



RULE
ADOPTION
NOTICE

RAN-02-21
July 10, 2002

**TO: All PCX Members and Member Organizations
ETP Holders and Sponsored Participants**

FROM: Department of Regulatory Policy

**SUBJECT: ArcaEx New Order Modifier
(File No. SR-PCX-2002-27)**

On June 21, 2002, the Exchange, through its wholly owned subsidiary PCX Equities, Inc. ("PCXE"), filed a rule change proposal with the Securities and Exchange Commission to amend its rules governing the Archipelago Exchange ("ArcaEx"), the equities trading facility of PCXE, by: (1) adopting a new order modifier called a "Timed Order" for use by ETP Holders and Sponsored Participants; (2) amending its interpretation of PCXE Rule 7.37 to clarify the manner in which NOW Orders and Primary Only Orders will be treated on the ArcaEx facility when the routing of such orders to other market centers or market participants is required; (3) clarifying its definition of "Indicative Match Price" as it relates to the opening auctions; and (4) making several minor technical rule changes to correct grammatical or typographical errors. This rule change became effective upon filing.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Peter Bloom at (415) 393-4166.

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EXHIBIT A

Text of the Proposed Rule Change¹

PCX Equities, Inc.

Rule 1 Definitions

Rules 1.1(a) – (q) – No change.

¹ New text is underscored; deleted text in brackets.

Indicative Match Price

(r) For the purposes of the Opening Auction, the Market Order Auction and the Trading Halt Auction, as the case may be, the term “Indicative Match Price” shall mean for each security (1) the price at which the maximum volume of shares are executable; or (2) if there are two or more prices at which the maximum volume of shares are executable, the price that is closest to the closing price of the previous trading day’s normal market hours (or, in the case of a Trading Halt Auction, the last sale during normal market hours), as determined by the Consolidated Tape will establish the opening price, provided that if such price would trade through an eligible Limited Price Order designated for such auction, then the opening price will occur at the best price level available where no trade through occurs.

(s) – (aaa) – No change.

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Rule 7 Equities Trading

Cancellation of [Revisions in] Transactions

Rule 7.10 – No change.

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Short Sales

Rule 7.16(a) – (c) – No change.

(d) Exceptions. The provisions of subsection (a) hereof shall not apply to:

(1) – (8) – No change.

(9) Any sale by an underwriter, or any member of a syndicate or group participating in the distribution of a security, in connection with an over-allotment of securities, or any lay-off sale by such a person in connection with a distribution of securities through rights or a standby underwriting commitment[.]; or

(10) – No change.

(e) – (f) – No change.

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Orders and Modifiers

Rule 7.31(a) – (p) – No change.

(q) Timed Order. A limit order to buy or sell that is to remain in effect until a specified time, after which such order or the portion thereof not executed is to be treated as cancelled. The specified time interval of such order may remain in effect for one or more consecutive trading sessions for that particular day only. [Reserved.]

(r) – (x) – No change.

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Opening Session Auctions

Rule 7.35(a) – (d) – No change.

(e) *Transition to Core Trading Session.*

(1) – No change.

(2) Market orders entered after 6:28 am (Pacific Time) and before 6:30 am (Pacific Time), which are eligible for either the Market Order Auction or the Core Trading Session, shall become eligible for execution at 6:30 am (Pacific Time) or at the conclusion of the Market Order Auction, whichever is later, unless otherwise provided in Rule 7.35 [7.30](c)(2)(C).

(3) – No change.

(f) – No change.

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Order Execution

Rule 7.37. Subject to the restrictions on short sales under Rule 10a-1 under the Exchange Act, like-priced orders, bids and offers shall be matched for execution by following Steps 1 through 5 in this Rule; provided, however, for an execution to occur in any Order Process, the price must be equal to or better than the NBBO, unless the Archipelago Exchange has routed orders to [all] away markets at the NBBO, where applicable (however, a User may submit a NOW Order or Primary Only Order that may be routed to an away market without consideration of the NBBO).

(a) – (e) – No change.

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