



RULE
ADOPTION
NOTICE

RAN-05-64
September 15, 2005

TO: All OTP Holders and OTP Firms

FROM: Department of Regulatory Policy

SUBJECT: Linkage "Trade and Ship" and "Book and Ship"
(File No. SR-PCX-2005-59)

On April 26, 2005, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the rules regarding "Trade and Ship" and "Book and Ship" for Linkage. On July 8, 2005, the Exchange filed Amendment No. 1 to the proposed rule filing. On July 29, 2005, the Exchange filed Amendment No. 2 to the proposed rule filing. Amendment No. 2 was subsequently withdrawn on August 1, 2005. On August 1, 2005, the Exchange filed Amendment No. 3 to the proposed rule filing. The proposed rule change was approved by the Commission on September 13, 2005.

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

EXHIBIT 5
Text of the Proposed Rule Change:¹

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

**Rule 6
Options Trading**

Rule 6.92(a)(1)-(18) – No Change.

Rule 6.92(a)(19) "Trade-Through" means a transaction in an options series at a price that is inferior to the NBBO, but shall not include a transaction that occurs at a price that is one minimum quoting increment inferior to the NBBO provided a Linkage Order is contemporaneously sent to each Participant Exchange disseminating the NBBO for the full size of the Participant Exchange's bid (offer) that represents the NBBO.

¹

New text is underscored; deleted text is in brackets.

Rule 6.92(a)(20)-(21) – No Change.

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Rule 6.95(a)-(b) – No Change.

Rule 6.95(c) – The provisions of paragraphs (a) and (b) above do not apply to situations where an OTP Holder or OTP Firm or Eligible Market Maker books an order that would lock a market and contemporaneously sends through the Linkage a P/A Order or Principal Order for the full size of the bid or offer that was locked.

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