

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53476; File No. SR-PCX-2006-14)

March 13, 2006

Self-Regulatory Organizations; Pacific Exchange, Inc.; Notice of Filing of Proposed Rule Change to Reduce the Fee Charged to a Lead Market Maker When It Transfers Options Issues to Another Lead Market Maker

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on February 23, 2006, the Pacific Exchange, Inc. (“PCX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the PCX. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing to modify its rate schedule retroactive to September 26, 2005 to allow for the Exchange to reduce the fee it charges a Lead Market Maker (“LMM”) when it transfers options issues to another LMM. The text of the proposed rule change is available on the Exchange’s Web site, <http://www.archipelago.com>, at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the PCX included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

below. The PCX has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this filing is to reduce the fee that the PCX charges an LMM, when the LMM transfers an allocated options issue to another LMM. The PCX presently charges an LMM a \$1000 fee, per issue, in the event that the LMM transfers the issue to another LMM, in accordance with the PCX allocation procedures. The \$1000 per issue fee is subject to a cap when multiple issues are included as part of the same transfer. Under this proposal, the new fee will be \$100 per issue transferred. The new lower fee will not be subject to a rate cap when multiple issues are transferred.

On September 26, 2005, Archipelago Holdings Inc. acquired the PCX. After reviewing fees and charges, new management has determined that for business purposes certain fees should be changed. The \$1000 fee that the PCX previously assessed LMMs was originally established to offset the cost associated with issue transfers. At this time, the PCX is willing to absorb most of the costs associated with issue transfers, and the PCX has determined that the proposed \$100 per issue transfer fee is warranted. The Exchange proposes to make this fee effective retroactive to September 26, 2005, which coincides with the date that Archipelago Holdings Inc. acquired the Exchange. The PCX will review all transfers that have occurred or may occur from September 26, 2005 through the effective date of this proposal and will make any fee adjustments that are deemed warranted pursuant to the proposed rate schedule contained in this filing.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b)³ of the Act, in general, and Section 6(b)(4)⁴ of the Act, in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among its members.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange did not solicit or receive any written comments with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- A. by order approve the proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

³ 15 U.S.C. 78f(b).

⁴ 15 U.S.C. 78f(b)(4).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>);
or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-PCX-2006-14 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-PCX-2006-14. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the PCX.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-PCX-2006-14 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁵

Nancy M. Morris
Secretary

⁵ 17 CFR 200.30-3(a)(12).