



Regulatory Circular RG09-026

Re: Violations of Trading Conduct and Decorum Policies

Date: February 19, 2009

To: Exchange Members and Associated Persons of Member Organizations

**From: Legal Division
Member and Regulatory Services Division**

The purpose of this circular is to advise members and their personnel of the provisions of Exchange Rule 17.50, Imposition of Fines for Minor Rule Violations, as they relate to violations of the Exchange's trading conduct and decorum policies under Exchange Rule 6.20, Admission to and Conduct on the Trading Floor.

- (1) **The Rule.** Rule 17.50(g)(6) provides for the imposition of fines for violations of the Exchange's trading conduct and decorum policies under Rule 6.20. The following schedule identifies certain conduct deemed to violate those policies and lists the applicable fines that may be imposed for such violations by the Exchange under Rule 17.50(g)(6). Please be advised that Rule 17.50(g)(6) enables the Exchange, if warranted under the circumstances, to impose for a first offense the fine authorized for a second, third or subsequent offense; to impose for a second offense the fine authorized for a third or subsequent offense; and to impose for a third offense the fine authorized for a subsequent offense.
- (2) Two Floor Officials may impose a summary fine in a rolling twelve month period (except for firm quote violations, which will be assessed using a 24-month look back period) not to exceed \$5,000 for violative conduct classified as a Class A offense within the following ranges:

1 st Offense	2 nd Offense	3 rd Offense	Subsequent Offenses
\$500 to \$1,500	\$1,000 to \$3,000	\$2,000 to \$5,000	\$3,500 to \$5,000

- (3) Two Floor Officials may impose a summary fine in a rolling twelve month period not to exceed \$2,500 for violative conduct classified as a Class B offense within the following ranges:

1st Offense	2nd Offense	Subsequent Offenses
\$100 to \$500	\$500 to \$1,000	\$1,000 to \$2,500

TRADING CONDUCT AND DECORUM VIOLATIONS

Class A Offenses:

- Physical Violence (Shoving, Fighting)
- Unbusinesslike Conduct
- Harassment (as set forth in Exchange Rule 4.19)
- Failure to Abide by a Floor Official Determination
- Property Damage (plus repair or replacement costs)
- Enabling/Assisting Suspended Member or Associated Person to Gain Improper Access to Floor
- Failure to Supervise a Visitor
- Failure to Attend Exchange Mandated Educational Training ‡
- Effecting or Attempting to Effect a Transaction with No Public Outcry ‡
- Violation of Rule 8.51 (Firm Quote)¹ ‡

‡ Does not qualify the offender for summary exclusion pursuant to Exchange Rule 6.20(c).

Class B Offenses:

- Abusive Language
- Abusing Exchange Property (no damage)
- Dress Code Violation
- Failure to Display I.D.
- Food or Drink on Floor (unless otherwise permitted by the Exchange as communicated to Exchange Members via a Regulatory Circular)
- Gaining or Enabling Improper Access to Floor
- Improper Use of Runners' Aisle
- Smoking in Unauthorized Areas
- Trading in the Aisle
- Running

¹ In any Rolling Twenty-Four Month "Look-Back" Period

- Impermissible Use of Member Phones
- Visitor Badge Returned Late or Not Returned
- Failure of Market-Maker to Respond to Request for Market by Order Book Official or to Bid or Offer within Ranges Specified by Rule 8.7(b)
- DPM Failure to Activate or Deactivate RAES

(4) **Floor Officials.** Fines under Rule 17.50(g)(6) may be imposed upon the determination of two Floor Officials that the person fined has committed any of the trading conduct and decorum violations enumerated in the fine schedule above. Any application or interpretation of the Rules relating to conduct on Exchange premises shall be agreed upon by at least two Floor Officials. Floor Officials shall file with the Exchange a written report of any action taken pursuant to authority specifically granted them by the Rules and of any interpretation of the Rules.

(5) **Persons Subject to Fine.** The Exchange may impose the preceding fines against either or both of the following: (a) the individual responsible for the subject violation and/or (b) if such individual is employed by or associated with a member, the member and/or any supervisory personnel of the member that failed to adequately supervise such individual to ensure compliance with Exchange rules. Any member or supervisory person who is fined more than one (1) time in any twelve month period for failure to supervise shall be subject to the fines specified above for second offenses, third offenses and subsequent offenses, regardless of the number of offenses committed by the individual subject to fine for the underlying violation.

(6) **Right to Contest Fines.** Any person against whom a fine is imposed pursuant to Rule 17.50(g)(6) may contest that fine. Specifically, fines imposed under Rule 17.50(g)(6) that do not exceed \$2,500 may be contested before the Appeals Committee in accordance with the provisions of Rule 17.50(d), and fines imposed under Rule 17.50(g)(6) that exceed \$2,500 may be contested before the Business Conduct Committee in accordance with the provisions of Rule 17.50(c). Persons wishing to contest such fines must comply with the deadlines and all other requirements set forth in Rule 17.50(d) or Rule 17.50(c), as applicable. Please be advised that if a fine imposed under Rule 17.50(g)(6) is contested and the reviewing body finds that the person fined committed the rule violation(s) alleged, the reviewing body may impose any one or more of the disciplinary sanctions authorized by the Exchange's Constitution and Rules, including but not limited to a higher fine than the fine imposed pursuant to Rule 17.50(g)(6). In addition, if a person contests a fine imposed under Rule 17.50(g)(6) and the fine is upheld by the reviewing body, the reviewing body will impose a forum fee against the person in the amount of \$100 if the reviewing body's determination was reached without a hearing, or in the amount of \$300 if a hearing was conducted.

(7) **Additional Floor Official Action.** In addition to, or instead of, issuing a fine pursuant to Rule 17.50(g)(6), Rule 6.20(c) provides that Floor Officials may direct members and their associated persons to act or cease to act in a manner to ensure compliance with Exchange Rules and accepted and established standards of trading conduct and decorum and/or refer violations of the foregoing to the Business Conduct Committee for disciplinary action pursuant to Chapter XVII of the Rules. Furthermore, any action taken by Floor Officials under Rules 17.50(g)(6) and 6.20(c) does not preclude additional disciplinary action by the

Business Conduct Committee under Chapter XVII. In addition, as set forth in Rule 6.20(c), two Floor Officials in consultation with a designated senior executive officer of the Exchange, may summarily exclude a member or person associated with a member from the Exchange premises for not longer than the remainder of the trading day for any violation of the Exchange's trading conduct and decorum policies that is classified as a Class A offense.

Any questions in connection with this circular should be directed to Andrew Spiwak of the Legal Division at (312) 786-7483 or to Timothy MacDonald of the Department of Market Regulation at (312) 786-7706.

(RG02-101 Revised; RG98-123 Revised)