



RULE  
ADOPTION  
NOTICE

**RAN-03-06**  
**March 10, 2003**

**TO: All PCX Members and Member Organizations**

**FROM: Department of Regulatory Policy**

**SUBJECT: Pricing Criteria for Initial Listings**  
**(File No. SR-PCX-2003-06)**

On February 11, 2003, the Securities and Exchange Commission noticed for immediate effectiveness a proposed rule change to amend the price criteria for securities that underlie options traded on the Exchange.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Mai Shiver at (415) 393-4266.

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**Exhibit A**

**PACIFIC EXCHANGE, INC.**

**RULES OF THE BOARD OF GOVERNORS**

**Text of the Proposed Rule Change:<sup>1</sup>**

Rule 3.6. The underlying securities of option contracts traded on the Exchange shall be approved for Exchange transactions by the Board of Governors following the recommendation of the Options Listing Committee. In approving underlying securities, both the Options Listing Committee and the Board shall give due regard to, and the Board shall promulgate guidelines relative to, the following factors:

(a) - No change.

(1) - (3) – No change.

(4) [Either (i) the market price per share of the underlying security will have been at least \$7.50 for the majority of business days during the three calendar months preceding the date of selection, as measured by the lowest closing price recorded in any market in which the underlying security traded on

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<sup>1</sup> New text is underscored; deleted text is in brackets.

each of the subject days;] (A) If the underlying security is a “covered security” as defined under Section 18(b)(1)(A) of the Securities Act of 1933, the market price per share of the underlying security has been at least \$3.00 for the previous five consecutive business days preceding the date on which the Exchange submits a certificate to the Options Clearing Corporation for listing and trading. For purposes of this rule, the market price of such underlying security is measured by the closing price reported in the primary market in which the underlying security is traded.

(B) If the underlying security is not a “covered security”, the market price per share of the underlying security has been at least \$7.50 for the majority of business days during the three calendar months preceding the date of selection, as measured by the lowest closing price reported in any market in which the underlying security traded on each of the subject days, or [(ii)](a) the underlying security meets the guidelines for continued listing in Rule 3.7; (b) options on such underlying security are traded on at least one other registered national securities exchange; and (c) the average daily trading volume for such options over the last three (3) calendar months preceding the date of selection has been at least 5,000 contracts; and

(5) – No change.

(b) – (c) – No change.

Commentary:

01- .04 – No change.

.05 (a) –(c) – No change.

(d) In the case of a Restructured Transaction that satisfies either or both of the conditions of subsections (a)(1) and (a)(2) to this Commentary .05 in which shares of a Restructured Security are sold in a public offering or pursuant to a rights distribution:

(i) – No Change.

(ii) the exchange may certify that the market price of the Restructure Security satisfies the requirement of Rule 3.6(a)(4) by relying on the market price history of the Original Security prior to the ex-date for the Restructuring Transaction in the manner described by subsection (a) to this Commentary .05, but only if the Restructure Security has traded “regular way” on an exchange or automatic quotation system for at least five trading days immediately preceding the date of selection, and at the close of trading on each trading day preceding the date of selection, as well as a the opening of trading on the date of selection the market price of the Restructure Security was at least \$7.50; or, if the Restructure Security is a Covered Security as defined in paragraph (a)(4) above, the market price of the Restructure Security was at least \$3.00; and

(iii) – No change.

.06 – .07 - No change.