



REGULATORY INFORMATION BULLETIN

RB-05-07
March 2, 2005

**TO: ALL OTP HOLDERS, OTP FIRMS AND ALLIED PERSONS
ALL ETP HOLDERS AND ETP SPONSORED PARTICIPANTS**

FROM: ENFORCEMENT DEPARTMENT

SUBJECT: DISCIPLINARY SANCTIONS IMPOSED AND ARBITRATION AWARDS RENDERED

This Regulatory Information Bulletin advises OTP Holders, OTP Firms and Allied Persons, ETP Holders and ETP Sponsored Participants of certain final disciplinary actions that resulted in the imposition of sanctions for violations of the federal securities laws and the Bylaws 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 October 1, 2004 Through December 31, 2004

OPTIONS:

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

- OS0361116 An OTP Holder was fined \$500 for violating the obligation as a Lead Market Maker to disseminate accurate quotes by not abiding by the maximum bid/ask differentials. (PCX Rule 6.37(b).)
- OS0361116 An OTP Firm was fined \$1,000 for an employee's violation of the obligation as a Lead Market Maker to disseminate accurate quotes by not abiding by the maximum bid/ask differentials (2nd violation). (PCX Rule 6.37(b).)
- OS0312091 An OTP Holder was fined \$500 for engaging in unprofessional conduct on the trading floor. (PCX Rule 6.2(c)(2).)
- OS0312091 An OTP Holder was fined \$500 for engaging in unprofessional conduct on the trading floor. (PCX Rule 6.2(c)(2).)
- OS0401151 An OTP Holder was fined \$1,000 for violating the obligation as a Lead Market Maker to disseminate accurate quotes by not abiding by the maximum bid/ask differentials (2nd violation). (PCX Rule 6.37(b).)
- OS0401151 An OTP Firm was fined \$1,000 for an employee's violation of the obligation as a Lead Market Maker to disseminate accurate quotes by not abiding by the maximum bid/ask differentials (2nd violation). (PCX Rule 6.37(b).)
- OS0401152 An OTP Holder was fined \$1,000 for violating the obligation as a Lead Market Maker to disseminate accurate quotes by not abiding by the maximum bid/ask differentials (2nd violation). (PCX Rule 6.37(b).)
- OS0401152 An OTP Firm was fined \$1,000 for an employee's violation of the obligation as a Lead Market Maker to disseminate accurate quotes by not abiding by the maximum bid/ask differentials (2nd violation). (PCX Rule 6.37(b).)
- OS0210241 An OTP Firm was fined \$500 for failing to retain records of orders or retain books and records. (PCX Rules 6.68(a) and 9.17.)
- OS0302193 An OTP Holder was fined \$1,000 for failing to accept a trade even though there was clearly a

marketable order in the book that the Order Book Official had verbally announced. (PCX Rule 6.46(a).)

OS0302193 An OTP Firm was fined \$1,000 for an employee's failure to use due diligence in the handling and execution of an order. (PCX Rule 6.46(a).)

EQUITIES:

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

04-05 A Member firm was fined \$2,500 total for failing to notify PCXE of a change of business address (\$500 fine) and for failing to notify PCXE before effecting two changes in capitalization (\$2,000 fine). (PCXE Rules 2.16(b), 10.12(h)(4), 4.3(d), 4.11(a), and 10.12(h)(5).)

The Business Conduct Committee resolved the following matter through the rendering of a Notice of Summary Determination:

ED26573/04-03 MICHAEL PICOZZI III and ANDOVER BROKERAGE/RUMSON CAPITAL, LLC were censured and permanently barred from Exchange membership and from association with any Exchange member or member organization for failing to cooperate with an investigation and failing to answer the complaint issued against them for failure to cooperate. (PCXE Rules 2.13(h) and 10.2(d).)

B. Arbitration Awards During the Period October 1, 2004 through December 31, 2004

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: Cabanes v. Cole Roesler Trading Group, L.P. et al.
Case No: 01-S011
Date Received: 7/26/2001
Summary of Issues: Employment Issues; Employment Bonus; Post-Employment Activities
Amount of Dispute: \$84,800
Amount Rewarded: \$75,000
Decision Date: 11/12/04

Questions regarding disciplinary sanctions for options may be directed to Larry Hing, Director of Options Enforcement, at (415) 393-4151. Questions regarding disciplinary sanctions for equities may be directed to Chris Hill, Director of Equities Enforcement, at (312) 442-7944. Questions regarding arbitration awards may be directed to Matt Mennes, Director of Arbitration, at (415) 393-4240.