

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

In the Matter of:)

Kevin E. Herron)

c/o Scott & Stringfellow, Inc.)

400 West Market Street)

Greensboro, NC 27401)

Respondent)

File No. 96-0051

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"), Kevin E. Herron ("Herron") 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.

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, Herron was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as an Options Principal and Branch Office Manager of PaineWebber, Inc. ("PaineWebber"), an Exchange member organization, at its Greensboro, North Carolina branch office.

2. During all relevant periods herein, Herron maintained supervisory responsibility over Registered Representatives handling public customer accounts at PaineWebber's Greensboro, North Carolina branch office.
3. During all relevant periods herein, Robert E. Wilkins ("Wilkins") was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as a Registered Representative of PaineWebber at its Greensboro, North Carolina branch office.
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 November 1992 through in or about June 1993, Herron failed adequately to supervise Wilkins by allowing Wilkins to effect numerous option transactions in the accounts of two public customers, which transactions were excessive in size and frequency in view of the character of each account.

FINDINGS

6. The acts, practices and conduct described in Paragraph 5 above constitute violations of Exchange Rules 4.2 and 9.8 by Herron.

SANCTION

The sanction to be imposed shall consist of:

- a) a three thousand five hundred dollar (\$3,500) fine;
- b) a censure; and
- c) an undertaking by Herron to successfully complete the NASD's Series 4-Registered Options Principal Examination within six (6) months of the date of issuance of the Decision in this matter.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Kevin E. Herron, shall be and hereby is censured and fined in the amount of three thousand five hundred dollars (\$3,500). The Respondent is also hereby ordered to successfully complete the NASD's Series 4-Registered Options Principal Examination within six (6) months of the date of issuance of the Decision in this matter.

SO ORDERED
FOR THE COMMITTEE

/s/ Bruce I. Andrews
Bruce I. Andrews
Chairman
Business Conduct Committee

April 4, 1997
Date