



RULE
ADOPTION
NOTICE

RAN-02-32
September 30, 2002

TO: All PCX Members and Member Organizations

FROM: Department of Regulatory Policy

SUBJECT: New Rule on Automatic Execution of Broker-Dealer Orders in Designated Option Issues
(File No. SR-PCX-2002-50)

On September 20, 2002, the Securities and Exchange Commission noticed the filing and immediate effectiveness of the Exchange's proposal to amend its Auto-Ex rule regarding broker-dealer orders in designated option issues. The amended rule allows certain broker-dealer orders to be eligible for automatic execution on the Auto-Ex system. The new rule allows broker-dealer orders for the lesser of five contracts or the Exchange's disseminated size in option issues that are ranked in the 120 most actively traded options to be executed on the Exchange's Auto-Ex system. The rule became effective on August 26, 2002. The following is the text of the rule change. You may direct questions regarding this Notice to Mai Shiver at (415) 393-4266.

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Text of the Rule Change:¹

¶ 5231 Automatic Execution System

Rule 6.87(a) – No change.

(b) Eligible Orders

(1)– No change

(2) Notwithstanding subsection (1), above, broker-dealer orders for the lesser of five contracts or the Exchange's disseminated size are eligible for automatic execution on the Exchange's Auto-Ex System in option issues that are ranked in the 120 most actively traded equity options based on the total number of contracts traded nationally as reported by the Options Clearing Corporation. For each current month, the Exchange's determination of whether an equity option ranks in the top 120 most active issues will be

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

based on volume statistics for the one month of trading activity that occurred two months prior to the current month.

~~(3)~~ [(2)] If [the OFTC permits] broker-dealer orders are eligible to be automatically executed in an issue pursuant to this Rule, then the OFTC [it] may also permit the following with respect to such orders:

(A)-(C) – No change.

~~(4)-(7)~~ [(3)-(6)] – No change.

(c)-(e) - No change.