

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-49631; File No. SR-PCX-2004-35)

April 29, 2004

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Pacific Exchange, Inc. to Amend the Market Maker Fees Portion of its Schedule of Fees and Charges in Order to Extend a Temporary Waiver of the Market Maker Fees for those Market Makers that Utilize More than One Seat

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 19, 2004, the Pacific Exchange, Inc. (“PCX” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The PCX has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the PCX under Section 19(b)(3)(A) of the Act,<sup>3</sup> which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is proposing to amend the Market Maker Fees portion of its Schedule of Fees and Charges (“Schedule”) in order to extend a temporary waiver of the Market Maker fees for those Market Makers that utilize more than one seat. The text of the proposed rule change is available at the PCX and at the Commission.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the PCX included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The PCX has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to extend for one month the temporary waiver of the Market Maker fees for those Market Makers that utilize more than one seat. The Exchange is proposing to amend the Market Maker Fees portion of its Schedule in order to extend the previously effective temporary waiver of the Market Maker fees for those Market Makers that utilize more than one seat.<sup>4</sup>

Under the current Schedule, all Market Makers are assessed a fee of \$1,750 per month for each seat for which such Market Maker holds a primary appointment. In connection, PCX Rule 6.35(g)(2) permits Market Makers to increase the number of issues within their primary appointments depending on the number of seats that a Market Maker holds.<sup>5</sup> Hence, the PCX believes a Market Maker would benefit from additional issues as a result of holding multiple seats.

The Exchange proposes to extend the temporary waiver of the \$1,750 Market Maker fee

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<sup>4</sup> See Securities Exchange Act Release No. 49207 (February 6, 2004), 69 FR 07277 (February 13, 2004) (File No. SR-PCX-2004-04).

<sup>5</sup> See PCX Rule 6.35(g)(2).

for all Market Makers for each additional seat (for which the Market Maker holds a primary appointment) beyond the first seat held by such Market Maker. In other words, a Market Maker will only be assessed one Market Maker fee of \$1,750 per month whether the Market Maker utilizes one seat or multiple seats. The PCX believes that a temporary waiver of the Market Maker fee in this limited circumstance is appropriate to encourage participation by a larger number of Market Makers on PCX Plus.<sup>6</sup> As PCX Plus continues to expand, PCX believes this temporary waiver will provide Market Makers with an incentive to take on a larger number of issues without incurring additional Market Maker fees. Therefore, the PCX believes the added participation will result in increased liquidity, which, in turn, will further competition. This waiver will remain in effect until May 28, 2004 or such earlier date as determined by the Exchange.

## 2. Statutory Basis

The Exchange believes the proposal is consistent with Section 6(b) of the Act,<sup>7</sup> in general, and Section 6(b)(4) of the Act,<sup>8</sup> in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among its members.

### B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe the proposed rule change will impose any burden on

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<sup>6</sup> The temporary waiver of the Market Maker fee only applies to Market Makers on PCX Plus, because only Remote Market Makers on PCX Plus utilize multiple seats. See PCX Rule 6.35(g)(2). PCX represents that this waiver has no impact upon floor-based operations. Telephone conversation between Steven B. Matlin, Senior Counsel, Regulatory Policy, PCX, and A. Michael Pierson, Attorney, Division of Market Regulation, Commission on April 26, 2004.

<sup>7</sup> 15 U.S.C. 78f(b).

<sup>8</sup> 15 U.S.C. 78f(b)(4).

competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act<sup>9</sup> and subparagraph (f)(2) of Rule 19b-4<sup>10</sup> thereunder, because it establishes or changes a due, fee, or other charge imposed by the Exchange. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in the furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-PCX-2004-35 on the subject line.

Paper comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>10</sup> 17 CFR 240.19b-4(f)(2).

Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-PCX-2004-35. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, NW, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the PCX. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions

should refer to File Number SR-PCX-2004-35 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

Margaret H. McFarland  
Deputy Secretary

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<sup>11</sup> 17 CFR 200.30-3(a)(12).