



**RULE  
ADOPTION  
NOTICE**

**RAN-01-33  
August 7, 2001**

**TO: All PCX Members and Member Organizations**

**FROM: Department of Regulatory Policy**

**SUBJECT: Minor Rule Plan for Equities  
(File No. SR-PCX-01-19)**

On July 27, 2001, the Securities and Exchange Commission approved PCX's proposed rule change to PCXE Rule 10.13(k), increasing fines for violations of rules under the Minor Rule Plan. The increased fines will be enforced commencing August 27, 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 Hassan Abedi (415) 393-5958.

EXHIBIT A

Text of the Proposed Rule Change:<sup>1</sup>

10.12(a) - (l) - No Change

FINES

(j) *Minor Rule Plan: Recommended Fine Schedule.*

(1) Floor Decorum and Minor Trading

Rule Violations <sup>2</sup>	<u>1st Violation</u>	<u>2nd Violation</u>	<u>3rd Violation</u>
1. Floor Decorum (EFPA 1-A)	\$100.00	\$250.00	\$500.00
*2. Conduct of Members on the Equity Floor (EFPA 1-B and Rule 7.8(b))	<u>\$500.00</u> Official Warning	<u>\$2,000.00</u> [\$250.00]	<u>\$3,500.00</u> [\$500.00]
* 2a. Smoking or Expectorating (EFPA 1-B)	\$100.00	\$250.00	\$500.00
*2b. Alcoholic Beverages (EFPA 1-B)	\$100.00	\$250.00	\$500.00
*2c. Conduct of Guests (EFPA 1-B and Rule 7.8(a)[1]- <u>(c)</u> )	<u>\$250.00</u> [\$100.00]	<u>\$500.00</u> [\$250.00]	<u>\$750.00</u> [\$500.00]
*3. Admission of Member to the Floor (EFPA 1-C(i) and Rule 7.8(a))	<u>\$100.00</u> [\$25.00]	<u>\$250.00</u> [\$50.00]	<u>\$500.00</u> [\$100.00]
4. Badge Transfers (EFPA 1-C(ii))	<u>\$1,000.00</u> [\$100.00]	<u>\$2,500.00</u> [\$250.00]	<u>\$3,500.00</u> [\$500.00]
5. Admission of Visitors EFPA 1-C(iii))	<u>\$1,000.00</u> [\$25.00]	<u>\$2,500.00</u> [\$50.00]	<u>\$3,500.00</u> [\$100.00]
*6. Proper Time stamping of Trade Tickets (EFPA 3-A and Rule 7.35(d)(2))	<u>\$500.00</u> [Official Warning]	<u>\$1,000.00</u> [up to \$50]	<u>\$2,500.00</u> [up to \$100]
7. Proper Reporting of Transactions Executed at the Corporation. (EFPA 2-C and Rules 7.34, 7.35(e)(1), 7.37, 7.53)	<u>\$500.00</u> [Official Warning]	<u>\$750.00</u> [\$250.00]	<u>\$2,500.00</u> [\$500.00]

<sup>1</sup> New text is underscored. Deleted text is in brackets.

<sup>2</sup> Fines for multiple violations of Equity Floor Decorums and Minor Trading Rules are calculated on a running two-year basis, except that violations denoted with an asterisk are calculated on a running on-year basis.

(*counted quarterly)	<u>\$500.00</u>	<u>\$1,500.00</u>	<u>\$2,500.00</u>
8. Inadequate Staffing at Specialist Post (prior to the opening). (Rules 7.24(b)(1)-(2))	[\$100.00]	[\$250.00]	[\$500.00]
9. Short Sale Rules (Rule 7.40)	\$500.00	\$1,000.00	\$2,500.00
10. Dissemination of Quotations in Local Issues (EFPA 2-B)	<u>\$250.00</u> [———]	<u>\$500.00</u> [———]	<u>\$1,000.00</u> [\$100.00]
11. Failure to follow the provisions of the rules and Regulations governing the use of the Intermarket Trading System ("ITS"). (Rules 7.67-7.69)	<u>no change</u> \$500.00	<u>\$1,500.00</u> [1,000.00]	<u>\$2,500.00</u> [\$2,000.00]
12. Failure to Clear the Post Properly. (EFPA 1-B)	<u>\$250.00</u> [Official Warning]	<u>\$500.00</u> [\$250.00]	<u>\$1,000.00</u> [\$500.00]
(2) Record Keeping and Other Minor Rule Violations <sup>2</sup>	<u>1st Violation</u>	<u>2nd Violation</u>	<u>3rd Violation</u>
(* these fines all in parity with Options MRP)			
1. Failure to submit trade data to the Corporation in a timely manner (Rule 10.2(c))	<u>\$1,000.00</u> [\$250.00]	<u>\$2,500.00</u> [\$500.00]	<u>\$3,500.00</u> [\$750.00]
2. Failure to file a Securities Investor Protection Corporation form and assessment in a timely manner (Rule 4.11(b))	<u>\$1,000.00</u> [\$500.00]	<u>\$2,500.00</u> [\$1,000.00]	<u>\$3,500.00</u> [\$1,500.00]
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 4.11(c))	<u>\$2,000.00</u> [\$250.00]	<u>\$4,000.00</u> [\$500.00]	<u>\$5,000.00</u> [\$750.00]
4. Failure to notify the Corporation of a change of address where notices may be served. (Rule 2.18(b))	<u>\$500.00</u> [\$250.00]	<u>\$1,000.00</u> [\$500.00]	<u>\$2,500.00</u> [\$750.00]
5. Failure to file a financial report or financial information in the type, form, manner and time prescribed by the Corporation. (Rule 4.11(a))	<u>\$2,000.00</u> [\$250.00]	<u>\$4,000.00</u> [\$500.00]	<u>\$5,000.00</u> [\$750.00]
6. Delaying, impeding or failing to cooperate in an Corporation Investigation. (Rule 10.2(d))	<u>\$3,500.00</u> [\$500.00]	<u>\$4,000.00</u> [\$1,000.00]	<u>\$5,000.00</u> [\$2,000.00]

**PCX Equities, Inc.**

**EQUITIES FLOOR PROCEDURE ADVICES**

**1-A**

**¶7924A**

**Subject: Floor Decorum** – No change.

**1-B**

**¶7924B**

**Subject: Conduct on the Equity Trading Floor**

The conduct of individuals on the Trading Floor can significantly affect the public investor's image of the quality, fairness, and professionalism of the Corporation. In addition, the behavior of individuals on the Floor can impact the safety and welfare of others and affect the efficient, uninterrupted conduct of business on the Floor. For these reasons, all persons while on the Floor of the Corporation shall not:

- (1) engage in any act or practice which may be detrimental to the interest or welfare of the Exchange or;
- (2) engage in any act or practice which may serve to disrupt or hinder the ordinary and efficient conduct of business or;
- (3) engage in any act or practice which may serve to jeopardize the safety or welfare of any other individual.

It is the responsibility of all ETP Holders, ETP Firms, and clerical employees of ETP Holders and ETP Firms to be familiar with the following policies governing Floor conduct and safety and to be aware that the applicable penalties will be imposed where violations of substantial or continued violations of these policies occur, the offender will be subject to possible disciplinary action in accordance with the procedures set forth in the Bylaws and Rules of the Corporation.

In addition, the offender may be subject to liability for any and all damage that may be caused to the Corporation or its facilities by a violation of such prohibited behavior.

***General Conduct on the Floor***

Engaging in a disorderly manner, including but not limited to activities involving practical jokes, roughhousing, etc., or the use of abusive or indecorous language convey a very unbusinesslike appearance and are strictly prohibited on the Trading Floor. This prohibition shall include the possession of a weapon of any kind while on the trading floor.

The following fines shall be the suggested guidelines for a violation of this advice.

1st Occurrence.....	[Official Warning]	<u>\$500.00</u>
2nd Occurrence.....	[\$250.00]	<u>\$2,000.00</u>
3rd Occurrence.....	[\$500.00]	<u>\$3,500.00</u>

### ***Smoking or Expectorants***

Smoking, use of tobacco or any expectorants are prohibited on the Equity Trading Floor. This prohibition shall apply at all times, whether the Floor is in session or not.

1st Offense.....	\$100.00
2nd Offense.....	\$250.00
3rd Offense.....	\$500.00

### **Alcoholic Beverages**

Alcoholic beverages may not be consumed on the Trading Floor at any time during trading hours.

1st Offense.....	\$100.00
2nd Offense.....	\$250.00
3rd Offense.....	\$500.00

### **Conduct of Guests**

Non-ETP Holder guests or visitors will be permitted on the Trading Floor at the discretion of the Corporation. All guests must be signed in by an ETP Holder or official of the Corporation.

1st Occurrence.....	[Official Warning]	<u>\$250.00</u>
2nd Occurrence.....	[\$250.00]	<u>\$500.00</u>
3rd Occurrence.....	[\$500.00]	<u>\$750.00</u>

Violations of the above-referenced policies shall be cumulative and the number of offenses for each violation shall be calculated on a twelve-month rotating basis. Therefore, a violation in January would be removed from the calculation in January of the following year.

1-C

7942C

**Subject: Badges and Visitors on the Equities Trading Floors**

(i) Admission

The security of individuals and proprietary trading information on the Equities Trading Floors requires the following provisions be adopted with respect to admission on the Trading Floor:

(a) Admission to the Trading Floor shall be by badge only.

(b) ETP Holders working on the Trading Floors who seek admission to the Floor without a badge must identify themselves at the reception desk and obtain a temporary badge.

(c) Employees of the Corporation working on the Trading Floor who seek admission to the Floor without a badge must be identified by the appropriate Floor Manager, and issued a temporary badge.

(d) Employees of ETP Firms working on the Trading Floor seeking admission to the Floor without a badge must be identified by an ETP Holder with a badge, and issued a temporary badge.

(e) Repeated failure of ETP Holders or employees of ETP Firms to have a permanent badge on admission to the Trading Floor may subject the ETP Holder or ETP Firm to the following fines:

1st Offense.....	[\$25.00]	<u>\$100.00</u>
2nd Offense.....	[\$50.00]	<u>\$250.00</u>
3rd Offense.....	[\$100.00]	<u>\$500.00</u>

(ii) Badge Transfers

(a) An ETP Firm may transfer its ETP from the name of one Nominee ETP Holder employee to that of another Nominee employed by the Firm provided that the ETP Firm must first obtain the approval of the Corporation. An ETP Firm that fails to obtain the approval of the Corporation prior to such transfer will be subject to the following fines:

1st Offense.....	[\$100.00]	<u>\$1,000.00</u>
2nd Offense.....	[\$250.00]	<u>\$2,500.00</u>
3rd Offense.....	[\$500.00]	<u>\$3,500.00</u>

(iii) Admission of Visitors

(a) Visitors must be invited guests of ETP Holders or officials of the Corporation. Visitors must be signed in at the reception desk by the inviting ETP Holder or staff personnel. Visitors will be issued a temporary badge to wear at all times while on the Floor. Visitors shall be accompanied at all times on the Floor.

(b) Allied Persons shall be considered visitors for the purposes of this Advice.

(c) The Corporation may restrict the access of any visitor to the Floor when it is deemed that the visitor's presence interferes with orderly Floor procedures.

The ETP Holder or such other person who is responsible for a violation of these provisions on the admission of visitors will be subject to the following fines:

1st Offense.....	[\$25.00]	<u>\$1,000.00</u>
2nd Offense.....	[\$50.00]	<u>\$2,500.00</u>
3rd Offense.....	[\$100.00]	<u>\$3,500.00</u>

Violations of this Advice 1-C shall be cumulative and the number of offenses for a violation of Equity Floor Procedure Advice 1-C shall be calculated on a twelve-month rotating basis. Therefore, a violation in January would be removed from the calculation in January of the following year.

## 2-A

### ¶7924D Subject: Specialist's Responsibility for Execution Reports Not Received

(1) If a Specialist shall fail to send a report with respect to an order which he has executed or should have executed, and the ETP Holder or ETP Firm giving the Specialist such an order requests a report prior to the close of business on the third business day following the day on which the order was executed or should have been executed, the Specialist will be responsible for any loss which may be sustained.

(2) If an ETP Holder or ETP Firm requests a report after the third business day following the day on which the order was executed, or should have been executed, but before the close of business on the fifth day following the day on which the order was executed, or should have been executed, the Specialist shall be responsible for one-half of any loss which may be sustained and the ETP Holder or ETP Firm, the remainder of the loss sustained.

(3) If the ETP Holder or ETP Firm requests a report after the close of business on the fifth business day following the day on which the order was executed, or should have been executed, the Specialist shall not, without his consent, be responsible for any loss sustained.

**2-B**

**¶7924E**

**Subject: Dissemination of Quotations in Local Issues**

(1) A Specialist shall endeavor to disseminate a quotation in an assigned local issue at the opening of trading on each trading day.

(2) Except as otherwise provided, a Specialist shall be required to disseminate a quotation in an assigned local issue prior to one-half (1/2) hour after the designated opening time for trading on the Corporation.

(3) A Specialist shall be exempt from the requirement to disseminate a quotation in an assigned local issue prior to one-half (1/2) hour after the designated opening time for trading on the Corporation, in the following circumstances:

- a. During a trading halt ;approved by the Corporation in the local issue.
- b. During a failure of the Corporation's quote dissemination system.
- c. During any other circumstance where the Corporation has approved an exemption from the requirement to disseminate a quotation in a local issue.

(4) The following schedule shall serve as a guideline for penalties to be imposed for violations of this Floor Procedure Advice:

[3rd and Subsequent Violations \$100.00]

<u>1<sup>st</sup> Offense</u> .....	<u>\$250.00</u>
<u>2<sup>nd</sup> Offense</u> .....	<u>\$500.00</u>
<u>3<sup>rd</sup> Offense</u> .....	<u>\$1,000.00</u>

The schedule is based on the number of violations for a particular local security, and the number of violations shall be calculated on a rotating quarterly basis.

This schedule is intended to apply to inadvertent violations of this Floor Procedure Advice, In a case of deliberate violations or other aggravated circumstances, other disciplinary action may be deemed to be appropriate.

2-C

¶7924F                      **Subject: Reporting of Transactions**

Rule 7.37(a) provides that the seller is responsible for ensuring that a transaction executed at the Corporation is properly recorded. This requirement is subject to the following exception:

(1) Transactions in local issues in which the specialist acts as the buyer and the seller is located on the opposite trading floor are to be promptly reported to the tape by the specialist. The seller is required to submit a "goldenrod" ticket to report the transaction for clearing purposes only.

The Corporation has found that this exception to the general reporting procedures occasionally result in transactions not being reported to the tape. Because it is essential that all trades executed at the Corporation be promptly reported for dissemination to the Corporation community and the public, violations of the trade reporting requirements will be investigated and may result in the imposition of fines or other disciplinary action.

The following schedule will serve as a guideline for penalties to be imposed for violations of this floor procedure advice:

1st Occurrence.....[Official Warning]	<u>\$500.00</u>
2nd Violation.....\$250.00	<u>\$750.00</u>
3rd Violation.....\$500.00	<u>\$2,500.00</u>

This schedule is based on the number of violations for a particular security, calculated on a monthly basis. This schedule is intended to apply to inadvertent violations of this floor procedure advice that are not attributable to clerical errors by staff of the Corporation or other mitigating circumstances. In cases of deliberate violations or other aggravated circumstances, other disciplinary action may be deemed to be appropriate.

¶7924G

**Subject: Time Stamping of Trade Tickets**

(1) It is the responsibility and obligation of Floor Brokers and Specialists to accurately record and ensure that order trade tickets handled by them pursuant to their respective responsibilities are accurately time stamped as to the time in which they are received and executed. This obligation shall include providing accurate time stamps for any other actions taken in regard to these orders.

(2) The following shall be the suggested schedule for a violation of this requirement:

1st Offense.....	[Official Warning]	<u>\$500.00</u>
2nd Offense.....	[\$50.00]	<u>\$1,000.00</u>
3rd Offense.....	[\$100.00]	<u>\$2,500.00</u>

Infractions occurring under this policy shall be cumulative and the number of offenses shall be calculated on a twelve-month rotating basis.

This advice shall not prevent the Corporation from also determining that infractions of a substantial nature could warrant additional possible disciplinary action in accordance with the procedures set forth in Rule 10.