



RULE  
ADOPTION  
NOTICE

**RAN-05-60**  
**September 2, 2005**

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

**FROM: Department of Regulatory Policy**

**SUBJECT: Linkage "80-20 Test"**  
**(File No. SR-PCX-2005-61)**

On April 26, 2005, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposed rule change to amend the rules for the "80-20 Test" for Linkage. On June 29, 2005, the Exchange filed Amendment No. 1 to the proposed rule filing. The proposed rule change was approved by the Commission on August 26, 2005.

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

**EXHIBIT 5**  
**Text of the Proposed Rule Change:<sup>1</sup>**

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

**Rule 6  
Options Trading**

Rule 6.96 A Market Maker will not be permitted to send Principal Orders in an Eligible Option Class through the Linkage for a given calendar quarter if the Market Maker effected less than 80 percent of its volume in that Eligible Option Class on the Exchange in the previous calendar quarter (that is, the Market Maker effected 20 percent or more of its volume by sending Principal Orders through the Linkage). This provision only applies to Market Makers for each Eligible Option Class in which a Market Maker has total contract volume of at least 1000 contracts in the previous calendar quarter. This "80/20" is represented as follows:

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

X

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X+Y

"X" equals the total contract volume the Market Maker effects in an Eligible Option Class against orders of Customers on the Exchange during a calendar quarter (a) including contract volume effected by executing P/A Orders sent to the Exchange through the linkage, but (b) excluding contract volume effected by sending P/A Orders through the Linkage for execution on another Participant Exchange. "Y" equals the total contract volume the Market Maker effects in such Eligible Option Class by sending Principal Orders through the Linkage during that calendar quarter.

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