



RULE  
ADOPTION  
NOTICE

**RAN-05-76**  
**November 25, 2005**

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

**FROM: Department of Regulatory Policy**

**SUBJECT: PCX Plus Crossing Mechanism  
(File No. SR-PCX-2005-85)**

On July 19, 2005, the Pacific Exchange, Inc. (“PCX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposal to amend PCX Rule 6.76(c)(2) in order to decrease the exposure period in the PCX Plus Crossing Mechanism from 30 seconds to 10 seconds. The Exchange subsequently submitted amendments to the filing on September 23, 2005 and on September 27, 2005

The proposed rule change and amendments were approved by the Commission on November 23, 2005 and will become effective immediately.

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**

**Priority and Order Allocation Procedures**

Rule 6.76(a) – (b) - no change

Rule 6.76(c)(1) – no change

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<sup>1</sup>

New text is underscored; deleted text is in brackets.

(2) Crossing Mechanism. The Crossing Mechanism is a process by which a PCX Broker may facilitate orders or cross two orders. A Cross Order will be executed as follows:

(A) No change

(B) After accepting the Cross Order, the System will execute the Cross Order in the following sequence.

(i) If the Cross Price is between the BBO:

(a) The System will immediately display the

Exposed Order's price and quantity for [30] 10

seconds. During the [30] 10-second exposure

period, there will be no indication that the order

is part of an impending cross. The System

places the Shadow Order on hold and such order

is not visible except to the PCX Broker that

entered the Cross Order.

(b) As long as the Exposed Order is the highest

priority order at the best price, other OTP

Holders [or] and OTP Firms may trade against

the Exposed Order during the exposure period.

If at any time during the exposure period the

Exposed Order is entirely filled, the System will

cancel the remaining quantity of the Shadow

Order and send the PCX Broker a message that

the crossing transaction has been completed.

(c) through (d) – No change

(ii) If the Cross Price is at the BBO:

(a) No change

(b) The remainder of the Exposed Order, if any, will be exposed at the limit price for [30] 10 seconds. As long as the Exposed Order has the highest priority at the best price, other OTP Holders [or] and OTP Firms and may trade against the Exposed Order during the [30] 10-second exposure period. If at any time during the exposure period, the Exposed Order is entirely filled, the System will cancel the remaining quantity of the Shadow Order and send the PCX Broker a message that the crossing transaction has been completed.

(c) through (d) - No change

(3) - No change

(d) – No change

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