



RULE  
ADOPTION  
NOTICE

**RAN-05-67**  
**October 10, 2005**

**TO: All OTP Holders and OTP Firms**

**FROM: Department of Regulatory Policy**

**SUBJECT: Lead Market Makers**  
**(File No. SR-PCX-2005-107)**

On September 23, 2005, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") to amend PCX Rule 6.82(d) in order to better describe a Lead Market Maker's ("LMM") guaranteed participation on trades that are executed via public outcry. The proposed rule change was approved by the Commission on October 4, 2005.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Glenn Gsell at (415) 835-4805

**EXHIBIT 5**  
**Text of the Proposed Rule Change:<sup>1</sup>**

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

**Rule 6**  
**Options Trading**

**Lead Market Makers**

Rule 6.82(a) - (c) – No Change

(d) Rights of Lead Market Makers:

(1) An OTP Holder or OTP Firm or cooperative of Market Makers assigned LMM status in an issue is entitled to all rights and privileges normally associated with the assumption of the LMM obligations in that issue during the allocation period. However, LMM status in a particular option issue is not attached in any way to the

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<sup>1</sup>

New text is underscored; deleted text is in brackets.

status of the OTP Holder or OTP Firm LMM. In addition, when an OTP Holder or OTP Firm or cooperative of Market Makers is allocated an issue, any individual who represents the LMM organization waives all rights to such allocation in the event that such individual separates from the OTP Holder or OTP Firm LMM or designated cooperative of Market Makers.

(2) *Guaranteed Participation.* LMMs shall be allocated 40% participation (or such lesser percentage as the Exchange may establish as a condition in allocating an issue to an LMM) in transactions occurring at their disseminated bids and/or offers in their allocated issue(s). LMMs will be entitled to their 40% guaranteed participation on "public outcry" trades only when present in the trading crowd. LMM participation may be greater than 40% as a result of successful competition by means of "public outcry." LMMs at their own discretion may direct some or all of their participation to competing public orders in the crowd. Public orders placed in the book shall take priority pursuant to Exchange rules. Oversight and enforcement shall be the responsibility of the OBO.

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