



RULE
ADOPTION
NOTICE

RAN-05-79
December 12, 2005

TO: All OTP Holders and OTP Firms

FROM: Department of Regulatory Policy

**SUBJECT: Changes in Listing Criteria of Underlying Issues
(File No. SR-PCX-2005-129)**

On November 23, 2005, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change to Rule 5.3 and Rule 5.6, relating to listing criteria for securities that underlie options that are traded on the Exchange. On December 6, 2005, the Exchange filed Amendment No. 1 to the proposed rule filing. The proposed rule change, as amended, was effective upon filing.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Glenn Gsell, Options Regulation, 415-835-4805.

EXHIBIT 5
Text of the Proposed Rule Change:

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

Rule 5
Options Contracts Traded on the Exchange

Rule 5.3. Criteria for Underlying Securities

Underlying securities with respect to which put or call option contracts are approved for listing and trading on the Exchange must meet the following criteria:

(a) No Change

(b) Underlying securities shall be [(i) duly listed and] registered and be an "NMS stock" as defined in Rule 600 of Regulation NMS under the Exchange Act [on a national securities exchange, or (ii) designated as national market system securities pursuant to "Tier 1 Criteria", as defined in Rule 11Aa2-1 under the Securities Exchange Act of 1934,

as amended]; and

(c) – (h) No Change

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Rule 5.6. Withdrawal of Approval of Underlying Securities

(a). No Change

(b) Absent exceptional circumstances, an underlying security will not be deemed to meet the Exchange's requirements for continued approval whenever any of the following occur:

(1) –(4) No Change

[(5) The issuer has failed to make timely reports as required by applicable requirements of the Exchange Act, and such failure has not been corrected within thirty days after the date the report was due to be filed.]

[(6)] (5) The underlying security ceases to be an “NMS stock” as defined in Rule 600 of regulation NMS under the Exchange Act. [The issue, in the case of an underlying security that is principally traded in a national securities exchange, is delisted from trading on that exchange and neither meets Nasdaq National Market ("NNM") criteria nor is traded through the facilities of a national securities association, or the issue, in the case of an underlying security that is principally traded through the facilities of a national securities association, is no longer designated as an NNM security.]

[(7)] (6) If an underlying security is approved for options listing and trading under the provisions of Rule 5.3(a), the trading volume and price history of the Original Security (as therein defined) prior to but not after the commencement of trading in the Restructure Security (as therein defined), including "when-issued" trading, may be taken into account in determining whether the trading volume and market price requirements of (3) and (4) of this paragraph (b), as well as the trading volume and market price requirements of paragraph (e) of this Rule are satisfied.

(c) – (l) No Change

Commentary: No Change