



REGULATORY INFORMATION BULLETIN

RB-03-02
February 25, 2003

TO: ALL MEMBERS, MEMBER ORGANIZATIONS AND ETP HOLDERS

FROM: ENFORCEMENT DEPARTMENT

SUBJECT: DISCIPLINARY SANCTIONS IMPOSED

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.

Disciplinary Sanctions Imposed From October 1, 2002 Through December 31, 2002

OPTIONS:

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

- OS0110221 A Member was fined \$500 for acting in an unprofessional manner. (PCX Rule 6.2(c).)
- OS0201027 A Member was fined \$500 for wearing a market maker's badge on the Options Floor while not an active market maker. (PCX Rule 6.2(c).)
- OS0107241 A Member was fined \$500 for acting unprofessionally on the Options Floor by locking the order book. (PCX Rule 6.2(c)(2).)
- OS0205231 DAVID LYNCH was fined \$4,000 for using abusive or indecorous language on the Options Floor and impeding or delaying an Exchange investigation. (PCX Rules 6.2(c)(2) and 10.2(d).)
- OS0202042 A Member was fined \$2,000 for using abusive or indecorous language on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv).)
- OS0204012 A Member was fined \$1,500 for failing to use due diligence in handling orders because he failed to
OS0207121 remove bids and offers that he had earlier disseminated when he left his trading post. (PCX Rule
6.46 Commentary .04.)
- OS0112132 A Compliance Manager of a Member Firm was fined \$1,000 for aiding and abetting Member's failure to disclose his intention to execute a facilitation cross transaction when requesting bids and offers from the crowd. (PCX Rule 6.47(b).)
- OS0112132 A Member Firm was fined \$1,000 for Member's failure to disclose his intention to execute a facilitation cross transaction when requesting bids and offers from the crowd. (PCX Rule 6.47(b).)
- OS0112132 A Member was fined \$1,000 for failing to disclose his intention to execute a facilitation cross transaction when requesting bids and offers from the crowd. (PCX Rule 6.47(b).)
- OS0104053 A Member Firm was fined \$1,500 for failing to identify a broker-dealer order. (PCX Rule 6.66(c).)
- OS0206202 A Member was fined \$100 for reporting options transactions late. (PCX Rule 6.69(a).)
- OS0204101 A Member was fined \$100 for reporting options transactions late. (PCX Rule 6.69(a).)
- OS0206203 A Member was fined \$100 for reporting options transactions late. (PCX Rule 6.69(a).)

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OS0207302 A Member was fined \$100 for reporting options transactions late. (PCX Rule 6.69(a).)

- OS0205314 A Member was fined \$100 for reporting options transactions late. (PCX Rule 6.69(a).)
- OS0207301 A Member was fined \$250 for reporting options transactions late. (PCX Rule 6.69(a).)
- OS0111192 Two Members were fined \$1,000 each for failing to vocalize properly the execution of a trade. (PCX Rule 6.73 and Commentary .01.)
- OS0105247 A Member Firm was fined \$1,000 because employee failed to honor his firm quote guarantee for a customer order. (PCX Rules 6.86(c)(1) and 10.1(a).)
- OS0105247 A Member was fined \$1,000 for failing to honor his firm quote guarantee for a customer order. (PCX Rule 6.86(c)(1).)

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

- OS0210181 A Member was fined \$2,000 for directing abusive or indecorous language at an Order Book Official on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv).)
- OS0211152 A Member was fined \$500 for using abusive or indecorous language on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iv).)
- OS0211151 A Member was fined \$500 for leaving the trading crowd without logging off of the auto-ex system. (PCX Rule 6.87(e)(3).)
- OS0211252 A Member was fined \$100 for failing to act in accordance with a seemly and professional standard of behavior by eating on the Options Floor. (PCX Rule 6.2(c)(2)(B).)

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

- OS0201311 STEVEN STUDENT, DOUGLAS CARIDEO, and STUDENT OPTIONS, LLC consented to censures for each Respondent and a joint and several fine of \$10,000 for improperly designating trades to a member firm's clearing number without authorization from the member firm, failing to retain fax communications sent to a member firm, and failing reasonably to supervise firm employees. (PCX Rules 1.27(d), 4.25, 6.14, 6.66(a), 6.68(a), 6.69, and 10.1(a), PCX Constitution Article XI, Section 2(b), and Securities Exchange Act of 1934 Sections 15(b)(4)(E) and 15(b)(6).)
- OS0008032 GOODSTOCK OPTIONS, LLC consented to censure and a fine of \$11,000 for failing to open options promptly after the underlying security opened; making bids and offers that exceeded the allowable quote width without obtaining an exemption; clearing trades to an initial code other than the code of the executing
- OS0008034
- OS0106063
- OS0002288 Lead Market Maker; clearing trades to a Lead Market Maker's account even though he was not present on the floor; and allowing a trader to trade without having an effective Letter of Guarantee on file.
- OS0102614
- OS0204031 (PCX Rules 4.2, 6.37(b), 6.82(c)(4),(10), 6.64(b), and 6.69(e).)
- OS0102069 PTR, INC. consented to censure and a fine of \$5,500 for failing to establish, maintain, and enforce written supervisory procedures and member firm permitted a non-member clerk to place a marketable order in the Exchange book. (PCX Rules 4.25 and 6.2(a).)
- OE0209271

A Panel of the Ethics and Business Conduct Committee resolved the following matter through the rendering of a Decision:

- OS0010202 GUY LEUNG was fined \$10,000 for failing to open options for trading promptly after underlying security began trading. (PCX Rule 6.37.)

EQUITIES:

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

- FC0111081 ATLANTIS CAPITAL MARKETS SECURITIES consented to censure and a fine of \$5,000 for failing to maintain at least \$100,000 in net capital at all times and failing to immediately report that it had fallen below the required minimum net capital. (PCXE Rule 4.1 and Securities Exchange Act of 1934 Rules 15c3-1 and 17a-11.)
- ES000501-1 MICHAEL J. WORTHINGTON consented to censure and a fine of \$10,000 for failing to maintain a fair and orderly market by executing customer orders for his own account at a disadvantage to the customers, and using abusive language with Exchange staff. (PCX Constitution Article XI, Sections 2(b) and(e), PCX Rules 5.29(f) and 5.16(a), and Equity Floor Procedure Advice 1-B.)
- ES000505-1
- ES000711-2 THE SEIDLER COMPANIES INCORPORATED consented to censure and a fine of \$3,000 for failing to stamp trade tickets properly with an entry time, and failing to identify orders as "long" or "short" on trade tickets. (PCX Rules 5.18(b) and 9.17, and Equity Floor Procedure Advice 3-A.)
- ES000907-2 MARK LAURENT consented to censure and a fine of \$4,000 for failing to maintain a fair and orderly market when he executed an order at its limit price while a better price existed, selling a security at or above the price at which he personally held an unexecuted limit order to sell the same security for a customer, and failing to immediately display a customer limit order that would have improved the best national bid. (PCXE Rules 6.7(b)(2) and 7.24, and Securities Exchange Act of 1934 Rule 11Ac1-4.)
- ES000907-3
- ES010406-1 WALTER REINSDORF consented to censure and a fine of \$2,500 for failing to honor quoted prices on a minimum of 100 shares and failing to execute an order at a price consistent with prevailing market prices so as to maintain a fair and orderly market. (PCXE Rules 7.12(b) and 7.24.)

Questions may be directed to Karen Hanson Wellman, Managing Director, Enforcement, at (415) 393-7949.