



RULE  
ADOPTION  
NOTICE

**RAN-04-23**  
**July 15, 2004**

**TO: All PCX OTP Holders and OTP Firms**

**FROM: Department of Regulatory Policy**

**SUBJECT: Principal Acting as Agent Orders Pursuant to Intermarket Linkage  
(File No. SR-PCX-2004-33)**

On April 15, 2004, the Exchange filed with the Securities and Exchange Commission a proposed rule to amend the requirements of how Principal Acting as Agent Orders are handled pursuant to the Intermarket Linkage. The Commission approved the proposed rule change on June 17, 2004.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Steven Matlin at (415) 393-4084.

**EXHIBIT A**  
**Text of the Proposed Rule Change:<sup>1</sup>**

**Rules of the  
Pacific Exchange, Inc.**

**Rule 6  
Options Trading**

**¶5241 Operation of the Linkage**

Rule 6.93. By subscribing to the Plan, the Exchange has agreed to comply with, and enforce compliance by its Members with, the Plan. In this regard, the following will apply:

(a) – No change.

(b)(1) – No change.

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<sup>1</sup> New text is underscored; deleted text is in brackets.

(b)(2) Sending of P/A Orders for Sizes Larger than the Firm Customer Quote Size. If the size of a P/A Order is larger than the Firm Customer Quote Size, a Lead Market Maker may send through the Linkage such P/A Order in one of two ways:

(i) The Lead Market Maker may send a P/A Order representing the entire Public Customer order. If a [the] receiving Participant Exchange's disseminated quotation is equal to or better than the Reference Price when the P/A Order arrives at that market, that exchange will execute the P/A Order at its disseminated quotation for at least the Firm Customer Quote Size. Within 15 seconds of receipt of such order, the receiving Participant Exchange will inform the Lead Market Maker of the amount of the order executed and the amount, if any, that was canceled.

(ii) Alternatively, the Lead Market Maker may send an initial P/A Order for the Firm Customer Quote Size pursuant to subparagraph (b)(1) above. If one or more of the Participant Exchanges that executed [executes] the P/A Order [and] continues to disseminate the same quotation at the NBBO 15 seconds after reporting the execution of the initial P/A Order, the Lead Market Maker may send an additional P/A Order to such [the same] Participant Exchange<sub>s</sub>. If sent, such additional P/A Order must be for at least the lesser of:

- the size of the disseminated quotation;
- 100 contracts; or
- the entire remainder of the Public Customer order.

If the sending Participant Exchange initially sent P/A Orders to more than one Participant Exchange for up to the Firm Customer Quote Size, the sending Participant Exchange may send additional P/A Orders to the same Participant Exchanges as long as such orders are, in the aggregate, for at least the lesser of 100 contracts or the entire remainder of the Customer Order; provided that the sending Participant Exchange may limit the size of any single additional P/A Order to the size of the Participant Exchange's currently-disseminated quotation.

In any situation where a receiving Participant Exchange does not execute a P/A Order in full, such exchange will be required to move its quotation to a price inferior to the Reference Price of the P/A Order.

(c) – (e) – No change.

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