



RULE  
ADOPTION  
NOTICE

**RAN-05-55**  
**August 16, 2005**

**TO: ETP Holders and Sponsored Participants**

**FROM: Department of Regulatory Policy**

**SUBJECT: PCX Equities, Inc. – ETP Continuing Education**  
**(File No. SR-PCX-2005-91)**

On July 29, 2005, the Pacific Exchange, Inc. (“PCX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change to modify the continuing education requirements for ETP Holders. On August 9, 2005, the Exchange filed Amendment No. 1 to the proposed rule filing. The proposed rule change was approved by the Commission on August 16, 2005.

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:<sup>1</sup>**

**Rules of PCX Equities, Inc.**

**Rule 9**

Rule 9.27(a) – (b) – No Change.

Rule 9.27(c) - No ETP Holder shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of this Rule 9.27(c).

Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date, and every three years thereafter, [on three occasions, after the occurrence of their second, fifth and tenth registration anniversary dates,] or as otherwise prescribed by the Corporation. On each [of these three] occasion[s], the Regulatory Element must be completed within one hundred twenty days after the person's registration anniversary date. A person's initial registration date,

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<sup>1</sup> New text is underscored; deleted text is in brackets.

also known as the “base date”, shall establish the cycle anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be [prescribed] determined by the Corporation for each registration category of persons subject to the Rule.

(1) Reserved. [Registered person who have been continuously registered for more than ten years as of the effective date of this Rule shall be exempt from participation in the Regulatory Element of the continuing education program, provided such persons have not been subject to any disciplinary action within the last ten (10) years as enumerated in subsection (c)(3)(A)-(B) of this Rule. Persons who have been currently registered for ten (10) years or less as of the effective date of this Rule shall initially participate in the Regulatory Element of the continuing education program within one hundred twenty days (120) after the occurrence of the second, fifth or tenth registration anniversary date, whichever anniversary date first applies, and on the applicable registered anniversary date(s) thereafter. Such persons will have satisfied the requirements of the Regulatory Element of the program after participation on the tenth registration anniversary.]

All registered persons who have satisfied the requirements of the Regulatory Element shall be exempt from further participation in the Regulatory Element of the program, subject to re-entry into the program as set forth in subsection (c)(3) of this Rule.]

(2) Failure to Complete --Unless otherwise determined by the Corporation, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and shall be prohibited from performing any duties and functioning in any capacity requiring registration.

The Corporation may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(3) Disciplinary Actions [Re-entry into Program] --Unless otherwise determined by the SRO, a registered person will be required to [re-enter] re-take the Regulatory Element and satisfy all of its requirements in the event such person:

(A) becomes subject to any statutory disqualification as defined in Section (3)(a)(39) of the Securities Exchange Act of 1934;

(B) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule of standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(C) is ordered as a sanction in a disciplinary action to [re-enter] re-take the [continuing education program] Regulatory Element by any securities governmental agency or securities self-regulatory organization.

[Re-entry] A re-taking of the Regulatory Element shall commence with [the initial] participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (A) above, or the disciplinary action becoming final, in the case of (B) or (C) above[, and on three additional occasions thereafter, at intervals of two, five and ten years after reentry, notwithstanding that such person has completed all or part of the program requirements based on length of time as a registered person or completion of ten years of participation in the program]. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

Rule 9.27(d) – Commentary .02 – No Change.

Rule 9.27 Commentary .03 – Reserved. [A registered person who has been continuously registered for more than ten (10) years as of the date of implementation of this Rule who has been subject to a disciplinary action as enumerated in subsections (c)(3)(A)-(B) of the Rule within the last ten years, will be required to satisfy the requirements of the Regulatory Element of the continuing education program by participation for the period from the date of implementation of this Rule to ten years after the occurrence of the disciplinary action.]

Rule 9.27 Commentary .04 – Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such intervals that apply (second registration anniversary and every three years thereafter) based on the new base date, rather than based on the date of reassociation in a registered capacity. [on three occasions, after the occurrence of their second, fifth and tenth anniversary date, rather than based on the date of reassociation in a registered capacity]. Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program's requirements in their entirety [on three occasions,] based on the most recent registration date.

Rule 9.27 Commentary .05 – No Change.

Rule 9.27 Commentary .06 – Any registered member who is an ETP Holder who is also a member of another self-regulatory organization (“SRO”) shall be subject to the other SRO's implementation date for the elimination of the exceptions to the Regulatory Element section of the continuing education program, if that date is earlier than September 30, 2005.

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