



RULE
ADOPTION
NOTICE

RAN-02-01
January 18, 2002

TO: All PCX Members and Member Organizations

FROM: Department of Regulatory Policy

SUBJECT: New QQQ Position and Exercise Limits
(File No. SR-PCX-02-03)

On January 18, 2002, the Securities and Exchange Commission approved an Exchange rule proposal relating to position and exercise limits for the Nasdaq-100 Index Tracking StockSM ("QQQ"). Amended Rule 6.8 ("Position Limits") provides that the position limit for options contracts overlying the QQQ options will be 300,000 contracts and amended Rule 6.9 ("Exercise Limits") provides that the exercise limit for such options will be equal to that of their position limit, *i.e.*, 300,000 contracts.

The following is the text of the rule change. You may address any questions regarding this notice to Mai Shiver, Senior Attorney, at (415) 393-4266.

Text of the Rule Change:¹

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Position Limits

Rule 6.8(a)(1)-(4) – No change.

Commentary:

.01 - .05 – No change.

.06 (a)-(e) – No change.

(f) The position limit for options contracts overlying the Nasdaq-100 Index Tracking Stock (“QQQ”) shall be 300,000 contracts.

.07 – No change.

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Exercise Limits

Rule 6.9(a) – No change.

Commentary:

.01 The exercise limits established pursuant to Rule 6.9(a) shall be 13,500 or 22,500 or 31,500 or 60,000 or 75,000 or 300,000 option contracts of any particular class of options and it shall be the responsibility of each Member or Member Organization accepting orders for the purchase (in opening transactions) of option contracts to inform its customers of the applicable exercise limits and not to accept any exercise of an option contract from any customer in any instance in which such Member or Member Organization has reason to believe that such customer, acting alone or in concert with others, has exceeded or is attempting to exceed such exercise limits. Whether an exercise limit is 13,500 or 22,500 or 31,500 or 60,000 or 75,000 or 300,000 option contracts shall be determined in the manner described in Rule 6.8, Commentary .06.

.02 – No change.

.03 The position limits under Rule 6.8 applicable to options on shares or other securities that represent interests in registered investment companies (or series thereof) organized as open-end management Investment companies, unit investment trusts or similar entities that satisfy the criteria set forth in Rule 3.6, Commentary .06 shall be the same as the position limits applicable to equity options under Rule 6.8, Commentary .05.

¹ New text is underscored; deleted text is in brackets.