



RULE  
ADOPTION  
NOTICE

**RAN-03-36**  
**December 29, 2003**

**TO: All PCX Members and Member Organizations**

**FROM: Department of Regulatory Policy**

**SUBJECT: Minor Rule Plan**  
**(File No. SR-PCX-2003-32)**

On July 8, 2003, the Exchange filed with the Securities and Exchange Commission a proposed rule change to adopt new PCX Rules 10.13(h)(40)-(44) and 10.13(k)(i)(40)-(44) in order to incorporate five existing PCX Rules into the Minor Rule Plan ("MRP") and Recommended Fine Schedule ("RFS"). The Exchange also proposed three minor amendments to the MRP and RFS. The Commission approved the rule changes on December 17, 2003.

The following is the text of the rule changes. Questions regarding this bulletin may be directed to Tania Blanford at (415) 393-4107.

**EXHIBIT A**

**PACIFIC EXCHANGE, INC.**

**RULES OF THE BOARD OF GOVERNORS**

**Rule 10**

**Disciplinary Proceedings and Appeals**

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

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**Minor Rule Plan**

Rule 10.13(a) – (g) – No change.

**(h) Minor Rule Plan: Options Floor Decorum and Minor Trading Rule Violations**

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

(1) – (24) – No change.

(25) Failure to meet 75% Primary Appointment [Zone] Requirement. (Rules 6.35, Com. .03 and 6.37(h)(5))

(26) – (32) – No change.

(33) Dividing up an order to make its parts eligible for entry into Auto-Ex or PCX Plus. (Rules 6.87(d)(2)(c) and 6.90(e)(1)).

(34) – (39) – No change.

(40) Member failed to honor the priority of bids and offers. (Rules 6.75 and 6.76)

(41) Market Maker failed to quote markets within the maximum quote spread differentials or failed to disseminate quotes accurately. (Rules 6.37(b)(1) and 6.82(c)(1))

(42) Member traded either before the opening or after the close of market. (Rule 4.2)

(43) Remote Market Maker entered two-sided quotations in options issues that are not included in their primary appointments. (Rule 6.37(h)(5))

(44) Member failed to maintain an accurate record of orders. (Rule 6.68)

(i) - No change.

(j) - No change.

**(k) Minor Rule Plan: Recommended Fine Schedule**

(i) Options Floor Decorum and Minor Trading Rule Violation

1. – 24. – No change.

25. Failure to meet 75% Primary Appointment [Zone] Requirement. (Rules 6.35, Com. .03 and 6.37(h)(5))

26 – 32. – No change.

33. Dividing up an order to make its parts eligible for entry into Auto-Ex or PCX Plus. (Rules 6.87(d)(2)(c) and 6.90(e)(1))

34. – 38. – No change.

39. Failure to meet 60% Quoting Requirement. (Rule 6.37(g)(2))

<u>1<sup>st</sup> Violation</u>	<u>2<sup>nd</sup> Violation</u>	<u>3<sup>rd</sup> Violation</u>
<u>\$500</u>	<u>\$1,000</u>	<u>\$2,500</u>

40. Member failed to honor the priority of bids and offers. (Rules 6.75 and 6.76)

<u>1<sup>st</sup> Violation</u>	<u>2<sup>nd</sup> Violation</u>	<u>3<sup>rd</sup> Violation</u>
<u>\$500</u>	<u>\$1,000</u>	<u>\$2,000</u>

41. Market Maker failed to quote markets within the maximum quote spread differentials or failed to disseminate quotes accurately. (Rules 6.37(b)(1) and 6.82(c)(1))

<u>1<sup>st</sup> Violation</u>	<u>2<sup>nd</sup> Violation</u>	<u>3<sup>rd</sup> Violation</u>
<u>\$500</u>	<u>\$1,000</u>	<u>\$2,000</u>

42. Member traded either before the opening of Market or after the close of market. (Rule 4.2)

<u>1<sup>st</sup> Violation</u>	<u>2<sup>nd</sup> Violation</u>	<u>3<sup>rd</sup> Violation</u>
<u>\$1,000</u>	<u>\$2,500</u>	<u>\$3,500</u>

43. Remote Market Maker entered two-sided quotations in options issues that are not included in their primary appointments. (Rule 6.37(h)(5))

<u>1<sup>st</sup> Violation</u>	<u>2<sup>nd</sup> Violation</u>	<u>3<sup>rd</sup> Violation</u>
<u>\$500</u>	<u>\$1,000</u>	<u>\$2,500</u>

44. Member failed to maintain accurate record of orders. (Rule 6.68)

<u>1<sup>st</sup> Violation</u>	<u>2<sup>nd</sup> Violations</u>	<u>3<sup>rd</sup> Violation</u>
<u>\$500</u>	<u>\$1,000</u>	<u>\$2,500</u>

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