



REGULATORY INFORMATION BULLETIN

RAN-00-18
June 22, 2000

TO: All PCX Member and Member Organizations

FROM: Department of Regulatory Policy

SUBJECT: OptiMark Midpoint Price Profiles
(File No. SR-PCX-00-10)

On May 24, 2000, the SEC approved a proposed rule change by the PCX to permit profiles designated for midpoint pricing by OptiMark users to receive executions at price increments finer than the minimum trading differential permitted under the Exchange's rules. Specifically, OptiMark provides a mechanism whereby profiles can be pegged to the midpoint price between the best bid/ask displayed on the Consolidated Quotation System ("CQS"). At the time of a matching cycle, the midpoint pricing feature will automatically update the price of any buy or sell profile designated by the OptiMark user to conform to the midpoint of the NBBO displayed on CQS. Under the rule change, any executions resulting from processing midpoint pricing profiles will be priced and reported in increments as small as $1/64^{\text{th}}$ or, upon conversion to decimals, one-half of the minimum price variation.

This rule change to trade at finer price increments applies only to OptiMark profiles designated for the midpoint pricing. Unless otherwise provided in PCX rules, it is not intended to permit PCX members to generally display quotes, enter profiles, or execute trades in price increments less than $1/16^{\text{th}}$. In addition, any transactions resulting from midpoint pricing will be reported to the Consolidated Trade System with the sale condition "B" so that members, investors, and others can distinguish such trades from other PCX trade reports.

Following is the text of the rule change that the SEC approved. Questions regarding this Bulletin may be directed to Peter Bloom at (415) 393-4166.

Exhibit A

Text of the Proposed Rule Change¹

PCX Equities, Inc.

Rule 7 Equities Trading

Trading Differentials

Rule 7.10(a) – No change.

Commentary:

.01-03 – No change.

.04 The minimum price variation for orders generated from Profiles designated for the midpoint pricing service by the OptiMark System will be the variation of the midpoint price between the highest published bid and the lowest published offer displayed on the Consolidated Quotation System. Any executions resulting from processing Profiles designated for midpoint pricing will be priced and reported in increments as small as 1/64th or, upon conversion to decimals, one-half of the minimum price variation.

(b) – No change.

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PCX Equities, Inc. Application of the OptiMark System

Definitions

Rule 7.71(a) – No change.

(1)-(5) – No change.

(6) The term “Orders” shall mean one or more order generated from a Cycle at specific prices and sizes at which execution immediately may occur. Orders in Eligible Securities for

¹ New text is underscored.

execution on the Corporation or other ITS participating market centers shall be in round lots equal to or greater than 1,000 shares, except for Orders resulting from processing CQS Profiles (as defined below) and those Profiles created from the PCX Specialist's book that may be in any round lot size, and in price increments conforming to the Corporation's rules and policies applicable to all orders executed on the Floor; provided, however, that Orders may be generated from central processing of the Profiles designated for the midpoint pricing service by the OptiMark System in conformance with the trading differential in Rule 7.10(a), Commentary .04. Such Orders shall be considered "Immediate or Cancel" orders within the meaning of the Corporation's Rule 7.4 and shall include the following information:

- (A) the stock ticker symbol;
- (B) a designation as "buy," "sell long," or "sell short," and
- (C) such other information as may be required by the Board.

(7)-(10) – No change.