

establish an electronic audit trail for options orders represented and executed by Floor Brokers on the Exchange, such that the audit trail provides an accurate, time-sequenced record of electronic and other orders, quotations and transactions on the Exchange, beginning with the receipt of an order by the Exchange, and further documenting the life of the order through the process of execution, partial execution, or cancellation of that order. The Exchange will begin deployment of the Options Floor Broker Management System on July 31, 2003, with floor-wide deployment to be completed not later than August 29, 2003.

Proposed Amendments to Option Floor Procedure Advices:

A-11 Responsibility to Fill Customer Orders

(a)(i)-(v) No change.

(vi) Floor Brokers must make reasonable efforts to ascertain whether each order entrusted to them is for the account of a customer or a broker-dealer. If it is ascertained that the order is for the account of a broker-dealer, the responsible Floor Broker must advise the crowd of that fact prior to bidding/ offering on behalf of the order or executing the order. The [responsible floor agent] *Floor Broker or his employees* must [legibly mark the floor ticket as "B/D"] *make the appropriate notation on the Options Floor Broker Management System* when it has been determined that the order is for an account of a broker/dealer.

(vii) No change.

(b) No change.

FINE SCHEDULE No change.

B-6 Priority of Options Orders for Equity Options and Index Options by Account Type (EQUITY OPTION AND INDEX OPTION ONLY)

(No change to first two introductory paragraphs.)

Section A

No change.

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 (except market maker tickets) *or, in the case of trades involving a Floor Broker, by making the appropriate notation on the Options Floor Broker Management System.*

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-E No change

FINE SCHEDULE No change.

B-8 Use of Floor Brokers by an ROT While on the Floor

(a) When an ROT who is on the floor gives an order to a Floor Broker for execution, the ROT must initial and time stamp the order ticket. *The Floor Broker or his employees must [and] indicate on [it] the Options Floor Broker Management System whether such order is opening or closing.*

(b) If such order opens or increases a position in the account of an ROT, the ROT must be aware of the terms of the trade, initial and time stamp the order and retain a copy of the ticket.

FINE SCHEDULE No change.

B-11 Crossing, Facilitation and Solicited Orders

(a) No change.

(b) Facilitation Orders—A Floor Broker holding an options order for a public customer and a contra-side order may cross such orders in accordance with paragraph (a) above or may execute such orders as a facilitation cross in the following manner:

(i) [A legible "F" must be recorded on the floor ticket]. *The Floor Broker or his employees must enter the appropriate notation onto the Options Floor Broker Management System for the public customer's order, together with all of the terms of the order, including any contingency involving other options or the underlying or related securities.*

(ii)-(iii)

(c) (i)-(ii) No change.

(iii) ["Solicited" shall be written clearly and legibly on the order ticket of the solicited order.] *The Floor Broker or his employees must note on the Options Floor Broker Management System that the trade involves a solicited order.*

(d) No change.

FINE SCHEDULE No change.

C-2 [Clocking Tickets for Time of Entry on the Floor

A Floor Broker shall not represent an order for execution which has not been time stamped with the time of entry on the trading floor. It is the responsibility

of the introducing Floor Brokerage unit to time stamp an order when it is received.]

Options Floor Broker Management System

Options Floor Broker Management System. In order to create an electronic audit trail for options orders represented by Floor Brokers on the Exchange's Options Floor, a Floor Broker or such Floor Broker's employees shall, contemporaneously upon receipt of an order and prior to the representation of such an order in the trading crowd, record all options orders represented by such Floor Broker onto the electronic Options Floor Broker Management System (as described in Rule 1080, Commentary .06). The following specific information with respect to orders represented by a Floor Broker shall be recorded by such Floor Broker or such Floor Broker's employees: (i) The order type (i.e., customer, firm, broker-dealer); (ii) the option symbol; (iii) buy, sell, or cancel; (iv) call, put, complex (i.e., spread, straddle), or contingency order as described in Rule 1066; (v) number of contracts; (vi) limit price or market order or, in the case of a complex order, net debit or credit, if applicable; (vii) whether the transaction is to open or close a position. Upon the execution of such an order, the Floor Broker shall enter the time of execution of the trade. Floor Brokers or their employees shall enter clearing information onto the Options Floor Broker Management System no later than five minutes after the execution of a trade. In the event of a malfunction in the Options Floor Broker Management System, Floor Brokers shall record the required information on trade tickets, and shall not represent an order for execution which has not been time stamped with the time of entry on the trading floor. Such trade tickets shall be time stamped upon the execution of such an order.

FINE SCHEDULE No change.

C-3 Handling Orders of Phlx ROTs and Other Registered Options Market Makers

(a) No change

(b) Upon receipt of an options order on the Phlx for any account of a person registered as an options market maker on another national securities exchange, the Floor Broker *or his employees* must [legibly mark the letter "N" on the order ticket] *so indicate on the Options Floor Broker Management System* and must ensure that the order is represented in the trading crowd as a "BD" order for the purposes of the Exchange's [public customer order guarantee rule (i.e., the Ten-Up Rule)] *yielding requirements. A*