yield priority to other controlled account orders[, except that when both an order of a PHLX ROT closing in-person and some other order of a controlled account are established in the crowd at the same price, and then a customer order is established at that price, the order of the controlled account must yield to the customer order while the order of the PHLX ROT closing in-person does not have to so yield].

Section B

Orders of controlled accounts, other than ROTs and Specialists market making in-person, must be—

(1) verbally communicated as for a controlled account when placed on the floor and when represented to the trading crowd and

(2) recorded as for a controlled account by appropriately circling the "yield" field on the floor ticket of any such order.

In any instance where an order is misrepresented in this fashion due to factors which give rise to the concern that it was the result of anything other than an inadvertent error, the Exchange may determine to bypass the fine schedule below and refer the incident to the Business Conduct Committee for possible disciplinary proceedings in accordance with those procedures set forth under the Exchange's Disciplinary Rule 960.

Section C

Several programs described below provide an Enhanced Specialist Participation to specialists, which refers to the portion of an options trade available for allocation to the specialist on parity, including a 30% (which may actually result in a 40% or 60%) Enhanced Specialist Participation, New Unit/New Option Enhanced Specialist Participation, and New Product Enhanced Specialist Participation.

The Enhanced Specialist Participation is a percentage of the Remainder of the Order to which the specialist is entitled, depending upon whether (g)(ii), (iii), or (iv) applies.

Enhanced Specialist Participation—In equity and index option classes, when the registered specialist is on parity with a controlled account as defined in subparagraph (i) above, in accordance with Exchange Rules 119 and 120 and the number of contracts to be bought or sold is greater than five, the specialist is entitled to receive an enhanced participation of 30% of the [initiating order] Remainder of the Order ("Enhanced Specialist Participation"), except in the following circumstances:

(1) where there is one controlled account on parity, the specialist is entitled to receive[s] 60% of the [initiating order] Remainder of the Order; or (2) where there are two controlled accounts on parity, in which case, the specialist is entitled to receive 40% of the [initiating order] Remainder of the Order. [Further, no customer order which is on parity may receive a smaller participation than any other crowd participant including the specialist.] Enhanced Specialist Participation will be effective for: (a) all newly listed issues, (b) all index options and (c) such issues selected by the specialist and approved by the Allocation, Evaluation and Securities

Committee pursuant to section (A) below.

Section D

New Product Enhanced Specialist Participation "When a specialist unit develops and trades a new product, such specialist [will] is entitled to receive an[e]Enhanced [split] Specialist Participation in that option such that when the specialist is on parity with three or more controlled accounts in the crowd, the specialist is entitled to receive[s] 40% of the contracts and the controlled accounts are entitled to receive the remaining 60%; when the specialist is on parity with less than three controlled accounts in the crowd, the specialist is entitled to receive[s] 60% of the contracts and the controlled accounts are entitled to receive the remaining 40%. [In either of these situations, if a customer is on parity, the customer may not receive a lesser allotment than any other crowd participant, including the specialist.] In order for the [enhancement] Enhanced Specialist Participation to apply, the specialist must both develop and trade a new product. If one specialist unit develops a new product idea and another specialist is allocated specialist privileges in the product, the specialist unit trading the product would not be entitled to [this split] receive an Enhanced Specialist Participation. [The Options Committee will determine whether a specialist split.] The Options Committee will determine whether a specialist "developed" a new product.

Section E

Allocation of the Remainder of the Order Among Specialist and ROTs on Parity. After the application of this Advice to an Initiating Order, the Remainder of the Order shall be allocated by the Allocating Participant (as defined in Rule 1014(g)(vi)) as follows:

(A) Entitlement. ROTs and specialists on parity are entitled to their Defined Participation (as described below), subject to: (1) any Waiver, as described below; and (2) rounding, as described below.

(B) Size. The term "stated size" in relation to a crowd participant and in respect of an order shall mean:

(1) In the case of orders handled manually by the specialist:

(a) if a crowd participant (including the specialist) has actually stated a size ("Actual Size"), such crowd participant's stated size shall be his or her Actual Size;

(b) unless the specialist has an Actual Size, the stated size of the specialist shall be the amount (if any) by which