

RAN-00-28
October 5, 2000

TO: All PCX Members and Member Organizations

FROM: Department of Regulatory Policy

**SUBJECT: New Fee on Market Maker Transactions and
PACEX Reports for Options Order Flow Providers
(File Nos. SR-PCX-00-30 and SR-PCX-00-31)**

On September 13, 2000, the Securities and Exchange Commission approved a PCX proposal to adopt a new fee of \$0.40 per market maker contract executed on the PCX. The fee does not apply to market maker to market maker transactions. The funds generated by the fee will be made available to the LMMs at the trading post where the funds were collected to be used by the LMM to attract orders in the option issues traded at that post. The Exchange has withdrawn a provision in the original filing stating that LMMs were expected to consult with the members of their trading crowds regarding distributions of funds to order flow providers. The fee became effective as of July 31, 2000.

The SEC has also approved, on September 29, 2000, a related PCX proposal to provide order flow providers with reports showing objective data on the executions of option orders so that they can assess the quality of executions that customers receive on the PCX. These reports, entitled Pacific Exchange Customer Execution ("PACEX") Reports, are made available to order flow providers on a daily basis.

Questions regarding this Bulletin should be directed to Michael Pierson at (415) 393-4107. Questions regarding Pacific Exchange Customer Execution Reports should be directed to Teri Chalmers at (415) 263-6310.