

RAN-01-16
March 9, 2001

TO: All PCX Members and Member Organizations

FROM: Department of Regulatory Policy

SUBJECT: Increase in Fines for Violations of Exchange Rules Under the Minor Rule Plan (File No. SR-PCX-00-37)

On February 27, 2001, the Securities and Exchange Commission approved PCX's proposed rule change to PCX Rule 10.13(k), increasing fines for violations of rules under the Minor Rule Plan. The increased fines will be enforced commencing April 2, 2001.

Following is the text of the rule change. Questions regarding this bulletin may be directed to Cindy Sink, Senior Attorney, Regulatory Policy at (415) 393-7926 or Eilleen Clavere, Director of Enforcement at (415) 393-7849.

EXHIBIT A

Text of the Rule Change:¹

(k) Minor Rule Plan: Recommended Fine Schedule

FINES

	<u>1st Violation</u>	<u>2nd Violation</u>	<u>3rd Violation</u>
(i) Options Floor Decorum and Minor Trading Rule Violations ²			
1. Floor Broker failed to use diligence in the handling or execution of an order. (Rule 6.46(a)).	[\$250.00] <u>\$1,000.00</u>	[\$500.00] <u>\$2,500.00</u>	[\$750.00] <u>\$3,500.00</u>
2. Floor Broker failed to properly record the time of receipt, change in limit, or increase in size of an order. (Rule 6.67)	[\$250.00] <u>\$500.00</u>	[\$500.00] <u>\$1,000.00</u>	[\$750.00] <u>\$2,500.00</u>
3. Floor Broker improperly executed a cross transaction. (Rule 6.47 and OFPA A-6)	[\$350.00] <u>\$1,000.00</u>	[\$700.00] <u>\$2,500.00</u>	[\$1,000.00] <u>\$3,500.00</u>
4. Market Maker or Floor Broker violated procedures concerning the Market Maker's use of a Floor Broker to effect transactions. (Rules 6.48(a), OFPA A-9 and OFPA B-6)	[\$350.00] <u>\$1,000.00</u>	[\$700.00] <u>\$2,500.00</u>	[\$1,000.00] <u>\$3,500.00</u>
5. Market Maker failed to respond to a call for Market Makers by an Order Book Official. (Rule 6.53 and OFPA B-7)	[\$250.00] <u>\$1,000.00</u>	[\$500.00] <u>\$2,500.00</u>	[\$750.00] <u>\$3,500.00</u>
6. Market Maker failed to respond to demands for bids and/or offers. (Rule 6.37)	[\$250.00] <u>\$1,000.00</u>	[\$500.00] <u>\$2,500.00</u>	[\$750.00] <u>\$3,500.00</u>
7. Member failed to give up the name of the clearing member by public outcry when requesting a quote and size of the market or after effecting a trade. (Rule 6.66 and OFPA D-9)	[\$250.00] <u>\$500.00</u>	[\$500.00] <u>\$1,000.00</u>	[\$750.00] <u>\$2,500.00</u>
8. Member inadvertently placed a non-public order in the book. (Rule 6.52(a))	[\$250.00] <u>\$500.00</u>	[\$500.00] <u>\$1,000.00</u>	[\$750.00] <u>\$2,500.00</u>
9. Member failed to remain for a specified amount of time after trade processing. (Rule 6.17)	[\$100.00] <u>\$500.00</u>	[\$200.00] <u>\$1,000.00</u>	[\$500.00] <u>\$2,500.00</u>
10. Member failed to honor a guaranteed market. (Rules 6.82(c)(2) and 6.86)	[\$500.00] <u>\$1,000.00</u>	[\$1,500.00] <u>\$2,500.00</u>	[\$3,000.00] <u>\$3,500.00</u>
11. Member failed to identify broker-dealer order. (Rules 6.66(c) and 6.86)	\$500.00	\$1,500.00	\$3,000.00
12. Improper communication on the floor by use of hand signals or other means. (Rules 6.2, Commentary .02, 6.73, and OFPA F-5)	[\$250.00] <u>\$1,000.00</u>	[\$500.00] <u>\$2,500.00</u>	[\$750.00] <u>\$3,500.00</u>
13. Failure to obtain Exchange approval for Member or Member Firm electronic devices or systems used for trading purposes on the Exchange Floor.	[\$250.00] <u>\$500.00</u>	[\$750.00] <u>\$1,000.00</u>	[\$1,500.00] <u>\$2,500.00</u>

¹ New text is underscored.

² Fines for multiple violations of Options Floor Decorum and Minor Trading Rules are calculated on a running two-year basis.

14. Improper vocalization of a trade. (Rules 6.69 and 6.73 and OFPA G-10)		<u>[\$250.00]</u> <u>\$1,000.00</u>	<u>[\$500.00]</u> <u>\$2,500.00</u>	<u>[\$750.00]</u> <u>\$3,500.00</u>
15. Member violated a standard of conduct or dress on the trading floor. (Rule 6.2)		\$100.00	\$200.00	\$500.00
16. Disruptive action while on the trading floor. (Rule 6.2 and OFPA A-1)		<u>[\$250.00]</u> <u>\$500.00</u>	<u>[\$500.00]</u> <u>\$2,000.00</u>	<u>[\$750.00]</u> <u>\$3,500.00</u>
17. Disruptive action involving physical contact while on the trading floor. (Rule 6.2)		<u>[\$500.00]</u> <u>\$2,000.00</u>	<u>[\$3,000.00]</u> <u>\$4,000.00</u>	\$5,000.00
18. Member failed to act in a professional manner consistent with the requirements of Rule 6.2(c)		<u>[\$250.00]</u> <u>\$500.00</u>	<u>[\$500.00]</u> <u>\$2,000.00</u>	<u>[\$750.00]</u> <u>\$3,500.00</u>
19. Member used abusive language on the trading floor. (Rule 6.2)		<u>[\$250.00]</u> <u>\$500.00</u>	<u>[\$500.00]</u> <u>\$2,000.00</u>	<u>[\$750.00]</u> <u>\$3,500.00</u>
20. Failure to time stamp an order ticket. (Rule 6.69 and OFPA G-12)		<u>[\$250.00]</u> <u>\$500.00</u>	<u>[\$500.00]</u> <u>\$1,000.00</u>	<u>[\$750.00]</u> <u>\$2,500.00</u>

No. of Violations **Fine Amount**

21. Position limit violation (Rules 6.8 and 7.6)	1-3	[\$1 per contract over 5% of the applicable limit (minimum fine of \$250.00)] <u>\$2 per contract over 5% of the applicable limit</u> <u>(minimum fine of \$500.00)</u>		
	4-6	[\$1 per contract over limit (minimum fine of \$750.00)] <u>\$2 per contract over limit (minimum fine of \$1000.00)</u>		
	7+	[\$5 per contract over limit (minimum fine of \$750.00)] <u>\$5 per contract over limit (minimum fine of \$1500.00)</u>		
22. Exercise limit violation (Rules 6.9 and 7.7)	1-3	[\$1 per contract over 5% of the applicable limit (minimum fine of 250.00)] <u>\$2 per contract over 5% of the applicable limit</u> <u>(minimum fine of \$500.00)</u>		
	4-6	[\$1 per contract over limit (minimum fine of \$500.00)] <u>\$2 per contract over limit (minimum fine of \$1000.00)</u>		
	7+	[\$5 per contract over limit (minimum fine of \$750.00)] <u>\$5 per contract over limit (minimum fine of \$1500.00)</u>		
23. Member acting as Floor Broker and Market Maker trading in excess of 100 contracts per month as a Market Maker. (Rule 6.38(c))		\$250.00	\$500.00	<u>[\$750.00]</u> <u>\$3,500.00</u>
24. Failure to request a market to be removed from the screen when leaving the trading crowd. (Rule 6.37, Com.03; Rule 6.46, Com. .04)		<u>[\$250.00]</u> <u>\$500.00</u>	<u>[\$500.00]</u> <u>\$1,000.00</u>	<u>[\$750.00]</u> <u>\$2,500.00</u>
25. Failure to meet 75% Primary Appointment Zone Requirement (Rule 6.35, Com. .03)		<u>[\$250.00]</u> <u>\$500.00</u>	\$1,000.00	\$2,500.00
26. Failure to meet 60% In-Person Trading Requirement. (Rule 6.37, Com. .07)		<u>[\$250.00]</u> <u>\$500.00</u>	\$1,000.00	\$2,500.00
27. Floor Member or Member Firm employee violated rules on telephones on the Options Floor. (Rule 6.2(h))		<u>[\$250.00]</u> <u>\$500.00</u>	<u>[\$500.00]</u> <u>\$1,000.00</u>	<u>[\$750.00]</u> <u>\$2,500.00</u>

28. Failure to comply with the obligation to trade or update an existing market in response to an order. (Rule 6.37(d))	[\$100.00] <u>\$1,000.00</u>	[\$250.00] <u>\$2,500.00</u>	[\$500.00] <u>\$3,500.00</u>
29. Entry of broker/dealer order for execution on Auto-Ex system. (Rule 6.87(a))	[\$500.00] <u>\$1,000.00</u>	[\$1,500.00] <u>\$2,500.00</u>	[\$3,000.00] <u>\$3,500.00</u>
30. Violation of Options Floor trading restrictions on Members with financial arrangements. (Rule 6.40(b))	[\$500.00]	[\$1,000.00]	[\$1,500.00]
31. Failure to answer a Trading Crowd/LMM Questionnaire as required (OFPA B-13(c))	[\$250.00] <u>\$500.00</u>	[\$500.00] <u>\$1,000.00</u>	[\$750.00] <u>\$2,500.00</u>
32. Violation of rules on visitors to the Options Floor.(Rule 6.2(a) and OFPA F-2)	[\$250.00] <u>\$1,000.00</u>	[\$500.00] <u>\$2,500.00</u>	[\$1,000.00] <u>\$3,500.00</u>
33. Misuse of Member badge or Member Firm identification. (OFPA F-1)	[\$250.00] <u>\$1,000.00</u>	[\$500.00] <u>\$2,500.00</u>	[\$1,000.00] <u>\$3,500.00</u>
34. Dividing up an order to make its parts eligible for entry into Auto-Ex. (Rule 6.87(c))	\$2,500.00	\$3,750.00	\$5,000.00

No. of Failures in a Twelve Month Period Amount of Fine per Violation

35. Market Maker failed to comply with the Auto-Ex log-off requirement when leaving the trading crowd for more than a brief interval. (Rule 6.87(d)(3))	1-2	<u>\$500.00</u>
		[\$100.00]
	3-5	<u>\$1,000.00</u>
		[\$250.00]
	6+	<u>\$1,500.00</u>
		[\$500.00]

FINES

	<u>1st Violation</u>	<u>2nd Violation</u>	<u>3rd Violation</u>
36. Abusing Exchange Property with no property damage. (Rule 6.2)	\$100.00	\$250.00	\$500.00
37. Abusing Exchange Property with property damage (plus repair or replacement costs). (Rule 6.2)	\$1,000.00	\$500.00	\$750.00

(ii) Equity Floor Decorum and Minor Trading Rule Violations - No change.

(iii) Record Keeping and Other Minor Rule Violations

1. Failure to submit trade data to the Exchange in a timely manner (Rule 10.2(c))	[\$250.00] <u>\$1,000.00</u>	[\$500.00] <u>\$2,500.00</u>	[\$750.00] <u>\$3,500.00</u>
2. Failure to file a Securities Investor Protection Corporation form and assessment in a timely manner. (Rule 2.12(b))	[\$500.00] <u>\$1,000.00</u>	[\$1,000.00] <u>\$2,500.00</u>	[\$1,500.00] <u>\$3,500.00</u>
3. Failure to furnish in a timely manner books, records or other requested information or testimony in connection with an examination of financial responsibility and/or operational conditions. (Rule 2.12(c))	[\$250.00] <u>\$2,000.00</u>	[\$500.00] <u>4,000.00</u>	[\$750.00] <u>\$5,000.00</u>
4. Failure to notify the Exchange of change of address where notices may be served. (Rule 1.13)	[\$250.00] <u>\$500.00</u>	[\$500.00] <u>\$1,000.00</u>	[\$750.00] <u>\$2,500.00</u>

5. Failure to file a financial report or financial information in the type, form, manner and time prescribed by the Exchange. (Rule 2.12(a))	[\$250.00] <u>\$2,000.00</u>	[\$500.00] <u>\$4,000.00</u>	[\$750.00] <u>\$5,000.00</u>
6. Delaying, impeding or failing to cooperate in an Exchange investigation. (Rule 10.2(b))	[\$500.00] <u>\$3,500.00</u>	[\$1,000.00] <u>\$4,000.00</u>	[\$2,000.00] <u>\$5,000.00</u>