

PCX EQUITIES

REGULATORY INFORMATION BULLETIN

RBE-03-03

March 20, 2003

TO: All ETP Holders and Associated Persons

FROM: PCXE Regulation

**SUBJECT: Vendor Display Rule Requirements and the Upcoming
Change to NQDS**

The Nasdaq Stock Market, which acts as the SIP for the Nasdaq UTP Plan, will discontinue the current NQDS data-feed that contains best bids and offers from all markets and market makers quoting Nasdaq securities, on March 31, 2003. This will result in quotation data from the Nasdaq Stock Market, the Chx, and from exchanges trading Nasdaq securities via UTP and not participating in SuperMontage (the Amex, CSE, and PCX/ARCA) being carried on three separate datafeeds, called NQDS, OMDF, and UQDF, respectively.

The purposed of this bulletin is to advise ArcaEx ETP Holders of their need to comply with Rule 11Ac1-2 (the "Display Rule" or "DR") under the Securities Exchange Act of 1934 (the "Act") in relation to this change to the NQDS data-feed. In order to comply with 11Ac1-2(e), broker-dealers that use quotation montages in Nasdaq securities that contain individual market maker quotations must also integrate into such montages quotation data from all markets trading Nasdaq securities.

Please review the attached letter, dated March 18, 2003, from Robert L.D. Colby, Deputy Director, Division of Market Regulation at the Securities and Exchange Commission, which maps out the Vendor and Broker Dealer Requirements as they relate to this issue.

If you have any questions regarding this matter, please contact Frank Troutman, Director of Financial and Operational Compliance at 415.393.4135 or Mike Rountree, Vice President, Equities Market Management at 818.567.4590.

About the PCX

The Pacific Exchange, Inc. (PCX) is the self-regulatory organization responsible for regulating all activity that takes place through the Archipelago Exchange (ArcaEx), a facility of the PCX. The PCX has delegated its self-regulatory authority for ArcaEx to PCX Equities, Inc. (PCXE), a wholly-owned subsidiary of the PCX. The Regulation Division of PCXE conducts surveillance, examinations, and enforcement to seek compliance by ETP Holders and associated persons with the PCX Constitution, the rules of PCXE, and federal securities laws.