



RULE
ADOPTION
NOTICE

RAN-05-51
July 28, 2005

**TO: All OTP Holders and OTP Firms
ETP Holders and Sponsored Participants**

FROM: Department of Regulatory Policy

**SUBJECT: ArcaEx Modifications to Q Order Definitions
(File No. SR-PCX-2005-72)**

On June 7, 2005, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission a proposed rule change to amend PCXE Rule 7.31(k) to provide Market Makers with an additional Q Order functionality by allowing Market Makers to instruct ArcaEx to enter a Q Order on their behalf based on specific parameters.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Alden Adkins at (415) 393-4037.

EXHIBIT 5
Text of the Proposed Rule Change¹

PCX Equities, Inc.

Rule 7
Equities Trading

Orders and Modifiers

Rule 7.31 (a) – (j) – No Change.

(k) Q Order

(1) A Q Order is a limit order submitted to the Archipelago Exchange by a Market Maker.

(A) A Market Maker may instruct the Archipelago Exchange before 6:28 am (Pacific Time) to enter a Q Order on their behalf as follows:

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

- (1) At the last price and size entered by the Market Maker during the previous trading day, either including or excluding reserve size;
- (2) At a specified percentage from the best bid or offer;
- (3) At the standard Q defined as \$0.01 bid and 2 times the previous day's close for the offer with specified display and reserve sizes.

Upon execution, the Q Order entered pursuant to the above instructions will automatically repost with the original size and \$10 below the original bid or \$10 above the original offer, but never below \$0.01.

Rule 7.31(k)(2) – (h)(h) – No Change.

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