



RULE
ADOPTION
NOTICE

RAN-02-05
February 19, 2002

TO: All PCX Members and Member Organizations

FROM: Department of Regulatory Policy

SUBJECT: Designation of Computer Generated Orders
(File No. PCX-2002-02)

On February 1, 2002, the Securities and Exchange Commission approved the Exchange's rule change proposal to revise the manner in which "computer generated orders" are designated.

Following is the text of the approved rule change. Questions regarding this notice may be directed to Cindy Sink at (415) 393-7926.

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EXHIBIT A
Text of the Rule Change¹

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 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 New text is underscored; deleted text is in brackets.

(1) Computer generated orders may be sent to the Exchange via the MFI only if they are properly designated in a form and manner as prescribed by the Exchange. [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.