

BEFORE THE BUSINESS CONDUCT COMMITTEE
OF THE
CHICAGO BOARD OPTIONS EXCHANGE INCORPORATED

In the Matter of:

Fredrick J. O'Donnell III
440 S. LaSalle Street
Suite 3100
Chicago, IL 60605

Respondent

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File No. 96-0032

DECISION ACCEPTING OFFER OF SETTLEMENT

This proceeding was instituted by the Business Conduct Committee (the "Committee") of the Chicago Board Options Exchange, Incorporated (the "Exchange") as a result of an investigation by the staff of the Exchange, which indicated that there was probable cause for finding a violation within the disciplinary jurisdiction of the Exchange. In accordance with that determination, the Committee directed the issuance of a Statement of Charges ("Statement of Charges"). Pursuant to Exchange Rule 17.8, the respondent ("Respondent"), Fredrick J. O'Donnell III ("O'Donnell"), submitted an offer of settlement ("Offer of Settlement").

In submitting the Offer of Settlement, the Respondent neither admitted nor denied the violations alleged in the Statement of Charges.

The Respondent has agreed that the determination of the Committee to accept the Offer of Settlement shall constitute a final Decision, and, as provided in Exchange Rule 17.8, the Respondent may not seek review thereof.

The Respondent understands and acknowledges that the Committee's decision in this matter will become part of his disciplinary record and may be considered in any future Exchange proceeding.

With due regard to the particulars of this matter, the Committee believes it is appropriate to accept the Respondent's Offer of Settlement based on the following stipulated facts and findings and thereby to impose the sanction specified below.

FACTS

1. During all relevant periods herein, the Respondent, O'Donnell, was a member of the Exchange.
2. During all relevant periods herein, O'Donnell was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as a market maker and floor broker.

3. During all relevant periods herein, Exchange Rules 4.1 - Just and Equitable Principles of Trade, 4.2 - Adherence to Law, and Federal Reserve Board ("FRB") Regulation X - Borrowers of Securities Credit were in full force and effect.
4. Attached to and incorporated as Appendix A in the Statement of Charges in File No. 96-0032 is a list of transactions that O'Donnell effected on or about September 29, 1995, that established or increased option positions in his market maker account.
5. On or about September 29, 1995, prior to the opening of trading and again at approximately 9:30 a.m., O'Donnell was notified by his clearing firm that his market-maker account was in equity deficit. Subsequently, O'Donnell entered into numerous option transactions set forth in Appendix A which established or increased option positions in his market-maker account when his market maker account was in equity deficit.

FINDINGS

6. The acts, practices and conduct described in Paragraph 5 above constitute violations of Exchange Rules 4.1, 4.2, and FRB Regulation X by O'Donnell.

SANCTION

The sanction to be imposed shall consist of a three thousand five hundred dollar (\$3,500) fine and a censure.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Fredrick J. O'Donnell III, shall be and hereby is censured and fined in the amount of three thousand five hundred dollars (\$3,500).

**SO ORDERED
FOR THE COMMITTEE**

Dated: May 12, 1997

**By: /s/ Bruce I. Andrews
Bruce I. Andrews
Chairman
Business Conduct Committee**