

# Regulatory Bulletin

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**RB-01-01**

**January 12, 2001**

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

**FROM:** Financial & Operational Compliance Department

**RE:** FOCUS Reports and Annual Compliance Forms

All registered broker-dealers for whom the Pacific Exchange is the Designated Examining Authority ("DEA") are required to file a FOCUS Report–Part IIA and a FOCUS Schedule I for the year ending December 31, 2000, including inactive broker-dealers. Generally, broker-dealers subject to SEC Net Capital Rule 15c3-1 are required to file a Quarterly FOCUS Report within 17 business days after the close of the calendar year per SEC Rule 17a-5. Broker-dealers exempt from the Net Capital Rule are required to file an Annual FOCUS Report no later than 60 days after the close of the calendar year per SEC Rule 17a-10.

The Exchange also requires its DEA Members to file certain compliance forms on an annual basis, including:

- (1) a Primary Business Attestation Form,
- (2) an ITSFEA Compliance Acknowledgement, and
- (3) a list of outside brokerage accounts held by the broker-dealers' associated persons.

The Primary Business form identifies the types of activity conducted by the broker-dealer and is required by PCX Rule 1.7(b)(9)(B) and PCXE Rule 2.5(b)(10)(B). Following the Insider Trading and Securities Fraud Enforcement Act of 1988 ("ITSFEA"), all broker-dealers are required to establish, maintain and enforce written policies and procedures to prevent the misuse of material, nonpublic information. The Annual ITSFEA Compliance Acknowledgement states that the broker-dealer has prepared and enforced such written policies and procedures in accordance with PCX Rule 2.6(e) and PCXE Rule 6.3. A list of outside brokerage accounts held by associated persons can be provided to the Exchange on the designated PCX form or in a similar format.

## **WHAT and WHEN TO FILE**

All DEA Members *subject to* the SEC Net Capital Rule 15c3-1 are required to file the following forms by **Thursday, January 25, 2001**:

- 2000 4<sup>th</sup> Quarter FOCUS Report–Part IIA
- FOCUS Schedule I
- PCX Primary Business Attestation Form

# Regulatory Bulletin

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- PCX Annual ITSFEA Compliance Acknowledgement
  - List of Outside Brokerage Accounts held by Associated Persons

All DEA Members *exempt* from the SEC Net Capital Rule are required to file the following forms by **Friday, March 2, 2001**:

- 2000 Annual FOCUS Report–Part IIA
- FOCUS Schedule I
- PCX Primary Business Attestation Form
- PCX Annual ITSFEA Compliance Acknowledgement
- List of Outside Brokerage Accounts held by Associated Persons

All reports and forms should be completed in blue or black ink and contain the original signature(s) of a sole proprietor, a general partner or the managing principal(s) of a firm.

## **WHERE TO FILE**

Send completed reports and forms to the following address:

Pacific Exchange, Inc.  
Financial & Operational Compliance  
115 Sansome Street, Suite 800  
San Francisco, CA 94104

## **OBTAINING BLANK FORMS**

Members can obtain blank FOCUS Reports, FOCUS Schedule I and all other compliance forms at the following locations:

- Main entrance to the PCX Options Floor  
220 Montgomery Street, 2<sup>nd</sup> Floor, San Francisco, CA 94104
- PCX offices at 115 Sansome Street, Suite 800, San Francisco, CA 94104

Members should call (415) 393-4899 or send a fax request to (415) 391-0360 if they need blank forms mailed to a non-local address. Staff can also provide a copy of the FOCUS Report–Part IIA in Microsoft® Excel format. The Excel form contains several formulas that may prevent common mathematical and placement errors. Please send an e-mail request to esafran@pacificex.com if you wish to use the Excel form. The Exchange anticipates that during 2001, an electronic filing system will be implemented for all FOCUS Report submissions.

## **MISCELLANEOUS**

DEA Members will be billed an annual FOCUS filing fee in their March 2001 PCX invoices. DEA Members that fail to submit a complete and accurate FOCUS Report by the prescribed filing due date will be assessed late filing fees ranging from \$200 to \$800 per PCX Rule 2.12(b)(1) and PCXE Rule 4.11(b)(1). Any Member that submits a FOCUS Report more than 90

# Regulatory Bulletin

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days after a filing deadline will be referred to the Business Conduct Committee for disciplinary action.

Pursuant to SEC Rule 17a-4, all financial records, supporting documents and worksheets used to prepare FOCUS Reports are required to be preserved for a period of not less than 3 years, the first 2 years in an easily accessible place. Exchange staff will review these records during a broker-dealer examination.

Questions regarding this bulletin should be directed to Eve R. Safran at (415) 393-4130 or Donna Lee at (415) 835-5202 in the Financial & Operational Compliance Department.