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In the Matter of:)	
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Jonathan Groveman)	
Ladenburg, Thalmann & Co., Inc.)	
540 Madison Avenue)	File No. 96-0042
New York, NY 10022)	
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Respondent)	
)	
)	

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"), Jonathan Groveman ("Groveman"), submitted an offer of settlement ("Offer of Settlement").

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.

1. During all relevant periods herein, the Respondent, Groveman, was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as an associated person of Ladenburg, Thalmann & Co., Inc. ("Ladenburg") an Exchange member organization, at Ladenburg's 540 Madison Avenue, New York City branch office. In addition, Groveman was associated with Ladenburg as its President, and as head trader and supervisor of Ladenburg's proprietary trading desk.

2. During all relevant periods herein, a person associated with Ladenburg ("Associated Person") was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as an associated person of Ladenburg working as a trader's assistant on Ladenburg's proprietary trading desk. During all relevant periods, Associated Person maintained a personal trading account at Ladenburg.
3. During all relevant periods herein, Groveman maintained supervisory responsibility and authority over the traders and traders' assistants working on Ladenburg's proprietary trading desk.
4. During all relevant periods herein, Exchange Rules 4.2 -Adherence to Law and 9.8 -Supervision of Accounts were in full force and effect.
5. During the period from in or about December 1991 through in or about May 1995, Groveman permitted individuals other than firm proprietary account traders, including but not limited to Associated Person, to effect trades in Ladenburg's proprietary accounts and agreed to pay them a percentage of any profits generated as a result of the trades they each effected. However, Groveman failed to establish and implement adequate procedures to monitor the proprietary trading activities of these individuals even after he gave them the authority to effect proprietary trades.
6. During the period from in or about December 1991 through in or about May 1995, Groveman failed reasonably to supervise Associated Person by failing to prevent Associated Person from engaging in a fraudulent and deceptive course of conduct whereby through the use of an electronic system in Ladenburg's office that accepted order entry and same-day trade corrections, Associated Person: a) caused numerous losing Standard & Poors 100 Index option ("OEX") trades originally effected by Associated Person for his personal trading account and/or the accounts of other Ladenburg employees to be assigned to Ladenburg's proprietary accounts; and b) converted Ladenburg's funds to his own use by causing numerous profitable OEX option trades originally effected by Associated Person for Ladenburg's proprietary accounts to be assigned to Associated Person's personal trading account. Associated Person's course of conduct as described herein resulted in a net loss to Ladenburg of approximately \$757,111.
7. During the period from in or about December 1991 through in or about May 1995, Groveman failed reasonably to supervise Associated Person by failing to ensure that Associated Person kept current and accurate manual daily trade blotters and a manual profit and loss notebook that Associated Person prepared for one or more of Ladenburg's proprietary accounts.

FINDINGS

8. The acts, practices and conduct described in each of Paragraphs 5 through 7 above constitute violations of Exchange Rules 4.2 and 9.8 by Groveman, in that Groveman failed reasonably to supervise Associated Person, and failed to establish and implement adequate procedures to monitor the trading activities of individuals other than firm proprietary traders who were permitted by Groveman to effect trades in Ladenburg's proprietary accounts.

SANCTION

The sanction to be imposed shall consist of:

- 1) a censure;
- 2) an undertaking that, for six months following the date of this Decision, Groveman shall not supervise any Ladenburg employees; and
- 3) an undertaking that, within six months of the date of this Decision, Groveman shall requalify as a Principal and successfully complete the Series 24-General Securities Principal Examination.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Groveman, shall be and hereby is censured. It is further ordered that:

- 1) for six months following the date of this Decision, Groveman shall not supervise any Ladenburg employees; and
- 2) within six months of the date of this Decision, Groveman shall requalify as a Principal and successfully complete the Series 24 General Securities Principal Examination.

**SO ORDERED
FOR THE COMMITTEE**

Dated: June 4, 1997

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