



RULE
ADOPTION
NOTICE

RAN-03-08
March 3, 2003

TO: All PCX Members and Member Organizations

FROM: Department of Regulatory Policy

**SUBJECT: Changing Calculation Period For Defining Top 120 and 250 Issues
(File No. SR-PCX-2003-01)**

On February 21, 2003, the Securities and Exchange Commission noticed for filing and immediate effectiveness a proposed rule change to PCX Rule 6.37(b)(5), PCX Rule 6.87(b) the PCX Schedule of fees and RBO 02-08 in order to change the calculation period for determining the Top 120 and Top 250 issues. The rule change became operative on January 27, 2003.

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

¶4935 Obligations of Market Makers

Rule 6.37(a) – No change.

(b) *Appointment as a Primary Market Maker.* – No change.

(1) – (4) - No change.

(5) Whenever a Floor Broker enters a trading crowd and calls for a market in a particular option series, each Market Maker present at the trading post will be obligated

¹

New text is underscored, deleted text is in brackets.

to vocalize a two-sided, legal-width market (pursuant to Rule 6.37(b)(1)) for a minimum of 10 contracts. This obligation only applies to:

(A) – No change.

(B) 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 based on volume statistics for the [one] three calendar months of trading activity beginning four [that occurred two] months prior to the current month.

(C) Non-broker-dealer orders; and

(D) Series not designated as LEAPS (pursuant to Rule 6.4). For each current month, the Exchange's determination of whether an equity option ranks in the top 120 most active issues will be based on volume statistics for the [one] three calendar months of trading activity beginning four [that occurred two] months prior to the current month.

(c) –(f) – No change.

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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 based on volume statistics for the [one] three calendar months of trading activity beginning four [that occurred two] months prior to the current month.

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

