



RULE  
ADOPTION  
NOTICE

**RAN-01-35**  
**August 23, 2001**

**TO: All PCX Member and Member Organizations**

**FROM: Department of Regulatory Policy**

**SUBJECT: New Rules Relating to Order Service Firms**  
**(File No. SR-PCX-01-32)**

On August 7, 2001, the Securities and Exchange Commission approved an Exchange rule proposal relating to Order Service Firms. New Rule 6.60 ("Order Service Firms") allows members and member organizations to accept orders for the purchase and sale of stocks and futures contracts (and options thereon) from Exchange Market Makers and to forward such orders to the appropriate marketplace for execution. The new rule was submitted to the SEC as "effective upon filing" pursuant to SEC Rule 19b-4(f)(6).

The following is the text of the rule change that the SEC has approved. Questions regarding this notice may be addressed to Mai Shiver, Attorney, at (415) 393-4266.

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**Text of the Rule Change:<sup>1</sup>**

**Order Service Firms**

Rule 6.60. (a) An Order Service Firm is a member or member organization that is registered with the Exchange for the purpose of accepting orders for the purchase or sale of stocks or commodity futures contracts (and options thereon) from Market Makers on the Floor of the Exchange and forwarding such orders for execution. An applicant for registration as an Order Service Firm shall file its application in writing with the Membership Department of the Exchange. Applications will be reviewed by the Membership Committee, which will consider an applicant's financial condition, regulatory history, and such other factors as the Membership Committee deems appropriate. After reviewing the application the Membership Committee will either approve or disapprove the applicant's registration as an Order Service Firm. Before

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<sup>1</sup> New text is underscored.

registration, the Exchange's Membership Department, upon direction of the Membership Committee, shall post the names of the applicant and its nominee(s) on the floor of the Exchange for at least three business days.

(b) An Order Service Firm must make available to Market Maker customers upon request a statement of financial condition as disclosed on its most recent balance sheet, which must be prepared no later than the tenth business day following each calendar month-end.

(c) A Clearing Member need not register as an Order Service Firm in order to accept orders for the purchase or sale of stocks or commodity futures contracts (and options thereon) from a Market Maker for which it has a currently outstanding Letter of Authorization.

(d) An Order Service Firm that accepts orders for the purchase or sale of commodity futures contracts (and options thereon) must comply with the Commodity Exchange Act ("CEA") and the rules and regulations promulgated thereunder. Such a firm must keep the Department of Financial and Operational Compliance Department ("FOCD") apprised of its registration status under the CEA on an ongoing basis and must also keep it apprised regarding any financial reporting or capital requirements.

(e) Prior to accepting any orders from Market Makers on the Floor of the Exchange, an Order Service Firm must have on file with the Exchange and in effect an updated Letter of Authorization issued for such firm by a member of The Options Clearing Corporation.

(1) The Letter of Authorization must be in a form prescribed by the Exchange and must provide that the issuing Clearing Member accepts financial responsibility for all orders handled by the Order Service Firm on the Floor of the Exchange and for all financial obligations of the Order Service Firm to the Exchange.

(2) A Letter of Authorization filed with the Exchange must remain in effect until a written notice of revocation has been filed with the Exchange. If such a written notice of revocation filed with the Exchange within at least one hour prior to the opening of trading on a particular business day, such revocation will not become effective until the close of trading on such day. Upon the request of the Clearing Member that files such a written notice of revocation, the Exchange will post notice of the revocation on the Floor of the Exchange. A revocation will in no way relieve a Clearing Member of responsibility for transactions authorized prior to the effective date of such revocation.

(3) No Clearing Member will be permitted to authorize more than three Order Service Firms without the prior written approval of the FOCD. In considering a request to guarantee more than three such firms, the FOCD will consider the Clearing Member's level of excess net capital, additional financial resources, and such other factors as the FOCD deems appropriate. Clearing Members that choose to act as Order Service Firms will not be counted towards the limit of three.