



RULE
ADOPTION
NOTICE

RAN-05-29
March 23, 2005

TO: All PCX ETP Holders and Sponsored Participants

FROM: Department of Regulatory Policy

**SUBJECT: Electronic Filing of Forms U4 and U5 by ETP Holders
(File No. SR-PCX-2005-11)**

On January 31, 2005, the Exchange filed with the Securities and Exchange Commission a proposal to amend its rules to require ETP Holders 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. On March 16, 2005 the Exchange filed Amendment No. 2 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 PCX Equities, Inc.

Rule 2

Equity Trading Permits

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Application Procedures

Rule 2.3(a). Every person applying to become an ETP Holder shall complete an application on a form prescribed by the Corporation and shall file it with the Corporation. Every person seeking to become an ETP Holder must electronically submit to the NASD's Web Central Registration 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 [may be required] prescribed by the Corporation. Application fees are not transferable and not refundable.

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

(b) through (c) – No change.

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

(e) – No change.

(f) Written notice of [the action of] the Corporation[,]'s determination [specifying in the case of rejection of an application the grounds therefore,] 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 Corporation, the applicant shall have an opportunity to be heard upon the specific grounds for the [rejection] denial, [in accordance with the] pursuant to provisions of Rule 10. An applicant denied an ETP may challenge the denial by filing with the Corporate Secretary, a petition for review of the denial by the Corporation'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 10.13.

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Amendments to ETP Holder Documents

Rule 2.16(a). – No change.

(b) Each ETP Holder must electronically file [submit to the Corporation any] amendments to any document in connection with an application for an ETP [submitted as part of their application], including but not limited to amendments to documents required by Rule 2.3, amendments to [the ETP Holder's] Form BD, and changes to [the ETP Holder's] home or business address, within ten (10) [fifteen (15)] business days of the occurrence requiring the [such] amendment [or change].

(c) Each ETP Holder shall electronically file within 10 business days of such termination a Uniform Termination Notice for Securities Industry Registration ("Form U-5") with the CRD when a person associated with that ETP Holder terminates their affiliation with an ETP Holder. Any amendments to Form U-5 shall be filed electronically with the CRD within 10 business days of the occurrence requiring the amendment.

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Employees of ETP Holders Registration

Rule 2.21(a). [Every employee, including any branch office manager, of an ETP Holder who is compensated directly or indirectly for the solicitation or handling of business in securities, including trading in securities for the account of the organization, whether such securities are those dealt in on the Corporation or those dealt in over-the-counter, must be registered with and approved by the Corporation.] Each employee of an ETP Holder 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 Corporation. In connection with their registration, such individuals shall electronically file a Form U-4 with the CRD by appropriately checking the Pacific 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.

[The Corporation may waive compliance with the requirements of Rule 2.21(a) in the event the ETP Holder is also a member organization of another national securities exchange having comparable requirements.]

(b) [Registration of registered employees shall be in such form as the Corporation shall prescribe and the continuance of any registered employee in that capacity shall at all times be in the sole discretion of the Corporation.] In order to satisfy the registration requirement, employees of ETP Holders must satisfy applicable examination requirements as prescribed by the Corporation, complete documentation and pay the related fees. Continuance of any registered employee is at the sole discretion of the Corporation.

(i) For employees of ETP Holders for which the Corporation serves as the Designated Examining Authority, all the requirements of subsection (b) apply;

(ii) For employees of ETP Holders for which the Corporation does not serve as the Designated Examining Authority, such employees shall be deemed registered with the Corporation if the ETP Holder has recorded registration of such employees with the Corporation via Web CRD.

(c) The Corporation may require each applicant for employment as a registered employee to [pass] successfully complete such examinations as the Corporation may prescribe to establish the applicant's qualification for such registration. The Corporation may exempt an individual from the examination requirements if such individual has successfully completed comparable examinations (e.g. Series 7 Examination).

(d) – No Change.

(e) No ETP Holder may employ a[ny employee of the] Corporation employee during [the hours of regular employment by the] regular Corporation business hours. No ETP Holder may employ a[ny employee of the] Corporation employee outside [the hours of] regular Corporation employment hours [by the Corporation] without having obtained the prior written approval [therefore] of the Corporation 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 Corporation, and the Corporation shall be notified in writing of the specific grounds for termination immediately when the employment of any person is terminated by an ETP Holder under circumstances involving misconduct, fraud or unethical practices.] An ETP Holder is required to electronically file a Form U-5 and any amendment thereto with the CRD within ten (10) business days of the termination date, when a person's employment by such ETP Holder terminates.

(i) Transition to Web CRD System. An ETP Holder and a person associated with an ETP Holder must electronically file a Form U-4 with the CRD system on or before such time as may be specified by the Corporation for each employee of the ETP Holder who has access to any electronic trading system.

(j) Process to Register Employees or Obtain Officer Approval. To register an employee or obtain the approval for an officer, the employer must electronically file an application on Form U-4 and any amendment thereto to the CRD, as well as complete the relevant application process prescribed by the Corporation.

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