



RULE
ADOPTION
NOTICE

RAN-02-25
August 2, 2002

TO: All PCX Members and Member Organizations

FROM: Department of Regulatory Policy

**SUBJECT: Rule Changes Creating Alternative Initial Listing Criteria
(File No. SR-PCX-2002-41)**

On June 25, 2002, the Exchange filed a rule change proposal with the Securities and Exchange Commission regarding the creation of alternative initial listing criteria for options. The new rule eliminates an initial listing requirement that the market price per share of an underlying security be at least \$7.50 when: such options (i) are listed and traded on another options exchange; (ii) meet the Exchange's continued listing requirements; and (iii) have an average daily trading volume over the last three (3) calendar months of at least 5,000 contracts. This rule change became effective upon filing with the Commission. The following is the text of the rule change. Questions regarding this bulletin may be directed to Mai Shiver at (415) 393-4266.

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EXHIBIT A

PACIFIC EXCHANGE, INC.

RULES OF THE BOARD OF GOVERNORS

Text of the Rule Change:¹

Rule 3.6. The underlying securities of option contracts traded on the Exchange shall be approved for Exchange transactions by the Board of Governors following the recommendation of the Options Listing Committee. In approving underlying securities, both the Options Listing Committee and the Board shall give due regard to, and the Board shall promulgate guidelines relative to, the following factors:

(a) - No change.

(1) - (3) – No change.

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

(4) Either (i) the [The] market price per share of the underlying security will [shall] have been at least \$7.50 for the majority of business days during the three calendar months preceding the date of selection, as measured by the lowest closing price recorded in any market in which the underlying security traded on each of the subject days; or (ii)(a) the underlying security meets the guidelines for continued listing in Rule 3.7; (b) options on such underlying security are traded on at least one other registered national securities exchange; and (c) the average daily trading volume for such options over the last three (3) calendar months preceding the date of selection has been at least 5,000 contracts; and

(5) – No change.

(b) – (c) – No change.