PACIFIC EXCHANGE
STOCK & OPTIONS

REGULATORY INFORMATION BULLETIN

RB-03-04
September 4, 2003

TO: ALL MEMBERS, MEMBER ORGANIZATIONS AND ETP HOLDERS

FROM: ENFORCEMENT DEPARTMENT

SUBJECT: DISCIPLINARY SANCTIONS IMPOSED AND ARBITRATION AWARDS RENDERED

This Regulatory Information Bulletin advises 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. <u>Disciplinary Sanctions Imposed From April 1, 2003 Through June 30, 2003</u>

***<u>OPTIONS</u>*:**

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

OS0211265 A Member was fined $250 for reporting options transactions late. (PCX Rule 6.69(a).)

OS0209176 A Member Firm was fined $1,500 for an employee's misrepresentation of an order. (PCX Rule 6.66(c).)

OS0302124 A Member was fined $100 for reporting options transactions late. (PCX Rule 6.69(a).)

OS0201254 A Member was fined $1,000 for failing to execute an order at the disseminated price. (PCX Rule 6.86(c).)

OS0107251 A Member was fined $2,000 for failing to exercise due diligence in the handling of a customer order, representing a changed order without immediately following up with an order ticket, and failing to record the cancellation to the original order ticket. (PCX Rule 6.2(h), 6.46(a), and 6.67.)

OS0107251 A Member Firm was fined $2,000 for an employee's failure to exercise due diligence in the handling of a customer order, representing a changed order without immediately following up with an order ticket, and failing to record the cancellation to the original order ticket. (PCX Rule 6.2(h), 6.46(a), and 6.67.)

OS0211262 A Member was fined $100 for reporting options transactions late. (PCX Rule 6.69(a).)

OS0210281 A Member was fined $1,000 for failing to exercise due diligence by failing to represent a customer order immediately and continuously. (PCX Rule 6.46(a).)

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

OS0305093 A Member was fined $200 for eating food on the options floor outside of the permitted time period. (PCX Rule 6.2.)

The Ethics and Business Conduct Committee resolved the following matters through the rendering of Decisions accepting Offers of Settlement and Consent:

OS0108013 JAMES COTTRELL consented to censure and a fine of $1,000 for failing to give priority to an order in the limit order book. (PCX Rule 6.75(a).)

OS0107172 OPPENHEIMER, NOONAN, WEISS, LLC consented to censure and a fine of $2,500 for allowing trades to be cleared to the acronym of a member firm nominee who was not present on the options trading floor. (PCX Rule 6.69 Commentary .01.)

OS0010272 SHELDON KAHN and DAVID YAKAITIS consented to censures for each Respondent and a joint and several fine of $5,000 for reporting options transactions after the close of trading that had not been subject to public outcry in the appropriate post. (PCX Rules 4.2, 6.37(a), and 6.73.)

OS0010272 JASON KURNIK consented to censure and a fine of $5,000 for reporting options transactions after the close of trading that had not been subject to public outcry in the appropriate post. (PCX Rules 4.2, 6.37(a), and 6.73.)

OS0209186 ROBERT SCOTT consented to censure and a fine of $5,000 for acting in a harassing and unprofessional manner that was inconsistent with just and equitable principles of trade. (PCX Rule 6.2(c)(2)(A), PCX Constitution, Article XI, Section 2, and Regulatory Bulletin RB-00-05.)

OS0107125 LETCO/OMEGA, LLC consented to censure and a fine of $2,500 for allowing trades to be cleared to the acronym of a member firm nominee who was not present on the options trading floor. (PCX Rule 6.69 Commentary .01.)

OS0108094 BRIAN GEARY consented to censure and a fine of $5,000 for creating bids and offers inconsistent with the maintenance of a fair and orderly market and engaging in bidding and offering that exceeded the allowable quote widths. (PCX Rules 6.37(a) and (b) and 6.82(c)(1) and (4).)

OS0112042 GROUP ONE TRADING LP consented to censure and a fine of $7,500 for its employees failing to identify short sales because member firm failed to have written supervisory procedures and a system for applying such procedures that was reasonably designed to ensure compliance by its associated persons with Exchange Rules and the Exchange Act concerning the identification of short sales. (PCX Rules 4.19 and 4.25, and Exchange Act Rule 17a-3.)

B. **Arbitration Awards During the Period April 1, 2003 through June 30, 2003**

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 he/she so requests in writing. Upon written request, copies of the awards will be available from the Department of Arbitration of the Pacific Exchange. The following awards were made during the above-referenced period:

Case Name	Chodorow v. Merrill Lynch
Case Number	02-L030
Date Received	8/16/02
Summary of Issues	Breach of fiduciary duty; unsuitable
Amount in Dispute	$223,000.00
Amount Rewarded	$103,320.00
Decision Date	6/29/03

Questions regarding disciplinary sanctions and arbitration awards may be directed to Kathryn Beck, General Counsel, Chief Regulatory Officer, and Corporate Secretary, at (415) 393-7936.