

RAN-00-26
October 5, 2000

TO: All PCX Members and Member Organizations

FROM: Department of Regulatory Policy

**SUBJECT: Entry of Computer Generated Option Orders
(File No. SR-PCX-00-13)**

On October 2, 2000, the Securities and Exchange Commission approved a PCX rule change relating to option orders that are created and communicated to the Exchange electronically, without manual input (“computer generated orders”). Under the rule change, computer generated orders are not eligible for automatic execution via the Exchange’s Auto-Ex System. To prevent that from occurring, Member Firms sending computer generated orders electronically to the Exchange must designate them with a “CG” in the “additional instruction” field. Orders so designated will be re-routed for representation by a Floor Broker. The Exchange notes that other options exchanges have adopted similar rules on computer generated options orders.

Following is the text of the rule change. Questions regarding this Bulletin should be directed to Michael Pierson at (415) 393-4107.

EXHIBIT A
Text of the Rule Change:¹

POETS

Pacific Options Exchange Trading System

Rule 6.88 (a) POETS is the Exchange’s automated trading system comprised of the options order routing system, the automatic execution system (Auto-Ex), the on-line limit order book system (Auto-Book), and the automatic market quote update system (Auto-Quote). Orders may be sent to POETS via the Exchange’s Member Firm Interface (MFI).

(b) Except as provided in subsection (b)(1), Member Firms may not enter orders via the MFI or permit the entry of orders via the MFI if those orders are created

¹ New text is underscored.

and communicated electronically without manual input (“computer generated orders”). Except as provided in subsection (b)(1), order entry by public customers or associated persons of Member Firms must involve manual input such as entering the terms of an order into an order-entry screen or manually selecting a displayed order so that the order will be sent. Nothing in this Rule prohibits Member Firms from electronically sending to the Exchange orders manually entered by customers into front-end communications systems (e.g., Internet gateways, online networks, etc).

(1) Computer generated orders may be sent to the Exchange via the MFI only if they are properly designated with a “CG” in the “additional instruction” field. Orders so designated will be re-routed for representation by a Floor Broker. Computer generated orders are not eligible for automatic execution via the Auto-Ex System.

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¶5232 Exchange Sponsored Hand Held Terminals for Floor Brokers

Rule 6.89 [6.88] – No change.

¶5233 Proprietary Brokerage Order Priority Terminals

Rule 6.90 [6.89] – No change.