February 3, 2006

Self-Regulatory Organizations; Pacific Exchange, Inc.; Order Granting Approval of Proposed Rule Change and Amendment No. 1 Thereto Relating to the Elimination of Obsolete Rules Related to the Pacific Options Exchange Trading System and Order Book Officials

On November 10, 2005, the Pacific Exchange, Inc. (“PCX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) and Rule 19b-4 thereunder, a proposed rule change to eliminate obsolete rules related to the Pacific Options Exchange Trading System (“POETS”) and Order Book Officials (“OBOs”). On November 22, 2005, PCX filed Amendment No. 1 to the proposed rule change. The proposed rule change was published for comment in the Federal Register on December 21, 2005. The Commission received no comments on the proposal. This order approves the proposed rule change, as amended.

The proposed rule change, as amended, would modify the PCX Rules to eliminate obsolete rules with respect to POETS and OBOs and make corresponding changes to related rules. As of March 2005, the Exchange completed its rollout of the PCX Plus System. As such, options issues no longer trade on the POETS platform at the Exchange. Therefore, the Exchange proposes to eliminate rules related to POETS, including rules regarding OBOs, and to generally

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3 See Partial Amendment, submitted by Glenn H. Gsell, Director of Regulation, PCX (“Amendment No. 1”). In Amendment No. 1, PCX corrected a typographical error in the rule text.
modify the rules as applicable in the current PCX Plus market structure. In connection with the proposed elimination of OBOs, the Exchange proposes to revise the definition of “Trading Official” to no longer permit OTP Holders to serve in this capacity and to clarify the responsibilities of Trading Officials.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, particularly Section 6(b)(5) of the Act, which requires, among other things, that the Exchange’s rules be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system and to protect investors and the public interest. The Commission believes that the proposed rule change clarifies the Exchange’s rules by eliminating provisions that no longer are necessary in light of the obsolescence of POETS and the elimination of the position of OBO. In addition, by requiring a Trading Official to be an Exchange employee or officer, the proposed rule change is designed to minimize potential conflicts of interest that otherwise may arise when an OTP Holder is called upon to act in the capacity of a Trading Official and to make a decision on a regulatory matter.

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6 A full description of the rules that are being deleted or modified pursuant to this proposal can be found in the Notice, supra note 4.


8 In approving this proposed rule change, the Commission has considered the proposed rule’s impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,\textsuperscript{10} that the proposed rule change (SR-PCX-2005-102), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.\textsuperscript{11}

Nancy M. Morris
Secretary

\textsuperscript{11} 17 CFR 200.30-3(a)(12).