

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

	)	
In the Matter of:	)	
	)	
Norman S. Lawi	)	
Rigene Road	)	
Harrison, New York 10528	)	File No. 96-0043
	)	
	)	
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"), Norman S. Lawi ("Lawi "), submitted an offer of settlement ("Offer of Settlement").

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

Lawi 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, Lawi may not seek review thereof.

Lawi 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 Lawi'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, Lawi was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as a Principal of Ladenburg, Thalmann & Co., Inc. ("Ladenburg"), an Exchange member organization, at Ladenburg's 540 Madison Avenue, New York City branch office.

2. During all relevant periods herein, John M. Echeverry ("Echeverry") 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, Echeverry maintained a personal trading account at Ladenburg.
3. During all relevant periods herein, Lawi's responsibilities included, but were not limited to, the oversight of Ladenburg's Compliance Department and its operations.
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 June 1995, Lawi failed to ensure that Ladenburg's Compliance Department established and implemented reasonable supervisory procedures to monitor: 1) trades effected by Ladenburg employees in their personal accounts, including trades effected by Echeverry in his personal account; 2) the proper completion and maintenance of same-day trade corrections entered over the wire order entry system at Ladenburg; and, 3) the proper completion and maintenance of hard copy order tickets and corresponding confirmations.<sup>1</sup> As a result of Lawi's failure to ensure that Ladenburg's Compliance Department established and implemented reasonable procedures as described herein, Echeverry was allowed to engage in a fraudulent and deceptive course of conduct for a period of over three years, whereby he assigned numerous Standard & Poor's 100 Stock Index option ("OEX") trades originally effected for his personal account and/or the accounts of other Ladenburg employees to Ladenburg's proprietary accounts; and, Echeverry assigned numerous profitable OEX option trades originally effected for Ladenburg's proprietary accounts to his personal account. Echeverry's course of conduct as described herein resulted in a net loss to Ladenburg of approximately \$757,111.

### **FINDINGS**

6. The acts, practices and conduct described in Paragraph 5 above constitute violations of Exchange Rules 4.2 and 9.8 by Lawi, in that Lawi failed to ensure that Ladenburg's Compliance Department established and implemented reasonable supervisory procedures, and as a result, Echeverry was allowed to engage in the course of conduct described in Paragraph 5 above.

### **SANCTION**

The sanction to be imposed shall consist of an admonishment.

### **ORDER**

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<sup>1</sup> Ladenburg informed Exchange staff that such confirmations are called "play-backs" which are printed confirmations of orders or trade corrections transmitted over the electronic order entry system in Ladenburg's office.

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Norman S. Lawi, shall be and hereby is admonished.

**SO ORDERED  
FOR THE COMMITTEE**

**Dated: September 3, 1997**

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