



RULE
ADOPTION
NOTICE

RAN-01-43
November 13, 2001

**TO: All PCX Members and Member Organizations
ETP Holders, Equity ASAP Holders, and ETP Firms**

FROM: Department of Regulatory Policy

**SUBJECT: Archipelago Exchange
(File No. SR-PCX-00-25)**

On October 25, 2001, the Securities and Exchange Commission ("SEC") approved a proposed rule change by the Pacific Exchange, Inc. ("PCX") to establish the Archipelago Exchange ("ArcaEx"), a new electronic communications and trading facility of its subsidiary, PCX Equities, Inc. ("PCXE"). The all-electronic ArcaEx facility will operate in place of PCXE's current trading floor, with ArcaEx market makers replacing the traditional floor specialists. ArcaEx will provide automatic order execution capabilities for NYSE, Amex and Nasdaq-listed equity securities. PCX and PCXE are responsible for all regulatory functions related to the facility, and Archipelago Exchange, L.L.C., a subsidiary of Archipelago Holdings, L.L.C., is responsible for the business of the facility to the extent that these activities are not inconsistent with the regulatory and oversight functions of PCX and PCXE. PCX will continue operating its San Francisco Equities Floor until ArcaEx begins trading, which is currently scheduled for early 2002.

The text of the SEC's order approving the new rules is available on the SEC's web site: <http://www.sec.gov/rules/sro/34-44983.htm>. Questions regarding this notice may be directed to Peter Bloom at (415) 393-4166 or Kathryn Beck at (415) 393-7936.