

Regulatory Circular RG98-123

Date: November 11, 1998

To: All Exchange Members and Personnel

From: Floor Officials Committee

Re: Violations of Trading Conduct and Decorum Policies

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 or third offense and to impose for a second offense the fine authorized for a third offense.

FINE SCHEDULE FOR TRADING CONDUCT AND DECORUM VIOLATIONS

<u>Number of Violations in Any Twelve Month Period</u>	<u>1st Offense</u>	<u>2nd Offense</u>	<u>Subsequent Offenses</u>
Abusive language	\$ 100	\$ 250	\$ 500
Abusing Exchange Property			
--No property damage	100	250	500
--Property damage (plus repair or replacement costs)	500	1,000	2,000
Book Priority Violation	400	800	1,200
Disruptive Announcement of Stock Print	200	400	500
<u>Number of Violations in Any Twelve Month Period</u>	<u>1st Offense</u>	<u>2nd Offense</u>	<u>Subsequent Offenses</u>

Dress Code Violation	\$ 50	\$ 250	\$ 500
Failure to Display ID	50	250	500
Food or Drink on Floor	250	500	1,000
Enabling/Assisting Non-Member or Barred/Suspended Member to Gain Improper Access to Floor	500	1,000	2,000
Enabling/Assisting Member or Associated Person to Gain Improper Access to Floor	100	250	500
Gaining Improper Access to Floor	100	250	500
Improper Use of Runners' Aisle	25	50	100
Smoking in Unauthorized Areas	50	250	500
Trading in Aisle	250	500	1,000
Physical Violence			
--Shoving	500	1,500	2,500
--Fighting	1,500	3,000	5,000
Running	100	250	500
Unbusinesslike Conduct	250	500	1,000
Impermissible Use of Member Phones	50	150	300
Visitor Badge Returned Late or Not Returned	Warning	25	50
Failure to Attend Exchange Mandated Educational Training	500	750	1000

<u>Number of Violations in Any Twelve Month Period</u>	<u>1st Offense</u>	<u>2nd Offense</u>	<u>Subsequent Offenses</u>
Failure to Supervise a Visitor	\$ 50	\$ 100	\$ 250
Effecting or Attempting to Effect Transaction with No Public Outcry	500	1,000	2,000
Failure of Market-Maker to Respond to Request for Market by Order Book Official	500	1,000	2,000
Failure to Bid or Offer within Ranges Specified by Rule 8.7(b)	500	1,000	2,000
Failure to Abide by Floor Official Determination or Floor Official Request for Information	1,000	2,500	5,000
Violation of Rule 8.51 in an Option Class Other than OEX or DJX	Any amount up to 5,000	Any amount up to 5,000	Any amount up to 5,000

(2) 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.

(3) 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 and subsequent offenses, regardless of the number of offenses committed by the individual subject to fine for the underlying violation.

(4) 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.

(5) 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.

Any questions in connection with this circular should be directed to Andrew Spiwak of the Legal Department at (312) 786-7483 or to Gregory Rich of the Trading Floor Liaison Group at (312) 786-7847.

(RG92-14 and RG95-37, Revised)