

**RB-02-05  
May 31, 2002**

**TO: ALL MEMBERS, MEMBER ORGANIZATIONS AND ETP HOLDERS**  
**FROM: ENFORCEMENT DEPARTMENT**  
**SUBJECT: DISCIPLINARY SANCTIONS IMPOSED AND ARBITRATION AWARDS RENDERED**

The purpose of this Regulatory Information Bulletin is to advise Members, Member Organizations and ETP Holders of certain final disciplinary actions that resulted in the imposition of sanctions for violations of the federal securities laws and the Constitution and Rules of the Exchange. This Bulletin also reports on the results of arbitration proceedings that were resolved at the Exchange.

**A. Disciplinary Sanctions Imposed During the Period July 1, 2001 Through December 31, 2001**

*The Exchange Regulatory Staff resolved the following matters pursuant to the Minor Rule Plan:*

**OPTIONS:**

- OS0004203 A Member was fined One Hundred Dollars (\$100) for failing to maintain dissemination of a revised bid or offer for a reasonable period of time. (PCX Rule 6.37(d), Comm. .10)
- OS0103022 A Member was fined One Hundred Dollars (\$100) for failing to maintain dissemination of a revised bid or offer for a reasonable period of time. (PCX Rule 6.37(d), Comm. .10)
- OS0104056 A Member was fined Two Hundred Fifty Dollars (\$250) for allowing a visitor to exceed the two-hour Visit limit and failed to properly supervise his visitor's conduct on the Options Floor. (PCX Rule 6.2(e)(2))
- OS0102611 A Member was fined Two Hundred Fifty Dollars (\$250) for engaging in unprofessional and disruptive conduct on the Options Floor. (PCX Rule 6.2(c)(2)(A)(ii))
- OS0011102 A Member was fined Two Hundred Fifty Dollars (\$250) for failing to use due diligence in the execution of an order. (PCX Rule 6.46(a))
- OS0102124 A Member was fined Five Hundred Dollars (\$500) for engaging in unprofessional and disruptive behavior on the Options Floor. (PCX Rule 6.2(c)(2)(A)(ii))
- OS0010134 A Member was fined Five Hundred Dollars (\$500) for failing to identify a broker/dealer order by public outcry. (PCX Rule 6.66(c))
- OS0011173 A Member was fined Five Hundred Dollars (\$500) for engaging in unprofessional and disruptive conduct and using abusive language on the Options Floor. (PCX Rule 6.2(c)(2)(A)(ii))
- OS0103071 A Member was fined One Thousand Dollars (\$1,000) for failing to wear a proper badge. (PCX Rule 6.2(d)(1))
- OS0103071 A Member was fined One Thousand Dollars (\$1,000) for failing to wear a proper badge. (PCX Rule 6.2(d)(1))
- OS0102064 A Member was fined One Thousand Five Hundred Dollars (\$1,500) for engaging in a second instance of failing to identify a broker-dealer order by public outcry. (PCX Rule 6.66(c))

OS0102612 A Member was fined One Thousand Five Hundred Dollars (\$1,500) for engaging in physical contact and disruptive behavior on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iii))

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FC0103231 A Member Firm was fined Two Thousand Dollars (\$2,000) for failing to file appropriate and accurate financial reports in a timely manner. (PCX Rule 2.12(a))

***Summary Sanctions issued by PCX Options Floor Officials pursuant to the Minor Rule Plan:***

OS0107133 A Member was fined Five Hundred Dollars (\$500) using abusive or indecorous language on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv))

OS0107102 A Member was fined Five Hundred Dollars (\$500) for engaging in unprofessional and disruptive conduct on the Options Floor. (PCX Rule 6.2(c)(2)(A)(ii))

OS0107101 A Member was fined Five Hundred Dollars (\$500) for using abusive or indecorous language on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv)).

OS0107244 A Member was fined Five Hundred Dollars (\$500) for failing to time-stamp a trade ticket. (PCX Rule 6.68(a), OFPA G-12)

OS0107243 A Member was fined Five Hundred Dollars (\$500) for failing to time-stamp a trade ticket. (PCX Rule 6.68(a), OFPA G-12)

OS0107242 A Member was fined Five Hundred Dollars (\$500) for failing to time-stamp a trade ticket. (PCX Rule 6.68(a), OFPA G-12)

OS0107245 A Member was fined Five Hundred Dollars (\$500) for failing to time-stamp a trade ticket. (PCX Rule 6.68(a), OFPA G-12)

OS0108092 A Member was fined Five Hundred Dollars (\$500) for engaging in unprofessional and disruptive behavior on the Options Floor. (PCX Rule 6.2(c)(2)(A)(ii))

OS0108091 A Member was fined Five Hundred Dollars (\$500) for engaging in unprofessional and disruptive behavior on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv))

OS0109131 A Member was fined Five Hundred Dollars (\$500) for failing to log off of Auto-Ex when leaving the trading crowd for more than 15 minutes. (PCX Rule 6.87(d))

OS0109261 A Member was fined Five Hundred Dollars (\$500) for failing to log off of Auto-Ex when leaving the trading crowd for more than 15 minutes. (PCX Rule 6.87(d))

OS0111123 A Member was fined Five Hundred Dollars (\$500) for engaging in unprofessional and disruptive behavior on the Options Floor. (PCX Rule 6.2(c)(2)(A)(ii))

OS0111191 A Member was fined Five Hundred Dollars (\$500) for failing to log off of Auto-Ex when leaving the trading crowd for more than 15 minutes. (PCX Rule 6.87(d))

OS0111122 A Member was fined Five Hundred Dollars (\$500) for engaging in unprofessional and disruptive behavior on the Options Floor. (PCX Rule 6.2(c)(2)(A)(ii))

OS0111122 A Member was fined Five Hundred Dollars (\$500) for engaging in unprofessional and disruptive behavior on the Options Floor. (PCX Rule 6.2(c)(2)(A)(ii))

- OS0111125 A Member was fined Five Hundred Dollars (\$500) for using abusive or indecorous language on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv))
- OS0110021 A Member was fined Two Thousand Dollars (\$2,000) for engaging in physical contact on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv))
- OS0108093 A Member was fined Two Thousand Dollars (\$2,000) for engaging in a second instance of unprofessional conduct. (PCX Rule 6.2(c)(2)(A)(i))

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- OS0107131 A Member was fined Two Thousand Dollars (\$2,000) for engaging in physical contact on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv))
- OS0110181 A Member was fined Two Thousand Dollars (\$2,000) for engaging in a second instance of unprofessional and disruptive behavior on the Options Floor. (PCX Rule 6.2(c)(2)(A)(ii))
- OS0107132 A Member was fined Three Thousand Five Hundred Dollars (\$3,500) for engaging in a third instance of using abusive or indecorous language on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv))

***The Exchange Regulatory Staff resolved the following matters pursuant to the Minor Rule Plan:***

**EQUITIES:**

- ES001109-2 A Member was fined Five Hundred Dollars (\$500) for violating the Short Sale Rule. (PCXE Rule 7.40)
- ES010110-1 A Member was fined Five Hundred Dollars (\$500) for violating the Short Sale Rule. (PCXE Rule 7.40)
- ES010206-1 A Member was fined Five Hundred Dollars (\$500) for violating the Short Sale Rule. (PCXE Rule 7.40)
- ES010215-3 A Member was fined Five Hundred Dollars (\$500) for violating the Short Sale Rule. (PCXE Rule 7.40)
- ES010423-1 A Member was fined Five Hundred Dollars (\$500) for violating the Short Sale Rule. (PCXE Rule 7.40)
- ES010215-1 A Member was fined Five Hundred Dollars (\$500) for violating the Short Sale Rule. (PCXE Rule 7.40)
- ES011112-1 A Member was fined Five Hundred Dollars (\$500) for violating the Short Sale Rule. (PCXE Rule 7.40)
- ES001205-1 A Member was fined One Thousand Dollars (\$1,000) for a second violation of the Short Sale Rule. (PCXE Rule 7.40)
- ES010410-2 A Member was fined One Thousand Dollars (\$1,000) and received an Official Letter of Caution for two violations of the Short Sale Rule. (PCXE Rule 7.40)
- ES000317-1 A Member received an Official Letter of Warning for failing to properly display a bid. (PCXE Rule 15.3(b))
- ES010411-2 A Member received an Official Letter of Warning for failing to accurately time-stamp an order ticket. (PCXE EFPA 3-A)
- ES000707-2 A Member received an Official Letter of Warning for violating the priority of orders. (PCXE Rule 6.7(b))

ES010215-2 A Member received an Official Letter of Warning for violating the Short Sale Rule. (PCXE Rule 7.40)

***The Ethics and Business Conduct Committee resolved the following matter by rendering a Decision:***

**OPTIONS:**

OS0005042 JAMES BURLESON was censured, fined Five Thousand Dollars (\$5000), and prohibited from serving on the Ethics and Business Conduct Committee and the Options Floor Trading Committee until after December 31, 2001 for engaging in unprofessional conduct directed at a member of the Floor Surveillance staff. (PCX Rule 6.2(c)(2)(A)(iv), PCX Constitution, Article XI, Sec. 2)

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***The Ethics and Business Conduct Committee resolved the following matters by rendering a Decision accepting Offers of Settlement and Consent:***

**OPTIONS:**

OS9912303 PATRICK HICKEY consented to a censure and fine of Two Hundred Fifty Dollars (\$250) for failing to execute an order at a disseminated bid. (PCX Rule 6.86(a))

OS9909151 BEAR STEARNS consented to a censure and fine of Five Hundred Dollars (\$500) for failing to timely file a member's letter of guarantee. (PCX Rule 6.36).

OS0001243 GOLDSMITH TRADING consented to a censure and fine of Seven Hundred Fifty Dollars (\$750) for failing to promptly open an options issue. (PCX Rule 6.82(c))

OS0004032 PERSHING DLJ consented to a fine of One Thousand Dollars (\$1,000) pursuant to the minor rule plan for failing to keep proper trade documentation and consented to demonstrate to the Exchange's satisfaction, proper procedures for maintaining records in connection with handheld trading devices. (PCX Rules 6.46(a) and 10.2)

OS9908251 J SQUARED & ASSOCIATES consented to a censure and fine of Two Thousand Five Hundred Dollars (\$2,500) for acting as a Lead Market Maker without authorization. (PCX Rule 6.82(a)(1), (a)(3), and (c)(13))

OS0012011 ENDRE KOSZEC consented to a censure and fine of Four Thousand Dollars (\$4000) for a fourth instance of using abusive or indecorous language.

OS9907283  
OS9909301  
OS9910276  
OS9910277  
OS9911011  
OS9911101  
OS9911015  
OS9912029  
OS0003017  
OS0003018

TERRENCE PIERCE consented to a censure and fine of Five Thousand Dollars (\$5000) for due diligence, time stamping and proper ticket preparation violations. (PCX Rules 6.2(h)(4), 6.46(a), 6.67(a), 6.68, 6.85, Comm. .03)

OS0001196 STEVE STUDENT consented to a censure and fine of Fifteen Thousand Dollars (\$15,000) for  
OS0001241 clerk trading violations, due diligence violations, trade reporting violations and a misrepresentation  
OS0001313 of a broker-dealer order as a customer order. Student also consented to hire an independent  
OS0003011 firm to draft procedures and policies and to take the test requalifying as a floor broker.  
OS0003015 (PCX Rule 6.2, Comm. .04, 6.46, 6.66, 6.67, 6.69, 6.73)  
OS0003016  
OS0010205  
OS0011037  
OS0011038

**B. Arbitration Awards During the Period July 1, 2001 Through December 31, 2001**

**Case Name** Anthony Appell v. Morgan Stanley Dean Witter, et al.  
**Case Number** 00-S029  
**Date Received** 12/06/00  
**Summary of Issues** Misrepresentation, breach of fiduciary duty  
**Amount In Dispute** \$8,900  
**Amount Awarded** \$3,400  
**Date Awarded** 08/01/01

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**Case Name** Robert Kyle v. DA Davidson, et al.  
**Case Number** 01-S010  
**Date Received** 6/19/01  
**Summary of Issues** Accounting error, supervision  
**Amount in Dispute** \$10,000  
**Amount Awarded** \$2,945  
**Date Awarded** 11/06/01

**Case Name** Karyn Whitham v. Salomon Smith Barney, et al.  
**Case Number** 01-L004  
**Date Received** 4/03/01  
**Summary of Issues** Negligence, failure to execute orders  
**Amount in Dispute** \$10,000  
**Amount Awarded** \$5,382.45  
**Date Awarded** 11/07/01

Pursuant to PCX Rule 12.29(f), arbitration awards shall be made publicly available provided that the name of the customer party will not be disclosed if the customer so requests in writing. Upon written request, copies of the awards will be available from the Department of Arbitration of the Pacific Exchange.

Questions regarding disciplinary sanctions may be directed to Karen Hanson Wellman, Managing Director, Enforcement, at (415) 393-7949; Hassan Abedi, Manager, Equities Enforcement, at (415) 393-5958; and Claire McMillan, Senior Enforcement Attorney, at (415) 835-4839.