



RULE
ADOPTION
NOTICE

RAN-05-48
July 13, 2005

TO: All OTP Holders and OTP Firms
FROM: Department of Regulatory Policy
SUBJECT: Obvious Error
(File No. SR-PCX-2005-78)

On July 1, 2005, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the PCX Rule 6.87 so that buyers of options with a zero bid may request that their execution be busted if at least one strike below (for calls) or above (for puts) in the same options class was quoted with a zero bid at the time of execution. The proposed rule change was approved by the Commission on July 11, 2005.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Steven B. Matlin at (415) 393-4084.

EXHIBIT 5
Text of the Proposed Rule Change:¹

**Rules of the
Pacific Exchange, Inc.**

Rule 6

Rule 6.87(a) – 6.87(g) Commentary .03 – No Change.

Rule 6.87(g) Commentary .04 – Buyers of options with a zero bid [and \$.05 offer (i.e., a Theoretical Price of \$.05)] may request that their execution be busted if at least [the two] one strike[s] below (for calls) or above (for puts) in the same options class [were] was quoted with a zero bid [and \$.05 offer] at the time of the execution. Such buyers must follow the procedures of Rule 6.87(g)(3) above.

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