



RULE
ADOPTION
NOTICE

RAN-06-12
March 02, 2006

TO: All OTP Holders and OTP Firms

FROM: Department of Regulatory Policy

SUBJECT: PCX Plus Crossing Mechanism
(File No. SR-PCX-2005-135)

On December 22 2005, the Pacific Exchange, Inc. (“PCX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposal to amend PCX Rule 6.76(c)(2) in order to decrease the exposure period in the PCX Plus Crossing Mechanism from 10 seconds to 3 seconds.

The proposed rule change was approved by the Commission on February 27, 2006 and was noticed in the Federal Register on March 2, 2006. This rule change and will become effective immediately.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Glenn Gsell at (415) 835-4805.

EXHIBIT 5
Text of the Proposed Rule Change:¹

Rules of the
Pacific Exchange, Inc.

Rule 6

Priority and Order Allocation Procedures

Rule 6.76(a) – (b) - No change

Rule 6.76(c)(1) – No change

¹

New text is underscored; deleted text is in brackets.

(2) Crossing Mechanism. The Crossing Mechanism is a process by which a PCX Broker may facilitate orders or cross two orders. A Cross Order will be executed as follows:

(A) No change

(B) After accepting the Cross Order, the System will execute the Cross Order in the following sequence.

(i) If the Cross Price is between the BBO:

(a) The System will immediately display the Exposed Order's price and quantity for [10] 3 seconds. During the [10] 3-second exposure period, there will be no indication that the order is part of an impending cross. The System places the Shadow Order on hold and such order is not visible except to the PCX Broker that entered the Cross Order.

(b) through (d) – No change.

(ii) If the Cross Price is at the BBO:

(a) No change

(b) The remainder of the Exposed Order, if any, will be exposed at the limit price for [10] 3 seconds. As long as the Exposed Order has the highest priority at the best price, other OTP Holders and OTP Firms may trade against the Exposed Order during the [10] 3-second

exposure period. If at any time during the exposure period, the Exposed Order is entirely filled, the System will cancel the remaining quantity of the Shadow Order and send the PCX Broker a message that the crossing transaction has been completed.

(c) through (d) - No change

(3) - No change

(d) – No change

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