

Regulatory Bulletin

RB-01-02

January 31, 2001

TO: All PCX Members and Member Organizations
ETP Holders, Equity ASAP Holders and ETP Firms

FROM: Regulation Administration Department

RE: Furnishing Requested Information to the Pacific Exchange

In the course of performing its regulatory function, the Pacific Exchange frequently requests that Exchange Members or their associated persons, ETP Holders, Equity ASAP Holders and ETP Firms ("Members") provide access to, and copies of, various types of business related information and documents. Requests for information and records are made in the normal course of official Exchange business, such as conducting routine examinations, investigation of possible rule violations and in connection with the disciplinary process. These informational requests typically come in written form, may require copies of various records, ask that access to records be provided during on-site examinations by the Financial and Operational Compliance Department, or call upon Members to provide sworn or unsworn testimony at an interview or a disciplinary hearing. The Pacific Exchange has the jurisdiction to compel production of this information pursuant to PCX Rules 2.12, 10.2(d), 10.2(f), PCXE Rules 4.11(c), 10.2(d), 10.2(f) and SEC Rule 17a-4(j). These rules have been included at the end of this bulletin.

Under PCX Rule 2.12(c), PCXE Rule 4.11(c) and Securities Exchange Act Rule 17a-4(j), broker-dealers must promptly furnish legible, true and complete copies of required records to representatives of the Pacific Exchange. Prompt furnishing means "almost immediately". Delays in receipt of documentation from Members can impede the progress of our examination program and can disrupt the regulatory functions of the Pacific Exchange.

The Pacific Exchange makes every attempt to provide Members with a sufficient amount of time to respond to requests for information. The Pacific Exchange will consider extension requests so long as they are reasonable. Extension requests should come in written form and must include an explanation of the valid reasons why the response deadline cannot be met. Requests for extensions will not be approved by the Pacific Exchange each time a request is made and extension requests which the Exchange deems to be based on insufficient rationale will be denied.

If a Member refuses to comply with requests for information, the Pacific Exchange will be forced to consider whether disciplinary action is warranted. Failing to provide information or failing to provide information in a timely manner could result in either a fine under PCX Rule 10.13 or PCXE Rule 10.12 (Minor Rule Plans) or the filing of a formal complaint.

Please be advised that the Exchange takes its regulatory role seriously and will not tolerate the failure to produce all requested information in a timely manner.

Should you have any questions concerning this bulletin, please contact either Frank Troutman, Director - Financial & Operational Compliance Department at (415) 393-4135 or Karen Steffens, Director - Options Surveillance Department, at (415) 393-7957, or John Chapin, Director - Equities Surveillance Department at (213) 977-4547.

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Rules Referenced in Bulletin:

PCX RULE 2.12(c). Financial Responsibility and Operational Condition

The Exchange shall have the authority to examine the financial responsibility and/or operational conditions of any member or member organization. In conducting such examinations, the Exchange may require a member or member organization to furnish requested information. If the Exchange deems it necessary, members shall make available their books and records as well as provide sworn or unsworn testimony. All investigations shall be conducted in a manner consistent with the rules and regulations governing the duty of the Exchange.

PCX RULE 10.2. Investigations and Regulatory Cooperation

(d) No member, member organization, associated person or other person or entity over whom the Exchange has jurisdiction pursuant to Rule 10.1(b) may impede or delay an Exchange investigation with respect to possible violations within the disciplinary jurisdiction of the Exchange or refuse to furnish testimony, documentary materials or other information requested by the Exchange during the course of its investigation. Failure to furnish such testimony, documentary materials or other information requested by the Exchange pursuant to this Rule on the date or within the time period required by the Exchange will be considered obstructive of an Exchange inquiry or investigation and subject to formal disciplinary action.

PCXE RULE 4 CAPITAL REQUIREMENTS, FINANCIAL REPORTS, MARGINS

4.11(c) *Financial Responsibility and Operational Condition.* The Corporation shall have the authority to examine the financial responsibility and/or operational conditions of any ETP Holder, Equity ASAP Holder, or ETP Firm. In conducting such examinations, the Corporation may require an ETP Holder, Equity ASAP Holder, or ETP Firm to furnish requested information. If the Corporation deems it necessary, ETP Holders, Equity ASAP Holders or ETP Firms shall make available their books and records as well as provide sworn or unsworn testimony. All examinations shall be conducted in a manner consistent with the rules and regulations governing the duty of the Corporation.

Rule 10.2. Investigations and Regulatory Cooperation

10.2(d) No ETP Holder, ETP Firm, Equity ASAP Holder, associated person of an ETP Firm or Equity ASAP Holder, or other person or entity over whom the Corporation has jurisdiction pursuant to Rule 10.1 may impede or delay a regulatory investigation with respect to possible violations within the disciplinary jurisdiction of the Corporation nor refuse to furnish testimony, documentary materials or other information requested by the Corporation during the course of its investigation. Failure to furnish such testimony, documentary materials, or other information requested by the Corporation pursuant to this Rule on the date or within the time period required by the Corporation will be considered obstructive of an inquiry or investigation and subject to formal disciplinary action.

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240.17a-4 Records to be preserved by certain exchange members, brokers and dealers.

(j) (j) Every member, broker or dealer subject to this section shall furnish promptly to a representative of the Commission such legible, true and complete copies of those records of the member, broker or dealer, which are required to be preserved under this section, as are requested by the representative of the Commission.