



RULE
ADOPTION
NOTICE

RAN-05-80
December 19, 2005

TO: All OTP Holders and OTP Firms
FROM: Department of Regulatory Policy
SUBJECT: \$2.50 Strike Price Program
(File No. SR-PCX-2005-137)

On December 14, 2005, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") a proposal to amend PCX Rule 6.4 in order make changes to the \$2.50 Strike Price Program. On December 15, 2005 the PCX filed Amendment No 1 to the original filing. This rule change will now allow the Exchange to list \$2.50 strike prices between \$50 and \$75 for issues that are included in the \$2.50 Strike Price Program. The proposed rule change, as amended, was effective upon filing.

The text of the rule change, as amended is attached below as Exhibit 5. 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
Options Trading**

Series of Options Open for Trading

Rule 6.4(a) - (e) - No change.

Commentary .01 - .02 - No change.

¹

New text is underscored; deleted text is in brackets.

.03 The Exchange may select a [limited number] up to 43 classes of its listed options on individual stocks or Exchange-Traded Fund Shares for which the interval of strike prices will be \$2.50 where the strike price is greater than \$25 but less than [~~\$50.~~] \$75. The Exchange will list \$2.50 strikes prices between \$50 and \$75 provided the \$2.50 strike prices between \$50 and \$75 are no more than \$10 from the closing price of the underlying stock on its primary market on the preceding day.

In addition to those options selected by the Exchange, the strike price interval may be \$2.50 in any multiply traded option once another exchange trading that option selects such options.

An option class shall remain in the \$2.50 Strike Price Program until otherwise designated by the Exchange and a decertification notice is sent to the Options Clearing Corporation.

.04 - .07 - No change.