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**NYSE Arca Equities Disciplinary Action  
Equity Trading Permit Holder Disciplined for Failure to Maintain  
Continuous Q Orders  
Pearson Capital Management, LLC  
06-AE-26  
26 Oct 2007**

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Summary

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Case Note

**Violated the requirement of NYSE Arca Equities Rule 7.23(a)(1) ("Obligations of Market Makers") to maintain continuous, two-sided Q orders on the NYSE Arca Marketplace in each security for which the firm is a registered Market Maker. A Q order is an equities limit order submitted to the NYSE Arca Marketplace by a Market Maker and designated as a Q Order by the Market Maker. Consent to censure and \$5,000 fine.**

Case Summary

Pearson Capital Management, LLC, an Equity Trading Permit Holder, consented without admitting or denying guilt to findings of violations of inadequate surveillance and supervision.

- Respondent failed to maintain continuous, two-sided Q Orders in one or more of the securities in which Respondent was a registered Market Maker on numerous dates in August and November 2005.

NYSE Arca Equities imposed a penalty of a censure and \$5,000 fine. Pearson Capital consented to the penalty.

**NYSE ARCA EQUITIES, INC.**  
**100 S. Wacker Drive**  
**Chicago, IL 60606**

NYSE ARCA EQUITIES, INC.,	)	
Complainant,	)	
	)	
v.	)	Equities Enforcement Case No. 06-AE-26
	)	
Pearson Capital Management, LLC	)	ESD Investigation ##s 34002 and 34062
440 S. LaSalle Street, Suite 3122	)	
Chicago, Illinois 60605	)	Decision
	)	
Respondent.	)	
	)	
	)	
	)	

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This formal disciplinary action was instituted pursuant to Rule 10.4 by the Regulatory Staff of NYSE Arca Equities, Inc. (the “Exchange” or “NYSE Arca Equities”) as a result of a determination by the Chief Regulatory Officer of the Exchange and his delegee(s) that there is probable cause for finding that a violation within the disciplinary jurisdiction of the Exchange has occurred.

In order to resolve this matter, Respondent Pearson Capital Management, LLC (“Pearson” or “Respondent”) has submitted an Offer of Settlement and Consent (“Offer of Settlement” or “Offer”), executed by the Respondent on August 23<sup>rd</sup>, 2007. Such Offer was submitted for the sole purpose of settling this disciplinary proceeding, without adjudication of any issues of law or fact, and without admitting or denying any allegations or finding referred to therein. With due regard to the stipulated facts and violations and the proposed sanction contained therein, the Office of the General Counsel believes it is appropriate to accept the Settlement with respect to the File Number set forth above. This Settlement is attached to and made a part of this Decision.

**I. Stipulation of Facts and Violations**

**A. Jurisdiction and Rules**

1. During the time periods noted herein, Respondent was an Equity Trading Permit (“ETP”) Holder of NYSE Arca<sup>1</sup> registered to transact business on the NYSE Arca Marketplace in accordance with Exchange rules:

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<sup>1</sup> Prior to the closing of the merger between the New York Stock Exchange and Archipelago Holdings, LLC on March 8, 2006, the exchange now designated as NYSE Arca was known as the Archipelago Exchange (“ArcaEx”), and was governed by the rules of PCX Equities, Inc. (“PCXE”). The applicable rules were not changed by the merger, and for convenient reference, this document consistently refers to

2. During the time periods noted herein, NYSE Arca Equities Rule (“Exchange Rule”) 7.23, Obligations of Market Makers, was in full force and effect.
3. Exchange Rule 7.23(a)(1) specifies that the responsibilities and duties of a Market Maker include maintaining continuous, two-sided Q orders<sup>2</sup> on the NYSE Arca Marketplace in each of those securities in which the Market Maker is registered to trade as a Market Maker.

**B. Failure to Maintain Continuous Q Orders**

4. During the time periods noted herein, Respondent was registered to trade as a Market Maker in numerous stocks on the Exchange.
5. Respondent failed to maintain continuous, two-sided Q Orders in one or more of the securities in which Respondent was a registered Market Maker on each of the following dates:

August 3, 2005  
August 9, 2005  
August 10, 2005  
August 11, 2005  
August 12, 2005  
August 15, 2005  
August 16, 2005  
August 17, 2005  
August 18, 2005  
November 18, 2005  
November 30, 2005

6. The acts, practices and conduct described above in paragraph 5 constitute violations of Exchange Rule 7.23(a)(1) in that on numerous dates, Respondent failed to maintain continuous, two-sided Q Orders on the NYSE Arca Marketplace in one or more securities in which Respondent was a registered Exchange Market Maker.

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the former ArcaEx as “NYSE Arca” and the governing rules as “NYSE Arca Equities Rules,” even when referring to pre-merger periods.

<sup>2</sup> As defined by Exchange Rule 7.31(k)(1), a Q Order is a limit order submitted to the NYSE Arca Marketplace by a Market Maker, and designated by the Market Maker as a Q Order through such means as the Exchange shall specify.

**II. SANCTIONS**

Respondent Pearson is hereby censured by the Exchange and fined \$5,000.00.

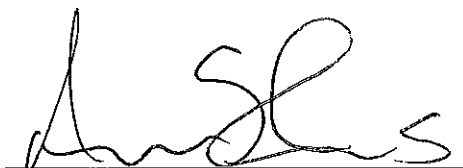
The fine shall be collected from Respondent within 30 days of the date of this decision, in accordance with the Exchange's standard billing and accounting practices.

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Dated this 26<sup>th</sup> day of October, 2007

On behalf of the Office of the General Counsel,  
NYSE Arca Equities, Inc.

Signature:



Print Name:

Andrew Steves

Title:

Assistant General Counsel