



RULE
ADOPTION
NOTICE

RAN-01-34
August 23, 2001

TO: All PCX Member and Member Organizations

FROM: Department of Regulatory Policy

**SUBJECT: New Options Floor Member Qualification Examinations
(File No. SR-PCX-01-29)**

On August 14, 2001, the SEC approved new qualifications examinations for Floor Members. All new Market Makers and Floor Brokers must pass a qualification exam in order to be permitted to trade on the Exchange floor. These new Floor Member Examination, to be taken by both Market Maker and Floor Broker applicants, consists of 100 questions that cover a variety of topics, including: exercise of option contracts, margin and net capital, reporting of financial arrangements, rules on bid-ask spread differentials, priority of bids and offers, the Exchange's automatic execution system, opening and closing rotations, firm quotes, fast markets, trading halts, general market maker obligations, position and exercise limits and other such subjects. Floor Broker applicants must also take an additional examination consisting of 21 questions that cover various topics, including the following: due diligence, limit order display, order types, error accounts, crossing orders, public outcry requirement, priority of bids and offers, fast markets, trading rotations and permitted use of telephones on the trading floor.

The questions in both exams are equally weighted. All of the questions in the exams are multiple choice, true/false or fill in the blank. Applicants for the Market Maker examination will be given three hours to complete the examination. Applicants for the Floor Broker examination will be given three and one half hours to complete the examination.

Following is the text of the rule changes. Questions regarding this notice may be addressed to Mai Shiver, Senior Attorney, at (415) 393-4266.

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Text of the Rule Change:¹

¶4911 Registration of Market Makers

Rule 6.33 An applicant for registration as a Market Maker shall file an application in writing with the Department of Operations of the Exchange on such form or forms as the Exchange may prescribe. Applications shall be reviewed by the Options Floor Trading

¹ New text is underscored.

Committee, which shall consider an applicant's ability, as demonstrated by his passing a Market Maker examination (consisting of 100 questions) prescribed by the Exchange, financial resources and such other factors as the Options Floor Trading Committee deems appropriate. Applicants will be given three hours to take the examination. After reviewing the application, the Options Floor Trading Committee shall either approve or disapprove the applicant's registration as a Market Maker. Before a registration shall become effective, the Exchange, upon direction of the Options Floor Trading Committee, shall post the name of the applicant on the bulletin board on the Floor of the Exchange for at least 3 business days. The registration of any person as a Market Maker may be suspended or terminated by the Options Floor Trading Committee upon a determination of any substantial or continued failure by such Market Maker to engage in dealings in accordance with Rule 6.37.

A member or prospective member adversely affected by a determination of the Options Floor Trading Committee under Rule 6.33 may obtain a review thereof in accordance with the provisions of Rule 10.12.

¶ 4969

Registration of Floor Brokers

Rule 6.44(a). An applicant for registration as a Floor Broker must file an application in writing with the Exchange on such form or forms as the Exchange may prescribe. Applicants must pass a Floor Broker examination (consisting of 121 questions) prescribed by the Exchange. Applicants will be given three and one-half hours to take the examination. Before a registration becomes effective, the Exchange will post the name of the applicant on the bulletin board on the Floor of the Exchange for at least ten calendar days.

(b) - No change.