

PCX EQUITIES

REGULATORY INFORMATION BULLETIN

RBE 03-10
November 24, 2003

TO: All ETP Holders

FROM: PCXE Regulation Division

SUBJECT: Odd Lot Orders – Prohibitions

This regulatory bulletin reminds all ArcaEx Users that, pursuant to PCX Equities, Inc. (“PCXE”) Rule 7.38(c), failure to aggregate odd lot orders into round lot orders when such orders are for the same account or for various accounts in which there is a common monetary interest is prohibited. Also prohibited is unbundling round lots for the purpose of entering odd lot limit orders in comparable amounts. A violation of these prohibitions is considered conduct inconsistent with just and equitable principles of trade and is subject to enforcement action. See PCXE Rule 6.2 (b).

Prohibitions of unbundling and failing to aggregate odd lot orders are applicable during the Early, Core and Late Trading Sessions, as well as during the Limit Order Auction (8:00 a.m. ET) and the Market Order Auction (9:30 a.m. ET).

The Regulation Division conducts examinations and surveillance to detect patterns of odd lot trading that the PCXE deems to be a violation of these prohibitions. Violations of the odd lot prohibitions are subject to being broken by the PCXE in accordance with the Demonstrably Erroneous Execution Policy (“DEE Policy”). ETP Holders are also subject to enforcement actions for failing to establish adequate written supervisory procedures and for failing to supervise odd lot trading activity.

Contacts

If you have any questions regarding this matter, please contact John Chapin, Director, Equities Surveillance at (312) 442-7790 or Jill Persson, Director, Equities Market Regulation at (415) 393-7847.