



RULE
ADOPTION
NOTICE

RAN-05-28
March 23, 2005

TO: All PCX OTP Holders and OTP Firms

FROM: Department of Regulatory Policy

**SUBJECT: Electronic Filing of Forms U4 and U5 by
OTP Holders and OTP Firms
(File No. SR-PCX-2005-10)**

On January 31, 2005, the Exchange filed with the Securities and Exchange Commission a proposal to amend its rules to require OTP Holders and OTP Firms to file forms U4 and U5 electronically through the Web CRD system. On February 28, 2005 the Exchange filed Amendment No. 1 to the proposed rule filing. The Commission approved the proposed rule filing on March 18, 2005.

The following is the text of the rule change. 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 the
Pacific Exchange, Inc.**

**Rule 2
Option Trading Permits**

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Application Procedures

Rule 2.4(a). Every individual or organization applying to become the holder of an OTP[,] and every individual applying to become a Nominee of an OTP Firm, shall complete an application on a form prescribed by the Exchange and shall file it with the Exchange. Every individual applying to become the holder of an OTP and every individual applying to become a Nominee of an OTP Firm must electronically submit to the NASD's Web Central Registration

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

Depository System (“CRD”) (i) a Uniform Application for Securities Industry Registration or Transfer (“Form U-4”) and (ii) any required amendment to Form U-4. The application shall be filed with [such application] all applicable fees and [such] documents as prescribed [may be required] by the Exchange. Application fees are not refundable.

(b) through (c) – No change.

(d) [Upon] Following completion of the application process, the Exchange shall determine whether to [consider and vote on the approval or disapproval of] approve or deny the application[, unless there is just cause for delay.] Individual applicants and persons associated with applicant entities may be required to appear [in person] before the Exchange. [The Exchange may also require a] Any OTP Holder or OTP Firm or person associated with an OTP Holder or OTP Firm who may possess information relevant to the applicant's suitability for holding an OTP may be required to provide information or testimony.

(e) – No change.

(f) Written notice of [the action of] the Exchange's [specifying in the case of disapproval of an application the grounds therefore,] determination shall be given promptly to the applicant. If an application is denied, the grounds for such determination will be included in the notice.

(g) If [In the event that] an application is [rejected] denied by the Exchange, the applicant shall have an opportunity to be heard upon the specific grounds for the [disapproval] denial, [in accordance with the] pursuant to provisions of Rule 10. An applicant denied an OTP may challenge the denial by filing with the Exchange, a petition for review of the denial by the Exchange's Board Appeals Committee. Such petition shall be filed within thirty (30) calendar days of the date upon which the Corporation's decision was mailed to the applicant and shall be filed in accordance with the provisions of Rule 10.14.

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Amendments to OTP Firm or OTP Holder Documents

Rule 2.17(a). – No change.

(b) Each OTP Firm and OTP Holder must file [submit to the Exchange any] amendments to any document in connection with an application for an OTP [submitted as part of their OTP application], including but not limited to amendments to documents required by Rule 2.4, amendments to [the permit holder's] Form BD, and changes to [the permit holder's] home or business address, within ten (10) [fifteen (15)] business days of the occurrence requiring the [such] amendment [or change].

(c) An OTP Holder that terminates an OTP shall electronically file within ten (10) business days of such termination a Uniform Termination Notice for Securities Industry Registration (“Form U-5”) with the CRD. Any amendments to Form U-5 shall be filed electronically with the CRD within ten (10) business days of the occurrence requiring the amendment.

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Registration

EMPLOYEES OF OTP FIRMS

Rule 2.23(a). Each employee of an OTP Firm compensated directly or indirectly for the solicitation or handling of business in securities, including trading in securities for the account of the organization must be registered with the Exchange. In connection with their registration, such individuals shall electronically file a Form U-4 with the CRD by appropriately checking the Exchange as a requested registration on the electronic Form U-4 filing. Any individual required to complete Form U-4 shall promptly electronically file any required amendments to Form U-4 with the CRD.

(b) through (d) – No change.

(e) No OTP Holder or OTP Firm may employ an[y employee of the] Exchange employee during [the hours of regular employment by the] regular Exchange business hours. No OTP Holder or OTP Firm may employ an[y employee of the] Exchange employee outside [the hours of] regular Exchange employment hours [by the Exchange] without having first obtained the prior written approval [therefore] of the Exchange and registering [therewith] the name of the [said] employee, the nature of the services rendered and the amount of related [said] compensation.

(f) – (g) – No change.

(h) [Termination of the employment of a registered employee shall be reported to the Exchange, and the Exchange shall be notified in writing of the specific grounds for termination immediately when the employment of any person is terminated by an OTP Holder or OTP Firm under circumstances involving misconduct, fraud or unethical practices.] OTP Holders and OTP Firms are required to electronically file a Form U-5 and any amendment thereto with the CRD within ten (10) business days of the termination date of an employee that has been approved for admission to the trading floor or participation on any trading system. OTP Holders and OTP Firms are also responsible for obtaining and returning an employee's Exchange identification badge to the Exchange.

(i) Transition to Web CRD System. OTP Holders must electronically file a Form U-4 with the CRD system on or before such time as may be specified by the Exchange for each of their employees who have access to the trading floor or participate on any electronic trading system.

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