



RULE
ADOPTION
NOTICE

RAN-04-42
September 23, 2004

**TO: All OTP Holders and OTP Firms
ETP Holders and Sponsored Participants**

FROM: Department of Regulatory Policy

**SUBJECT: PCXE Minor Rule Plan
(File No. SR-PCX-2004-29)**

On April 14, 2004, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission a proposal to amend PCXE Rule 10.12 to add new provisions (g)(3) and (i)(3) to the Minor Rule Plan for failure to maintain continuous, two-sided Q orders in those securities in which a PCXE Market Maker is registered to trade. The Exchange filed Amendment Nos. 1 and 2 to the proposed rule change on July 2, 2004 and July 26, 2004, respectively. The Commission approved the proposed rule change on September 13, 2004.

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

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EXHIBIT A
Text of the Proposed Rule Change:¹

PCX Equities, Inc.
Rule 10
Disciplinary Proceedings, Other Hearings, and Appeals

* * *

Minor Rule Plan

Rule 10.12(a) – (f) – No change.

(g) *Minor Rule Plan: Minor Trading Rule Violations.*

(1) – (2) – No change.

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

(3) Failure to maintain continuous, two-sided Q Orders in those securities in which the Market Maker is registered to trade (Rule 7.23(a)(1)).

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(i) *Minor Rule Plan: Recommended Fine Schedule.*

	1 st Violation	2 nd Violation	3 rd Violation
(1) – (2) – No change.			
<u>(3) Failure to maintain continuous two-sided Q Orders in those securities in which the Market Maker is registered to trade. (Rule 7.23(a)(1))²</u>	<u>\$100.00</u>	<u>\$250.00</u>	<u>\$500.00</u>

¹ Fines for multiple violations of Minor Trading Rules are calculated on a running two-year basis, except that violations denoted with an asterisk are calculated on a running one-year basis.

² This schedule is based on the number of violations for a particular security and the number of violations shall be calculated on a monthly basis and is intended to apply to inadvertent violations of Rule 7.23(a)(1). In cases of deliberate or other aggravated circumstances, other disciplinary action may be sought.

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