PACIFIC EXCHANGE
STOCK & OPTIONS

REGULATORY INFORMATION BULLETIN

RB-01-06
August 8, 2001

TO: **All PCX Members and Member Organizations**
All PCX Equities, Inc. ("PCXE") Equities Trading Permit Holders

FROM: **Regulation Division**

SUBJECT: **Member Discrimination and Harassment Policy**

PACIFIC EXCHANGE POLICY ON MEMBER DISCRIMINATION AND HARASSMENT

Discrimination or harassment on the basis of sex, race, color, religion, gender, age, mental or physical disability, medical condition, national origin, marital status, veteran status, sexual orientation, or any other legally protected status is a violation of federal and state laws. Unlawful discrimination or harassment is a violation of Article XI, Section 2 of the PCX Constitution, Rule 6.2 of the Rules of the Board of Governors, and PCXE Rule 7.8. Unlawful discrimination or harassment will not be tolerated in any way at the Pacific Exchange. The Exchange strictly prohibits retaliation against anyone who reports discrimination or harassment or who cooperates in an investigation.

Prohibited conduct includes all discrimination and unwelcome conduct that creates an intimidating, offensive or hostile working environment or that interferes with work performance, including verbal, physical or visual conduct that denigrates or shows hostility or aversion towards an individual because of his or her protected status. This Policy applies to personal interactions and communications sent through e-mail, voicemail, computer, and online systems.

Harassment may take many forms but some of the most common forms include:

Verbal harassment such as jokes, epithets, slurs, negative stereotyping, and unwelcome remarks about an individual's body, color, physical characteristics, appearance, or talents and questions about a person's sexual practices.

Physical harassment such as physical interference with normal work, impeding or blocking movement, assault, unwelcome physical contact, staring at a person's body, and threatening, intimidating or hostile acts.

Visual harassment such as offensive or obscene photographs, screen savers, calendars, posters, cards, cartoons, drawings and gestures, display of sexually suggestive or lewd objects, unwelcome notes or letters, improper use of the computer system, and any other written or graphic material that denigrates or shows hostility or aversion toward an individual that is placed on walls, bulletin boards, or elsewhere on Exchange premises or is circulated in the workplace.

SEXUAL HARASSMENT DEFINED

Sexual harassment consists of any unwelcome conduct on the basis of gender, including all of the actions listed above as well as unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature. This covers situations not only when the conduct is made a condition of employment, either implicitly or explicitly, but also when the conduct creates an intimidating, hostile or offensive working environment.

Sexual harassment may include a range of subtle and not so subtle behaviors and may involve individuals of the same or different gender. Depending on the circumstances, these behaviors may include, but are not limited to: (1) unwelcome verbal remarks of a sexual nature, including those made as part of any purported humorous conduct such as verbal teasing or jokes; (2) repeated offensive sexual flirtation, advances, propositions, or requests for sexual favors; (3) unwelcome physical touching of any kind, such as patting, hugging, pinching, brushing against another's body or impeding or blocking movement; (4) display or unsolicited showing of derogatory or offensive objects, pictures, screen savers, posters, cards, cartoons, graffiti, drawings or gestures; (5) graphic or degrading comments about a person or his or her appearance; and (6) subtle pressure for sexual activity.

RETALIATION IS ALSO PROHIBITED

Retaliation or taking reprisals in any way against an individual who has articulated any concern about harassment or discrimination against himself or herself or against another individual is unlawful. PCX will not tolerate retaliation against anyone who reports discrimination or harassment or who cooperates in an investigation. **Retaliation for complaining about harassment or discrimination is illegal, even if it cannot be demonstrated that the harassment or discrimination complained of actually occurred.** PCX and PCXE will prosecute any person who engages in retaliatory conduct.

COMPLAINT PROCEDURE

Any individual working on the trading floor who believes that he or she has been the victim of unlawful discrimination, harassment or retaliation, or who has witnessed any conduct inconsistent with this Policy, should contact either (1) Michael Lempres in the General Counsel's Office at 415/393-5956; (2) Timothy Miller in Market Regulation at 415/393-4848; (3) Betsy James, Assistant General Counsel at 415/393-4151; (4) a Senior Member of the PCX Floor Staff; (5) a member of the PCX Floor Surveillance Unit; or (6) a Floor Official. PCX Staff must report any conduct on the Floor that may constitute unlawful discrimination or harassment to the Regulation Division or the General Counsel's Office.

The Exchange will take disciplinary action against any Member or associated person whose conduct on Exchange premises constitutes unlawful discrimination, harassment or retaliation. If such conduct is found, both the individual and the member firm may be held liable. An expedited investigation and disciplinary process will follow and substantial penalties may be levied where appropriate. Members and associated persons are expected to fully cooperate in the course of any investigation, inquiry or other action conducted by authorized Exchange staff. Failure to do so, or impeding or otherwise obstructing any such investigation or inquiry, may result in disciplinary action. **Be advised that the Exchange can impose disciplinary action for inappropriate conduct even if there is no violation of the law, for the Exchange desires to maintain a discrimination and harassment free environment in which the standards of conduct may be even more exacting than those required by law.**

Members should be aware that, in addition to any disciplinary action imposed by the Exchange, a complainant may take legal action in either federal or state court. Individual employers who have violated discrimination and/or harassment laws have been subject to well-publicized litigation and costly awards. Moreover, liability extends to include the individual offender's supervisor and firm. **All Members are strongly encouraged to consult their legal departments or independent legal counsel to determine their duties and liabilities in this area.**