

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

	)	
In the Matter of:	)	
	)	
Roland A. Colsen	)	
1541 Long Valley Road	)	File No. 96-0035
Glenview, IL 60025	)	
	)	
Respondent	)	
	)	

**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"), Roland A. Colsen ("Colsen") 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.

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, Colsen, was a member of the Exchange.
2. During all relevant periods herein, Colsen was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as a market-maker and a floor broker.
3. During all relevant periods herein, Exchange Rules 4.1 - Just and Equitable Principles of Trade, 4.7(a) - Manipulation, and 8.7(a) - Obligations of Market-Makers; and Section

15(c) of the Securities Exchange Act of 1934, as amended (the "Act") and Rule 15c3-1 thereunder, were in full force and effect.

4. Attached to and incorporated in the Statement of Charges for File No. 96-0035 as Appendix A is a sampling of Colsen's final reported transactions involving various series of options in the Citicorp, Inc. (CCI/LCC) option class from August 1994 through September 1994.
5. During all relevant periods herein, Colsen's option positions, for the purpose of calculating Regulation T margin requirements and net capital requirements under Rule 15c3-1 of the Act, were "marked-to-the-market" based upon:
  - (a) the final reported transaction in each option series each day if the transaction was effected within the final reported market quote; or
  - (b) if the final reported transaction price was lower than the last reported bid or higher than the last reported offer, then the option series was "marked-to-the-market" at the last reported bid or offer, respectively.
6. During the approximate period from on or about August 8, 1994 through on or about August 31, 1994, Colsen effected approximately thirteen (13) final reported transactions involving various series of options in the CCI/LCC option class, as more fully described in Appendix A, which transactions had the effect of changing the "mark-to-the-market" value of the option series involved. As a result of the above transactions, the net liquidating equity in Colsen's market-maker account was increased.
7. During the approximate period from on or about September 2, 1994 through on or about September 28, 1994, Colsen effected approximately seven (7) final reported transactions involving various series of options in the CCI/LCC option class, as more fully described in Appendix A, which transactions had the effect of changing the "mark-to-the-market" value of the option series involved. As a result of the above transactions, the net liquidating equity in Colsen's market-maker account was increased.

### **FINDINGS**

8. The acts, practices and conduct described in each of Paragraphs 6 and 7 above constitute violations of Exchange Rule 4.1 by Colsen in that the transactions described in Paragraphs 6 and 7 above were effected by Colsen in a manner that was inconsistent with just and equitable principles of trade.
9. The acts, practices and conduct described in each of Paragraphs 6 and 7 above constitute violations of Exchange Rule 4.7(a) by Colsen in that the transactions described in Paragraphs 6 and 7 had the effect of unduly influencing the market price.
10. The acts, practices and conduct described in each of Paragraphs 6 and 7 above constitute violations of Exchange Rule 8.7(a) by Colsen in that the transactions described in

Paragraphs 6 and 7 above had the effect of failing to contribute to the maintenance of a fair and orderly market.

**SANCTION**

The sanction to be imposed shall consist of a ten thousand dollar (\$10,000) fine and a censure.

**ORDER**

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Roland A. Colsen, shall be and hereby is fined in the amount of ten thousand dollars (\$10,000) and censured.

SO ORDERED  
FOR THE COMMITTEE

/s/ Bruce Andrews  
Bruce Andrews  
Chairman  
Business Conduct Committee

March 4, 1997

Date