



RULE
ADOPTION
NOTICE

RAN-04-60
December 17, 2004

TO: ETP Holders and Sponsored Participants

FROM: Department of Regulatory Policy

**SUBJECT: PCX Equities, Inc. – Proactive if Locked Reserve Order Modifier
(File No. SR-PCX-2004-59)**

On July 1, 2004, the Exchange filed a proposed rule change to add PCXE Rule 7.31(hh) to add a new processing capability for ArcaEx Reserve Orders in situations where a Reserve Order in an exchange-listed security is locked by another market. On October 26, 2004 the Exchange filed Amendment No. 1 to the proposed rule change. On October 28, 2004 the Exchange filed Amendment No. 2 to the proposed rule change. The Commission approved the proposed rule filing on December 16, 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 5

Text of the Proposed Rule Change:¹

Rules of PCX Equities, Inc.

Rule 7

Equities Trading

Orders and Modifiers

Rule 7.31 Orders and Modifiers

(hh) Proactive if Locked Reserve. A Reserve Order that will route to another market center pursuant to PCXE Rule 7.37(d) for the away market's displayed size up to such reserve amount in the instance in which the other market center has locked the order and the locking market has not resolved the locked market situation in a timely manner based upon average response times

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

from ITS Participants. In the event that the order routed from the Archipelago Exchange to the other market center is not executed in its entirety, the Archipelago Exchange shall post the order or portion thereof in the ArcaEx Book. Proactive if Locked Reserve will apply only to exchange-listed securities.

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