

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

)	
In the Matter of:)	
 Kenneth Sandberg)	
400 South LaSalle St.)	
CBOE Box 758)	File No. 96-0054
Chicago, IL 60605)	
)	
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"), Kenneth Sandberg ("Sandberg"), 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, Sandberg, was a member of the Exchange.
2. During all relevant periods herein, Sandberg 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 and 6.20(b)-Admission to and Conduct on the Trading Floor were in full force and effect.
4. On June 13, 1996, Sandberg received a public customer order to sell 20 U.S. Office Products Company (OFQ) Jun 40 call option contracts at a price of 4-1/2 (the "Customer Order") at approximately 9:01:55 a.m. central time (CT). On June 13, 1996, at approximately 2:30 p.m. CT, an Exchange floor broker ("Floor Broker") represented an order in the OFQ trading crowd to buy 30 OFQ Jun 40 call option contracts at a price of 4-1/2. Subsequently, Sandberg did not execute the Customer's Order with Floor Broker's matching bid, and at 2:34:03 p.m. CT, the order represented by Floor Broker was cancelled. At approximately 2:41:09 p.m. CT, Sandberg executed the Customer Order at 4-1/2 with a market-maker in the OFQ trading crowd.
5. On June 13, 1996, after 2:41:09 p.m. CT, when Floor Broker questioned Sandberg concerning the execution of the Customer Order, Sandberg informed Floor Broker that the Customer Order was received by Sandberg after Floor Broker's bid was cancelled.

FINDINGS

6. The acts, practices, and conduct described in Paragraph 5 above constitute violations of Exchange Rules 4.1 and 6.20(b) by Sandberg, in that Sandberg made a misrepresentation to Floor Broker concerning the Customer Order that Sandberg represented, which conduct was inconsistent with just and equitable principles of trade, the maintenance of a fair and orderly market, and the ordinary and efficient conduct of business.

SANCTION

The sanction to be imposed shall consist of a two thousand five hundred dollar (\$2,500) fine and a censure.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Kenneth Sandberg, shall be and hereby is censured and fined in the amount of two thousand five hundred dollars (\$2,500).

**SO ORDERED
FOR THE COMMITTEE**

Dated: May 12, 1997

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