

**RBE-00-04**  
**September 15, 2000**

**To: All PCX Members, ETP Holders and ETP Firms**

**From: Equities Enforcement Department**

**Subject: Enforcement of Time/Price Priority Violations**

PCX Equities, Inc. ("PCXE"), a wholly owned subsidiary of the Pacific Exchange, Inc. ("PCX Parent"), has promulgated specific rules that govern the execution of orders by its members<sup>1</sup>.

### **Priority of Orders**

PCXE Rule 7.19(c)<sup>2</sup> provides that orders "clearly established as the first made at a particular price" are entitled to priority over the next order at that price. In addition, PCXE Rules 6.7(a) and 6.7(b)<sup>3</sup> preclude members from buying or selling for any "account in which he, or his firm or any participant therein is directly or indirectly interested," while holding a customer's unexecuted market or limit order to buy or sell such security.

The Equity Surveillance Department conducts reviews of the trading activity of its members to ensure that members comply with the PCXE's priority rules. If the Equity Surveillance Department determines that a member has violated the priority rules, it will notify the member by letter describing the alleged violation.

### **Enforcement**

The Enforcement Department reviews all priority rule violations and determines whether the matter should be recommended for formal disciplinary action (Rule 10.4(a)). Time/price priority rule violations **are not within the Minor Rule Plan and will therefore not be considered under the Minor Rule Plan.** Please be aware that recommended remedies for time/price priority violations may include a fine or suspension. Recommended fines will be commensurate with the violation(s).

If you have any questions regarding this bulletin, contact John Chapin, Manager, Equities Surveillance at (415) 393-7952 or Kathleen Bisaccia, Director, Equities Enforcement at (415) 393 4266.

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<sup>1</sup> Under PCX Equities, Inc. rules, the terms "ETP Holder," "Equity ASAP Holder" and "ETP Firm" have status as, and are synonymous with, a "member" as that term is defined in Section 3 of the Securities Exchange Act of 1934.

<sup>2</sup> Formerly PCX Rule 5.8(c).

<sup>3</sup> Formerly PCX Rule 4.5(a) and 4.5(b).