



RULE
ADOPTION
NOTICE

RAN-03-19
June 23, 2003

TO: All PCX Members and Member Organizations

FROM: Department of Regulatory Policy

SUBJECT: \$1 Strike Prices Pilot Program
(File No. SR-PCX-2003-28)

On June 17, 2003, the Securities and Exchange Commission Noticed and granted accelerated approval of an Exchange proposed rule change to initiate a Pilot Program that allows the Exchange to list strike prices at \$1 dollar intervals for certain stocks trading under \$20. 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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PACIFIC EXCHANGE, INC.

RULES OF THE BOARD OF GOVERNORS

Text of the Rule Change:¹

¶4745 Series of Options Open for Trading

Rule 6.4(a) - (e) - No change.

Commentary .01 - .03 - No change.

.04 The Exchange may select a limited number of its listed options on individual stocks for which the interval of strike prices will be \$1.00 (“\$1strike prices”) provided the strike price is \$20.00 or less, but not less than \$3. The listing of \$1 strike prices will be limited to options issues overlying no more than five (5) individual stocks (the “\$1 Strike Pilot Program”) as specifically designated by the Exchange. The Exchange may list \$1 strike prices on any other option issues if those issues are specifically designated by other securities exchanges that employ a \$1 Strike Pilot Program under their respective rules. To be eligible for inclusion into the \$1 Strike Pilot Program, an underlying stock must close below \$20 in its primary market on the

¹ New text is underscored. Deleted text is in brackets.

previous trading day. After a stock is added to the \$1 Strike Pilot Program, the Exchange may list \$1 strike prices from \$3 to \$20 that are no more than \$5 from the closing price of the underlying on the preceding day. For example, if the underlying stock closes at \$13, the Exchange may list strike prices from \$8 to \$18. The Exchange may not list series with \$1.00 intervals within \$0.50 of an existing \$2.50 strike price (e.g., \$12.50, \$17.50) in the same series, and may not list \$2.50 intervals (e.g. \$12.50, \$17.50) below \$20 under Commentary .03 of this Rule for any issue included within the \$1 Strike Pilot Program if the addition of \$2.50 intervals would cause the issue to have strike price intervals that are \$.50 apart. Additionally, the Exchange may not list long-term option series ("LEAPS") at \$1 strike price intervals for any option class selected for the \$1 Strike Pilot Program.

A stock shall remain in the \$1 Strike Pilot Program until otherwise designated by the Exchange. The \$1 Strike Pilot Program shall expire on June 5, 2004.

[.04] .05 - No change.