

RB-02-06
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 January 1, 2002 Through March 31, 2002

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

OPTIONS:

- OS0012015 A Member was fined Two Hundred Fifty Dollars (\$250) for failing to use due diligence in executing an order. (PCX Rule 6.46(a), Comm. .05)
- OS0102701 A Member was fined Two Hundred Fifty Dollars (\$250) for failing to maintain dissemination of a revised bid or offer for a reasonable period of time. (PCX Rule 6.37(d))
- OS0106151 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))
- OS0010201 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)(iii))
- OS0152310 A Member was fined Five Hundred Dollars (\$500) for failing to identify a broker-dealer order by public outcry. (PCX Rule 6.66(c))
- OS9906192 A Member was fined Five Hundred Dollars (\$500) for failing to finish requested testimony, documentary materials and other information during an investigation. (PCX Rule 10.2(b))
- OS0103131 A Member was fined One Thousand Dollars (\$1,000) for use of abusive language or indecorous language on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv))

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

- OS0201163 A Member was fined Five Hundred Dollars (\$500) for engaging in disruptive conduct on the Options Floor. (PCX Rule 6.2(c)(2)(A)(ii))
- OS0201313 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))
- OS0203081 A Member was fined Two Thousand Dollars (\$2,000) for a second instance of using abusive or indecorous language on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv))

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

OPTIONS:

OS0002091 PETER NAPOLI was censured, fined Fifty Thousand Dollars (\$50,000), and suspended from membership and trading floor access at the PCX for a period of six (6) months for sexually harassing three female employees of the PCX. He was also ordered to demonstrate, prior to having his membership and floor access privileges reinstated, that he has completed a minimum of twenty (20) hours of sexual harassment counseling. (PCX Rule 6.2(c)(2)(A)(i)-(iv), Article XI, Section 2, of the PCX Constitution and PCX Policy on Member Discrimination and Harassment)

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

OPTIONS:

OS0001301 PATRICK HICKEY consented to a censure and fine of Five Hundred Dollars (\$500) for failing to maintain the legal limits on his bids and offers and to contribute to the maintenance of a fair and orderly market. (PCX Rules 6.37(a), 6.37(b)(1))

OS9910111 SCATTERED LP and BARRY GOREN consented to a fine of Three Thousand Dollars (\$3,000) for transferring LMM Obligations without prior approval. (PCX Rule 6.82(c)(5) and (13))

OS9911231

OS0101171 JULIA OVERS consented to a censure and fine of Four Thousand Dollars (\$4,000) for failing to promptly open an options issue and to contribute to the maintenance of a fair and orderly market. (PCX Rules 4.2, 6.37(a) and 6.64(b))

B. Arbitration Awards During the Period January 1, 2002 Through March 31, 2002

Case Name	Claimant v. Merrill Lynch, et al.
Case Number	01-L016
Date Received	08/06/01
Summary of Issues	Misrepresentation, due diligence
Amount In Dispute	\$26,000
Amount Awarded	\$1,575
Date Awarded	03/25/02

Case Name	Donald Cason v. First Union Securities and Scott Denniston
Case Number	00-L023
Date Received	08/16/00
Summary of Issues	Failure to execute, negligence
Amount in Dispute	\$1,366,127
Amount Awarded	\$0
Counterclaim	\$146,894
Amount Awarded	\$146,894
Date Awarded	03/19/02

Case Name	Steven Smith v. Paine Webber and Joel Robin
Case Number	00-L028
Date Received	11/27/00
Summary of Issues	Unauthorized trading
Amount in Dispute	\$28,198
Amount Awarded	\$0
Date Awarded	03/07/02

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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.