



RULE
ADOPTION
NOTICE

RAN-05-56
August 18, 2005

TO: All PCX Lead Market Makers

FROM: Department of Regulatory Policy

SUBJECT: Obligations of Lead Market Makers
(File No. SR-PCX-2005-93)

On August 16, 2005, the Exchange filed with the Securities and Exchange Commission PCX-2005-93 a proposal to adopt rule changes to include an additional obligation for Lead Market Makers pursuant to Rule 6.82. The rule change is effective immediately.

The following is the text of the rule changes as approved by the SEC. Questions regarding this bulletin may be directed to Glenn H.Gsell at (415)-835-4805.

EXHIBIT 5
Text of the Proposed Rule Change:¹

Rules of the
Pacific Exchange, Inc.

Rule 6
Options Trading

Lead Market Makers

Rule 6.82 (a) – (b) – No change.

(c) Obligations of Lead Market Makers:

Each LMM must meet the following obligations:

(1) – (12) – No Change.

(13) Fully satisfy conditions of appointments pursuant to Subsection (b)(1)(B) of this

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

Rule; [and]

(14) Promptly inform the Exchange of any material change in financial or operational condition or in personnel [.] and

(15) As soon as practical, address public customer orders that are not automatically executed because there is a displayed bid or offer on another exchange trading the same options contract that is better than the best bid or offer on the Exchange, either (i) by executing a public customer order at a price that matches the best price displayed or (ii) by sending to any other exchange(s) displaying the best price a Linkage Order(s) according to the Rules 6.92 through 6.99.

(d) – (h) – No change.

Commentary:

.01 - .02 – No Change.

.03 An LMM must act with due diligence in handling orders of public customers and must accord priority to such orders addressed pursuant to paragraph (c)(15) of this Rule over the LMM's principal orders.

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