



RULE
ADOPTION
NOTICE

RAN-05-32
April 28, 2005

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

FROM: Department of Regulatory Policy

**SUBJECT: Arbitration Off-Site Hearing Venue Surcharge
(File No. SR-PCX-2005-14)**

On February 1, 2005, the Pacific Exchange, Inc. ("PCX" or "Exchange") filed with the Securities and Exchange Commission a proposed rule change to adopt new PCX Rule 12.31(l) and PCXE Rule 12.32(l) to include an arbitration hearing venue surcharge applicable to ETP Holders, OTP Holders and OTP Firms. The Exchange filed Amendment Nos. 1 and 2 to the proposed rule change on February 23, 2005 and March 8, 2005, respectively. The proposed rule change became effective upon filing and the Commission published a notice in the Federal Register on March 21, 2005.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Tania J.C. Blanford at (415) 393-4107.

EXHIBIT 5
Text of the Proposed Rule Change:¹

Rules of the Pacific Exchange, Inc.

Rule 12
Arbitration

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Schedule of Fees

Rule 12.31(a) – (k) – No change.

(l) Off-site Hearing Venue OTP Holder/OTP Firm Surcharge. The Exchange shall make appropriate arrangements with an off-site hearing venue on behalf of the parties for each hearing session scheduled. The OTP Holder or OTP Firm party or parties to the dispute shall be liable for the entire amount of the arrangement for the arbitration hearing venue. For each associated person who is named, the surcharge shall be assessed

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

against the OTP Holder or OTP Firm which employed the associated person at the time of the events which gave rise to the dispute, claim or controversy. In the event of multiple OTP Holders, OTP Firms, or associated persons to the dispute, the arbitrator(s) shall determine which OTP Holders or OTP Firms shall be liable for such surcharge unless such surcharge is waived by the Director of Arbitration.

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Rules of PCX Equities, Inc.

Rule 12 Arbitration

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Rule 12.32(a) – (k) – No change.

(l) Off-site Hearing Venue ETP Holder Surcharge. The Corporation shall make appropriate arrangements with an off-site hearing venue on behalf of the parties for each hearing session scheduled. The ETP Holder party or parties to the dispute shall be liable for the entire amount of such arrangement for the arbitration hearing venue. For each associated person who is named, the surcharge shall be assessed against the ETP Holder which employed the associated person at the time of the events which gave rise to the dispute, claim or controversy. In the event of multiple ETP Holders or associated persons to the dispute, the arbitrator(s) shall determine which ETP Holders shall be liable for such surcharge unless such surcharge is waived by the Director of Arbitration.

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