



RULE
ADOPTION
NOTICE

RAN-04-52
November 23, 2004

TO: ETP Holders and Sponsored Participants

FROM: Department of Regulatory Policy

**SUBJECT: PCX Equities, Inc. – Cross and Post Order Modifier
(File No. SR-PCX-2004-90)**

On November 3, 2004, the Exchange filed a proposed rule change to amend PCXE Rule 7.31(s) and 7.31(bb) to clarify that the Cross and Order type may be applied to different types of orders in the PCXE rulebook including the PNP Cross Order Type. On November 10, 2004 the Exchange filed Amendment No. 1 to the proposed rule change. The Commission approved the proposed rule filing on November 16, 2004.

The following is the text of the rule changes. Questions regarding this bulletin may be directed to Steven Matlin at (415) 393-4084.

EXHIBIT 5
Text of the Proposed Rule Change:¹

Rules of PCX Equities, Inc.

Rule 7
Equities Trading

Orders and Modifiers

Rule 7.31(a) – (r) – No change.

Rule 7.31(s)(1) – (2) – No Change

Rule 7.31(s)(3) Following the execution parameters described above, any unexecuted portion of a Cross Order shall be cancelled, unless the Cross Order has been designated as a Cross and Post,

¹ New text is underscored; deleted text is in brackets.

as defined in Rule 7.31(ff), in which case any unexecuted portion will be displayed in Arca Book at the cross price.

Rule 7.31(t) – (aa) – No Change.

Rule 7.31(bb) PNP (Post No Preference) Cross Order. A Cross Order that is to be executed in whole or in part on the Corporation and the portion not so executed is to be canceled, without routing any portion of the Cross Order to another market center. When the cross price is equal to or better than the NBBO and is at the BBO, the relevant portion of the PNP Cross Order will be matched first against displayed orders with priority in the Arca Book, and then the remainder of the PNP Cross Order will be matched. Any unexecuted portion of the PNP Cross will be canceled, unless the PNP Cross Order has been designated as a Cross and Post, as defined in Rule 7.31(ff), in which case any unexecuted portion will be displayed in Arca Book at the cross price. The Corporation will cancel either the entire PNP Cross Order at the time of order entry, or the unexecuted portion of a PNP Cross Order (whether or not it has been designated as a Cross and Post) at any time during the order execution process, whichever is applicable, if:

(1) the cross price would cause an execution at a price that trades through the NBBO, except as provided in Rule 7.37;

(2) the cross price is between the BBO and does not improve the BBO by the MPII pursuant to Rule 7.6(a), Commentary .06.

Rule 7.31(cc) – (ee) – No Change.

Rule 7.31(ff) Cross-and-Post Order. A Cross Order or PNP Cross Order that is to be executed in whole or in part on the Corporation [pursuant to Rule 7.31(s)] where any unexecuted portion of the Cross-and-Post Order will be displayed in the Arca Book at the cross price.

Rule 7.31(ff)(1) – (gg) – No Change.

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