



RULE
ADOPTION
NOTICE

RAN-05-47
July 7, 2005

**TO: All OTP Holders and OTP Firms
ETP Holders and Sponsored Participants**

FROM: Department of Regulatory Policy

**SUBJECT: PCXE Subpenny Pilot Extension
(File No. SR-PCX-2005-84)**

On June 30, 2005, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission a proposed rule change to amend the interpretation to PCXE Rule 7.6(a) to reflect the anticipated extension of a Commission exemption that permits securities transactions to be entered, executed, and reported in subpenny increments, although such quotations are disseminated in rounded, penny increments without a rounding identifier. By letter date July 1, 2005, the Commission granted an extension of the exemption until August 29, 2005, the effective date for Rule 612 of Regulation NMS. The Commission released the notice of filing and immediate effectiveness of the proposed rule change on July 5, 2005.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Tania J.C. Blanford at (415) 393-4107 or Bridget Farrell at (312) 442-7975.

EXHIBIT 5

Text of the Proposed Rule Change:¹

Rule 7 Equities Trading

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Trading Differentials

Rule 7.6(a) – No change.

Commentary:

.01 - .04 – No change.

¹ New text is underscored; deleted text is in brackets.

.05 The minimum price variation ("MPV") for quoting and entry of orders in equity securities traded on the Archipelago Exchange is \$0.01, with the exception of securities that are priced less than \$1.00 in which case, on a pilot basis through September 30, 2005, the MPV will be less than \$0.01. Notwithstanding the foregoing, with prior notice to ETP Holders and subject to a Commission exemption granted to PCXE that extends until [June 30, 2005] August 29, 2005, an ETP Holder may submit a bid or offer priced in increments less than \$0.01 to the Corporation. The Corporation shall round the bid down to the next whole penny or the offer up to the next whole penny and display the rounded bid or offer in the consolidated quotation system without a rounding identifier.

.06 - .07 – No change.

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