

Required fields are shown with yellow backgrounds and asterisks.

Filing by NASDAQ OMX PHLX LLC.  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

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 3C(b)(2) <input type="checkbox"/>
Section 806(e)(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 \*).

Relating to Strategy Caps

**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 \* Angela Last Name \* Dunn

Title \* Associate General Counsel

E-mail \* angela.dunn@nasdaqomx.com

Telephone \* (215) 496-5692 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 12/21/2012

By Edward S. Knight

Executive Vice President and General Counsel

Edward S Knight,

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

Add Remove View

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

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

Add Remove View

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

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

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

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

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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 OMX PHLX LLC (“Phlx” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> proposes to amend rule text related to fee caps applicable to certain strategies on Multiply Listed Options in Section II, entitled “Equity Options Fees.”<sup>3</sup>

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1 and a copy of applicable portion of the Exchange’s Pricing Schedule is attached hereto as Exhibit 5.

(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 on July 10, 2012. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to Angela Saccomandi Dunn, Associate General Counsel, at (215) 496-5692.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Section II Equity Options fees include options overlying equities, ETFs, ETNs and indexes which are Multiply Listed.

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

a. Purpose

The purpose of the proposed rule change is to correct rule text inadvertently included in a recent proposed rule change related to fee caps on dividend,<sup>4</sup> merger,<sup>5</sup> short stock interest<sup>6</sup> and reversal<sup>7</sup> and conversion<sup>8</sup> strategies in order to clarify contradictory language within the rule text.

The Exchange recently filed a rule change which applied fee caps on various strategies in Section II of the Pricing Schedule.<sup>9</sup>

Among other amendments, this rule change increased the cap for dividend, merger and short stock interest strategies from \$1,000 to \$1,250 provided the strategy is executed on the same trading day in the same options class when such members are trading in their own

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<sup>4</sup> A dividend strategy is defined as transactions done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class, executed the first business day prior to the date on which the underlying stock goes ex-dividend.

<sup>5</sup> A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, executed the first business day prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock.

<sup>6</sup> A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class.

<sup>7</sup> Reversals are established by combining a short stock position with a short put and a long call position that shares the same strike and expiration.

<sup>8</sup> Conversions are established by combining a long position in the underlying stock with a long put and a short call position that share the same strike and expiration.

<sup>9</sup> See Securities Exchange Act Release No. 68406 (December 11, 2012), 77 FR 74715 (December 17, 2012) (SR-Phlx-2012-138).

proprietary account. Further, the Exchange adopted a cap for floor options transaction charges for reversal and conversion strategies of \$750, provided the reversal and conversion strategy is executed on the same trading day in the same options class when such members are trading in their own proprietary account, similar to dividend, merger and short stock interest strategies.<sup>10</sup>

The rule text was amended to state, “Specialist, Market Maker, Professional, Firm and Broker-Dealer floor option transaction charges in Multiply Listed Options will be capped at \$1,250 *per month* for dividend, merger and short stock interest strategies executed on the same trading day in the same options class, and option transaction charges in Multiply Listed Options will be capped at \$750 *per month* for reversal and conversion strategies executed on the same trading day in the same options class when such members are trading in their own proprietary accounts.” [emphases added] The Exchange noted that the strategies need to be executed on the same trading day. Strategy caps offered by the Exchange are and have always been on a per symbol, per day basis. The insertion of the text “per month” was inadvertent. The Exchange proposes to delete the “per month” text which is inaccurate and contradicts other text which states the strategies need to be executed on the same trading day. The Exchange intended the strategy caps of \$1,250 and \$750 to be per symbol, per day. The Exchange is proposing to remove the text “per month” to correct the Pricing Schedule at Section II and clarify the caps are for the same trading day as specified in the rule text.

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<sup>10</sup> The Exchange also increased the cap for floor equity options transaction charges for dividend, merger and short stock interest strategies combined from the greater of \$10,000 per member or \$25,000 per member organization per month to simply \$35,000 per member organization per month provided that such members are trading in their own proprietary account. The Exchange proposed to apply this cap of \$35,000 per member organization per month to reversal and conversion strategies as well and term the cap as the “Monthly Strategy Cap.” See Securities Exchange Act Release No. 68406 (December 11, 2012), 77 FR 74715 (December 17, 2012) (SR-Phlx-2012-138).

The Exchange does not believe that this error caused confusion because the Exchange issued an Options Trader Alert at the time the filing became effective to notify members of the cap. The alert was clear that the caps were per day. In addition, the Exchange has spoken to members and does not believe there is any confusion. The purpose of this filing is to correct the Pricing Schedule by removing the words “per month” to make clear the caps are per day.

b. Statutory Basis

The Exchange believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act<sup>11</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>12</sup> in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members and other persons using its facilities.

The Exchange’s proposal to amend the rule text relating to strategies is reasonable because the words “per month” and “on the same trading day” are at odds. The Exchange’s proposal to remove the words “per month” should clarify the application of the fee caps related to strategies.

The Exchange’s proposal to amend the rule text relating to strategies is equitable and not unfairly discriminatory because the Exchange would apply the fee caps in a similar manner to all market participants. All market participants are entitled to the caps on a per day, per symbol basis.

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<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(4).

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 Exchange's proposal is to correct rule text which contains contradictory language. The Exchange believes this amendment would provide clarity with respect to the application of strategy caps and would benefit market participants. The Exchange does not believe that there is a misunderstanding among market participants that the strategy caps are per day.

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)

Pursuant to Section 19(b)(3)(A)(ii) of the Act,<sup>13</sup> the Exchange has designated this proposal as establishing or changing a due, fee, or other charge imposed on any person, whether or not the person is a member of the self-regulatory organization, which renders the proposed rule change effective upon filing.

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

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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

Not applicable.

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

Not applicable.

11. Exhibits

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

5. Applicable portion of the Exchange's Pricing Schedule.

Exhibit 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-Phlx-2012-146)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of  
Proposed Rule Change by NASDAQ OMX PHLX LLC Relating to Strategy Caps

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 21, 2012, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Exchange proposes to amend rule text related to fee caps applicable to certain strategies on Multiply Listed Options in Section II, entitled “Equity Options Fees.”<sup>3</sup>

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

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Section II Equity Options fees include options overlying equities, ETFs, ETNs and indexes which are Multiply Listed.

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 purpose of the proposed rule change is to correct rule text inadvertently included in a recent proposed rule change related to fee caps on dividend,<sup>4</sup> merger,<sup>5</sup> short stock interest<sup>6</sup> and reversal<sup>7</sup> and conversion<sup>8</sup> strategies in order to clarify contradictory language within the rule text.

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<sup>4</sup> A dividend strategy is defined as transactions done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class, executed the first business day prior to the date on which the underlying stock goes ex-dividend.

<sup>5</sup> A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, executed the first business day prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock.

<sup>6</sup> A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class.

<sup>7</sup> Reversals are established by combining a short stock position with a short put and a long call position that shares the same strike and expiration.

<sup>8</sup> Conversions are established by combining a long position in the underlying stock with a long put and a short call position that share the same strike and expiration.

The Exchange recently filed a rule change which applied fee caps on various strategies in Section II of the Pricing Schedule.<sup>9</sup>

Among other amendments, this rule change increased the cap for dividend, merger and short stock interest strategies from \$1,000 to \$1,250 provided the strategy is executed on the same trading day in the same options class when such members are trading in their own proprietary account. Further, the Exchange adopted a cap for floor options transaction charges for reversal and conversion strategies of \$750, provided the reversal and conversion strategy is executed on the same trading day in the same options class when such members are trading in their own proprietary account, similar to dividend, merger and short stock interest strategies.<sup>10</sup>

The rule text was amended to state, “Specialist, Market Maker, Professional, Firm and Broker-Dealer floor option transaction charges in Multiply Listed Options will be capped at \$1,250 *per month* for dividend, merger and short stock interest strategies executed on the same trading day in the same options class, and option transaction charges in Multiply Listed Options will be capped at \$750 *per month* for reversal and conversion strategies executed on the same trading day in the same options class when such members are trading in their own proprietary accounts.” [emphases added] The Exchange noted that the strategies need to be

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<sup>9</sup> See Securities Exchange Act Release No. 68406 (December 11, 2012), 77 FR 74715 (December 17, 2012) (SR-Phlx-2012-138).

<sup>10</sup> The Exchange also increased the cap for floor equity options transaction charges for dividend, merger and short stock interest strategies combined from the greater of \$10,000 per member or \$25,000 per member organization per month to simply \$35,000 per member organization per month provided that such members are trading in their own proprietary account. The Exchange proposed to apply this cap of \$35,000 per member organization per month to reversal and conversion strategies as well and term the cap as the “Monthly Strategy Cap.” See Securities Exchange Act Release No. 68406 (December 11, 2012), 77 FR 74715 (December 17, 2012) (SR-Phlx-2012-138).

executed on the same trading day. Strategy caps offered by the Exchange are and have always been on a per symbol, per day basis. The insertion of the text “per month” was inadvertent. The Exchange proposes to delete the “per month” text which is inaccurate and contradicts other text which states the strategies need to be executed on the same trading day. The Exchange intended the strategy caps of \$1,250 and \$750 to be per symbol, per day. The Exchange is proposing to remove the text “per month” to correct the Pricing Schedule at Section II and clarify the caps are for the same trading day as specified in the rule text.

The Exchange does not believe that this error caused confusion because the Exchange issued an Options Trader Alert at the time the filing became effective to notify members of the cap. The alert was clear that the caps were per day. In addition, the Exchange has spoken to members and does not believe there is any confusion. The purpose of this filing is to correct the Pricing Schedule by removing the words “per month” to make clear the caps are per day.

2. Statutory Basis

The Exchange believes that its proposal to amend its Pricing Schedule is consistent with Section 6(b) of the Act<sup>11</sup> in general, and furthers the objectives of Section 6(b)(4) of the Act<sup>12</sup> in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members and other persons using its facilities.

The Exchange’s proposal to amend the rule text relating to strategies is reasonable because the words “per month” and “on the same trading day” are at odds. The

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<sup>11</sup> 15 U.S.C. 78f(b).

<sup>12</sup> 15 U.S.C. 78f(b)(4).

Exchange's proposal to remove the words "per month" should clarify the application of the fee caps related to strategies.

The Exchange's proposal to amend the rule text relating to strategies is equitable and not unfairly discriminatory because the Exchange would apply the fee caps in a similar manner to all market participants. All market participants are entitled to the caps on a per day, per symbol basis.

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 Exchange's proposal is to correct rule text which contains contradictory language. The Exchange believes this amendment would provide clarity with respect to the application of strategy caps and would benefit market participants. The Exchange does not believe that there is a misunderstanding among market participants that the strategy caps are per day.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.<sup>13</sup> 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

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

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](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2012-146 on the subject line.

##### Paper comments:

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

All submissions should refer to File Number SR-Phlx-2012-146. 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-2012-146 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.<sup>14</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).

**Exhibit 5**

*Deleted text is in brackets.*

**NASDAQ OMX PHLX LLC<sup>1</sup> PRICING SCHEDULE**

\* \* \* \* \*

**II. Multiply Listed Options Fees (Includes options overlying equities, ETFs, ETNs and indexes which are Multiply Listed<sup>9</sup>)**

\* \* \* \* \*

• Specialist, Market Maker, Professional, Firm and Broker-Dealer floor option transaction charges in Multiply Listed Options will be capped at \$1,250 [per month] for dividend, merger and short stock interest strategies executed on the same trading day in the same options class, and option transaction charges in Multiply Listed Options will be capped at \$750 [per month] for reversal and conversion strategies executed on the same trading day in the same options class when such members are trading in their own proprietary accounts. Floor option transaction charges in Multiply Listed Options for dividend, merger, short stock interest and reversal and conversion strategies combined will be further capped at \$35,000 per member organization, per month when such members are trading in their own proprietary accounts ("Monthly Strategy Cap"). Reversal and conversion strategy executions will not be included in the Monthly Strategy Cap for a Firm. To qualify for a strategy fee cap, the buy and sell side of a transaction must originate from the Exchange floor. A dividend strategy is defined as transactions done to achieve a dividend arbitrage involving the purchase, sale and exercise of in-the-money options of the same class, executed the first business day prior to the date on which the underlying stock goes ex-dividend. A merger strategy is defined as transactions done to achieve a merger arbitrage involving the purchase, sale and exercise of options of the same class and expiration date, executed the first business day prior to the date on which shareholders of record are required to elect their respective form of consideration, i.e., cash or stock. A short stock interest strategy is defined as transactions done to achieve a short stock interest arbitrage involving the purchase, sale and exercise of in-the-money options of the same class. Reversals and conversions are transactions that employ calls and puts of the same strike price and the underlying stock. Reversals are established by combining a short stock position with a short put and a long call position that shares the same strike and expiration. Conversions employ long positions in the underlying stock that accompany long puts and short calls sharing the same strike and expiration.

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