



RULE
ADOPTION
NOTICE

RAN-04-25
July 15, 2004

TO: ETP Holders and Sponsored Participants

FROM: Department of Regulatory Policy

SUBJECT: PNP Plus Orders
(File No. SR-PCX-2004-12)

On February 23, 2004, the Exchange filed a proposed rule change to amend PCXE Rule 7.31(w) to add a new order type, PNP Plus. The Exchange filed Amendments No. 1, No. 2 and No. 3 on April 23, 2004, April 28, 2004 and May 11, 2004, respectively. The Commission approved the proposed rule filing on June 29, 2004

The following is the text of the rule changes. Questions regarding this bulletin may be directed to Steven Matlin at (415) 393-4084.

EXHIBIT A

Text of the Proposed Rule Change:¹

PCX Equities, Inc.

Rule 7

Equities Trading

Trading Sessions

Rule 7.31(w)(1) - (1) PNP Plus. A PNP Order designated as PNP Plus will be automatically re-priced by the Corporation as a penny greater than the national best bid (for sell orders) or a penny lower than the national best offer (for buy orders) for any or all of the order that remains unexecuted and would otherwise lock or cross the NBBO should it be displayed in the Arca Book. The re-priced order will then be posted in the Arca Book. The PNP Plus order will continue to be re-priced at a penny greater than the national best bid (for sell orders) or penny lower than the national best offer (for buy orders) and re-posted in the Arca Book, with each change in the NBBO, until such time as the NBBO has moved to a price where the original price of the PNP Order no longer would result in a locked or crossed market, at which time the PNP Order will revert to the original price of such order. PNP Orders designated as PNP Plus shall be ranked in the Arca Book pursuant to Rule 7.36 and assigned a new price time priority as of the time of each reposting.

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¹ New text is underscored; deleted text is in brackets.