

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-52361; File No. SR-PCX-2005-58)

August 30, 2005

Self-Regulatory Organizations; Pacific Exchange, Inc.; Order Approving Proposed Rule Change and Amendments Nos. 1 and 2 Thereto Relating to Market Order Auction

On April 22, 2005, the Pacific Exchange, Inc. (“PCX”), through its wholly owned subsidiary PCX Equities, Inc. (“PCXE”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to amend its rules governing the Market Order Auction of the Archipelago Exchange (“ArcaEx”), the equities trading facility of PCXE. On June 27, 2005, the Exchange amended the proposed rule change and on July 8, 2005, the Exchange further amended the proposed rule change. The proposed rule change, as amended, was published for notice and comment in the Federal Register on July 29, 2005.³ The Commission received no comment letters on the proposal.

The proposed rule change would clarify the Indicative Match Price definition as defined in PCXE Rule 1.1(r) which determines the price at which orders eligible for execution in the ArcaEx auctions are executed. The proposed rule change would also modify the Market Order Auction rules as described in PCXE Rule 7.35 and implement price collars based on a similar standard currently in place for ArcaEx’s Closing Auction.

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 52103 (July 21, 2005), 70 FR 43924.

securities exchange.⁴ In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act,⁵ which requires, among other things, that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest. The Commission believes that clarifying and improving the Market Order Auction pricing mechanism on ArcaEx should provide investors with a clearer

⁴ 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).

⁵ 15 U.S.C. 78f(b)(5).

understanding of how orders will be priced at the open and may provide greater assurance that orders will be priced at prices that are substantially close to where the stock is trading.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁶ that the proposed rule change (SR-PCX-2005-58), as amended, be hereby approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁷

Jonathan G. Katz
Secretary

⁶ 15 U.S.C. 78s(b)(2).

⁷ 17 CFR 200.30-3(a)(12).