

**RB-03-05  
October 27, 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. Disciplinary Sanctions Imposed From July 1, 2003 Through September 30, 2003**

**OPTIONS:**

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

- OS0209184 A Member was fined \$2,500 for failing to exercise due diligence by failing to represent a customer order immediately and continuously. (PCX Rule 6.46(a), Commentary .03 and Commentary .05.)
- OS0106283 A Member was fined \$2,500 for misusing a trading floor badge. (PCX Rule 6.2(d) and Commentary .01.)
- OS0106283 A Member Firm was fined \$2,500 for misuse of a trading floor badge by an employee. (PCX Rule 6.2(d) and Commentary .01.)
- OS0106283 A Member Firm was fined \$2,500 for misuse of trading floor badges by employees. (PCX Rule 6.2(d) and Commentary .01.)
- OS0107121 A Member was fined \$2,500 for misuse of a trading floor badge. (PCX Rule 6.2(d) and Commentary .01.)
- OS0107121 A Member Firm was fined \$2,500 for misuse of a trading floor badge by an employee. (PCX Rule 6.2(d) and Commentary .01.)
- OS0211153 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) and Commentary .05.)
- FC-0211271/  
OE0301101 A Member Firm was fined \$2,000 for failing to maintain worksheets related to monthly net capital computations during the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2001. (PCX Rules 2.12(a) and 9.17, and SEC Rule 17a-3(a)(11).)
- OS0208131 A Member was fined \$1,000 for failing to exercise due diligence by failing to properly handle a cancel order. (PCX Rule 6.46(a) and Commentary .05.)
- OS0011174 A Member was fined \$2,000 for accepting trades when Member had not properly vocalized any response to the floor broker's call for a market. (PCX Rule 6.73 and Commentary .01, and PCX Rule 6.37.)
- OS0211264 A Member was fined \$100 for reporting options transactions late. (PCX Rule 6.69(a).)
- OS0303143 A Member was fined \$100 for reporting options transactions late. (PCX Rule 6.69(a).)
- OS0208302 A Member Firm was fined \$2,500 for sending three orders through the Exchange's automatic execution system within the same 15-second time period. (PCX Rule 6.87(d)(2)(A).)

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

- OS0203041 AMY FARNSTROM consented to censure and a fine of \$3,000 for failing to participate at all times in the automatic execution system for a designated options issue. (PCX Rules 6.37(a) and 6.82(c)(7).)
- OS0110261 DANIEL BRADY consented to censure and a fine of \$7,500 for entering the options trading floor when he was not authorized to do so and while displaying an inappropriate badge, and for having trades continue to clear to his acronym, despite his being in clerk status and not being authorized to trade. (PCX Rules 1.27(a), 4.4(a) and (b), 6.2(a), 6.2(d)(1), and 6.2 Commentary .01.)
- OS0110261 LETCO LMM, LLC consented to censure and a fine of \$7,500 for an employee's entering the options trading floor when he was not authorized to do so and while displaying an inappropriate badge, and for having trades continue to clear to the employee's acronym, despite the employee's being in clerk status and not being authorized to trade. (PCX Rules 1.27(a), 4.4(a) and (b), 6.2(a), 6.2(d)(1), and 6.2 Commentary .01.)

**B. Arbitration Awards During the Period July 1, 2003 through September 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:** Hodge v. Prudential Securities  
**Case No:** 02-S033  
**Date Received:** 8/23/02  
**Summary of Issues:** Breach of fiduciary duty; unsuitable; elder abuse  
**Amount of Dispute:** \$749,710.52  
**Amount Awarded:** 160,000.00  
**Decision Date:** 8/13/03

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.