Regulatory Bulletin

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To: **All Members and Member Organizations**

From: **David E. Rosedahl**
Executive Vice President and Chief Regulatory Officer

Subject: **Securities Transactions Effected for Tax Purposes**

Members and Member Organizations are reminded that certain transactions effected for tax purposes on the Equity Floors or the Options Floor may not be consistent with Exchange Rules or the Securities Exchange Act of 1934 ("Act").

All transactions on the Exchange must be subject to the risk of the market and must be reported for dissemination over the tape. In addition, transactions effected for the purpose of creating false, misleading, or artificial appearance of activity in a stock or option series, or for the purpose of unduly or improperly influencing the market price of a particular stock or options series, are in violation of PCX Rule 4.6(a) and PCXE Rule 6.5 ("Manipulation") and Section 9 of the Act. Further, any purchase or sale transaction (or series of transactions) that is coupled with an agreement, arrangement, or understanding, directly or indirectly, to reverse such transaction is in violation of PCX Rule 4.6(c).

Members and Member Organizations are cautioned that "tax switching" transactions, "tax rolls," "dividend rolls," etc., may constitute prearranged trading, manipulation or marking, which are all prohibited by Exchange rules. These trading strategies may also result in "wash" transactions, which are also prohibited. Any participation in such transactions may result in disciplinary action by the Exchange and possible review and action by the Internal Revenue Service.

This Bulletin is intended to remind Members and Member Organizations of Exchange and SEC regulations. It is not to be construed as describing the tax consequences of any transaction under the Internal Revenue Code or state law. Contact your tax advisor for such information.

Questions regarding this matter should be directed to Karen Steffens (415) 393-7957 or to John Chapin at (312) 442-7790.