



RULE
ADOPTION
NOTICE

RAN-05-27
March 22, 2005

TO: All OTP Holders and OTP Firms
ETP Holders and Sponsored Participants

FROM: Department of Regulatory Policy

SUBJECT: Q Orders
(File No. SR-PCX-2005-29)

On March 9, 2005, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission a proposed rule change to amend PCXE Rule 7.31(k) to provide Market Makers with an additional Q Order functionality by allowing (i) reserve capability and (ii) re-posting Auto Q Orders at the same price. The proposed rule change became effective upon filing and the Commission published the rule proposal in the Federal Register on March 22, 2005.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Alden Adkins at (415) 393-4037.

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)-(j) - No change

Rule 7.31 (k) Q Order.

(1) A Q Order is a limit order submitted to the Archipelago Exchange by a Market Maker. [A Q Order may not be a Working Order.]

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

(2) Auto Q Order. A Q Order may be designated as an Auto Q Order that would automatically repost a Q Order after an execution in the ArcaEx book at a designated increment [inferior to the price at which it was originally posted] and for the same amount of shares. After an execution, the Auto Q order would continue to repost in the ArcaEx book pursuant to Rule 7.36 and would be assigned a new price time priority as of the time of each reposting at the determined increment and size until the total tradable size threshold is reached. When entering an Auto Q Order, a Market Maker would establish the following parameters: (i) price; (ii) size; (iii) buy or sell; (iv) increment update; and (v) total tradable size.

(l)-(hh) - No change