



RULE
ADOPTION
NOTICE

RAN-04-43
September 27, 2004

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

FROM: Department of Regulatory Policy

**SUBJECT: Income Deposit Securities
(File No. SR-PCX-2004-60)**

On July 20, 2004, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission a proposal to amend its current listing requirements to specifically provide for the listing of units comprised of a common stock and a debt security, sometimes referred to as Income Deposit Securities ("IDS"). Under the proposed rule change, IDS units can be listed on the Exchange if each component of the IDS unit satisfies the initial listing standards applicable to that component. The proposed rule filing was filed pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder, which rendered the proposal effective upon filing with the Commission. On September 27, 2004, the Commission published the notice of filing and immediate effectiveness of the proposed rule change.

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 Change¹ PCX Equities, Inc.

Rule 5 Listings

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Listing Requirements

General

Rule 5.2(b) – No change.

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

Commentary:

.01 The Exchange will generally authorize the listing of a unit if each of the component parts meet the applicable requirements for listing as set forth in PCXE Rules 5.2(c) and 5.2(e)(1)-(2).

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Immediate Public Disclosure of Material Information

Rule 5.3(i)(2) – No change

(i) – (vii) No Change

(viii) changes to the terms and conditions of a unit, such as changes to the terms and conditions of any of the components (including changes with respect to any original issue discount or other significant tax attributes of any component), or to the ratio of components within the unit. Such public notification should be as soon as practicable in relation to the effective date of the change, and should, at a minimum, include release of an announcement to the national and business financial news-wire services. In addition, the issuer must also provide information regarding the terms and conditions of the components of the unit (including information with respect to any original issue discount or other significant tax attributes of any component), and the ratio of the components comprising the unit on its website, or if it does not maintain a website, include a description of the current terms and conditions of the components of the unit (including a description of any original issue discount or other significant tax attribute of any component) and the ratio of the components comprising the unit, in its annual report to unit holders.

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Section 5. Maintenance Requirements and Delisting Procedures

Maintenance Requirements and Delisting Procedures

Rule 5.5(a) – No Change.

Commentary:

.01 - .03 – No change.

.04 In the case of units, the Exchange will normally consider suspending dealings in, or removing from the list, if any of the component parts do not meet the applicable listing standards as set forth in PCXE Rules 5.5(b) and 5.5(d). However, if one or more of the components is otherwise qualified for listing, that component may remain listed.

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