



RULE  
ADOPTION  
NOTICE

RAN-02-20  
June 27, 2002

**TO:** All PCX Members and Member Organizations

**FROM:** Department of Regulatory Policy

**SUBJECT:** Seat Concentration Limit  
(File No. SR-PCX-02-11)

On June 20, 2002, the Securities and Exchange Commission approved an Exchange rule change proposal relating to Seat Concentration Limit. This rule change will limit to 15% the number of Exchange memberships that any person, associated person, or group of associated persons may own directly or indirectly, without an exemption from the Exchange's Board of Governors.

Following is the text of the approved rule change. Questions regarding this notice may be directed to Michael Pierson at (415) 393-4107.

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**EXHIBIT A**

**PACIFIC EXCHANGE, INC.**

**RULES OF THE BOARD OF GOVERNORS**

**Text of the Rule Change<sup>1</sup>**

Rule 1.21(d) No person, associated person or group of associated persons may directly or indirectly beneficially own, or control the voting rights of, more than 15% of the number of authorized memberships of the Exchange unless expressly authorized by the Board through a two-thirds majority of those Governors voting at a meeting at which a quorum is present, provided that such authorization must be approved by not less than a majority of all Governors. In the event that a person, associated person or group of associated persons acquires beneficial ownership of, or control the voting rights of, memberships in excess of this 15% limit as a result of a merger or acquisition of a member firm, then the following will apply: (i) such person, associated person or group of associated persons will not be entitled to exercise any voting rights attached to any memberships in excess of 15% of the number of authorized memberships; and

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<sup>1</sup> New text is underscored.

(ii) such person, associated person or group of associated persons must reduce the number of memberships beneficially owned to comply with this Rule within two years.