



RULE
ADOPTION
NOTICE

RAN-05-25
April 27, 2005

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

FROM: Department of Regulatory Policy

**SUBJECT: Arbitration Rule Numbering Change
(File No. SR-PCX-2005-36)**

On March 24, 2005, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission a proposed rule change to amend the PCX arbitration rules in order to make a minor rule numbering change. The Exchange filed Amendment No. 1 to the proposed rule change on April 18, 2005. The proposed rule change was effective upon filing and the Commission published it in the *Federal Register* on April 27, 2005.

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.

EXHIBIT 5
Text of the Proposed Rule Change:¹

Rules of the Pacific Exchange, Inc.

Rule 12
Arbitration

* * *

Schedule of Fees

Rule 12.31(a) – (j) – No change.

(k) Each OTP Holder or OTP Firm that is a party to an arbitration proceeding in which more than \$25,000 is in dispute will pay:

(1) a non-refundable prehearing process fee of \$750, due at the time the parties are sent notification of the arbitration panel in accordance with Rule 12.10; and

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

(2) a non-refundable hearing process fee, due when the parties are notified of the date and location of the first hearing session, as set forth in the schedule below.

If an associated person of an OTP Holder or OTP Firm is a party, the OTP Holder or OTP Firm that employed the associated person at the time of the events which gave rise to the dispute, claim or controversy will be charged the process fees, even if the OTP Holder or OTP Firm is not a party. No OTP Holder or OTP Firm shall be assessed more than one prehearing and one hearing process fee in any arbitration proceeding.

The prehearing and hearing process fees shall not be chargeable to any other party under Rule 12.31(c).

Hearing Process Fee Schedule

<u>Damages Requested</u>	<u>Hearing Process Fee</u>
<u>\$1 - \$25,000</u>	<u>\$ 0</u>
<u>\$25,000.01 - \$50,000</u>	<u>\$1,000</u>
<u>\$50,000.01 - \$100,000</u>	<u>\$1,700</u>
<u>\$100,000.01 - \$500,000</u>	<u>\$2,750</u>
<u>\$500,000.01 - \$1,000,000</u>	<u>\$4,000</u>
<u>\$1,000,000.01 - \$5,000,000</u>	<u>\$5,000</u>
<u>More than \$5,000,000</u>	<u>\$5,500</u>
<u>Unspecified</u>	<u>\$2,200</u>

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[Pre-Hearing and Hearing Process Fees]

Rule 12.33 Reserved [(a) Each OTP Holder or OTP Firm that is a party to an arbitration proceeding in which more than \$25,000 is in dispute will pay:

(1) a non-refundable prehearing process fee of \$750, due at the time the parties are sent notification of the arbitration panel in accordance with Rule 12.10; and

(2) a non-refundable hearing process fee, due when the parties are notified of the date and location of the first hearing session, as set forth in the schedule below.

(b) If an associated person of an OTP Holder or OTP Firm is a party, the OTP Holder or OTP Firm that employed the associated person at the time of the events which

gave rise to the dispute, claim or controversy will be charged the process fees, even if the OTP Holder or OTP Firm is not a party. No OTP Holder or OTP Firm shall be assessed more than one prehearing and one hearing process fee in any arbitration proceeding.

(c) The prehearing and hearing process fees shall not be chargeable to any other party under Rule 12.31(c).

Hearing Process Fee Schedule

Damages Requested	Hearing Process Fee
\$1 - \$25,000	\$ 0
\$25,000.01 - \$50,000	\$1,000
\$50,000.01 - \$100,000	\$1,700
\$100,000.01 - \$500,000	\$2,750
\$500,000.01 - \$1,000,000	\$4,000
\$1,000,000.01 - \$5,000,000	\$5,000
More than \$5,000,000	\$5,500
Unspecified	\$2,200]

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