

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

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In the Matter of:)	
)	
John Halston)	
900 N. Lake Shore Drive #2512)	
Chicago, IL 60611)	
)	
and)	
)	
Halston Trading Company)	
900 N. Lake Shore Drive #2512)	
Chicago, IL 60611)	
)	
Respondents)	File No. 96-0069
)	
)	

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 respondents ("Respondents"), John Halston ("Halston") and Halston Trading Company ("Halston Trading") submitted an offer of settlement ("Offer of Settlement").

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

The Respondents have 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 Respondents may not seek review thereof.

Respondents understand and acknowledge that the Committee's decision in this matter will become part of their 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 Respondents' Offer of Settlement based on the following stipulated facts and findings and thereby impose the sanction specified below.

FACTS

1. During all relevant periods herein, the Respondents, Halston and Halston Trading, were members of the Exchange.
2. During all relevant periods herein, Halston Trading was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as a member organization associated with a market-maker.
3. During all relevant periods herein, Halston was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as a CBT exerciser registered for Halston Trading and as a market-maker.
4. During all relevant periods herein, Exchange Rules 4.1 - Just and Equitable Principles of Trade, 4.2 - Adherence to Law, 4.6 - False Statements (including reporting misrepresentations to the Clearing Corporation), 6.51(a) and (d) - Reporting Duties, 8.1 - Market-Maker Defined, and Federal Reserve Board ("FRB") Regulation X were in full force and effect.
5. Attached and incorporated in the Statement of Charges as Appendix I is a listing of the purchase and sale of the Standard & Poor's 500 Stock Index (SPX) class of option roll spread ("SPX Roll Spread") involving the SPX April 500 call option series, the SPX April 500 put option series, the SPX June 500 call option series and the SPX June 500 put option series, which were recorded and reported in approximately 454 transactions, each transaction ranging in size from 1 to 13 contracts by Halston on or about March 30, 1995.
6. Attached and incorporated in the Statement of Charges as Appendix II is a sampling of orders initiated by Halston that increased or established positions in his market-maker account while he was not present on the trading floor during the fourth quarter of 1994, during the first quarter of 1995 and during the second quarter of 1995.
7. On March 30, 1995, Halston, on behalf of Halston Trading, effected and caused to be submitted for clearance the purchase and sale of the same SPX Roll Spread described in Appendix I, which were carded and reported to the Exchange as approximately 454 transactions (each transaction ranging in size from 1 to 13 contracts), rather than the fewer number of transactions effected in the trading crowd.
8. On or about March 30, 1995, Halston, on behalf of Halston Trading, failed to record the time of the purchase or sale on 105 of the transactions described in Appendix I.
9. On or about March 30, 1995, Halston, on behalf of Halston Trading, failed to submit 57 option transactions of the 454 transactions described in Appendix I, in which he was the seller, to the Exchange's Price Reporting System.

10. On or about March 30, 1995, Halston, on behalf of Halston Trading, caused to be cleared into his market-maker account the SPX Roll Spread transactions described in Appendix I, which transactions were not the same trades that were consummated in the SPX trading crowd.
11. During the approximate period from on or about October 1, 1994 through on or about December 31, 1994, Halston, on behalf of Halston Trading, initiated numerous opening option transactions, as more fully described in Appendix II, that increased or established positions in his market-maker account while Halston was not present on the trading floor of the Exchange. As a result, Halston and Halston Trading improperly received specialist exempt credit for margin purposes for those opening transactions.
12. During the approximate period from on or about January 1, 1995 through on or about March 31, 1995, Halston, on behalf of Halston Trading, initiated numerous opening option transactions, as more fully described in Appendix II, that increased or established positions in his market-maker account while Halston was not present on the trading floor of the Exchange. As a result, Halston and Halston Trading improperly received specialist exempt credit for margin purposes for those opening transactions.
13. During the approximate period from on or about April 1, 1995 through on or about June 30, 1995, Halston, on behalf of Halston Trading, initiated numerous opening option transactions, as more fully described in Appendix II, that increased or established positions in his market-maker account while Halston was not present on the trading floor of the Exchange. As a result, Halston and Halston Trading improperly received specialist exempt credit for margin purposes for those opening transactions.

FINDINGS

14. The acts, practices and conduct described in Paragraph 7 above constitute violations of Exchange Rules 4.1 and 4.6 by Halston and Halston Trading, in that Halston improperly submitted the transactions described in Appendix I for clearance as approximately 454 transactions (each transaction ranging in size from 1 to 13 contracts), rather than the fewer number of transactions effected in the trading crowd.
15. The acts, practices and conduct described in Paragraph 8 above constitute violations of Exchange Rule 6.51(d) by Halston and Halston Trading, in that Halston failed to record the time of the purchase or sale on 105 of the transactions described in Appendix I.
16. The acts, practices and conduct described in Paragraph 9 above constitute violations of Exchange Rule 6.51(a) by Halston and Halston Trading, in that Halston failed to submit 57 option transactions of the 454 transactions described in Appendix I, in which he was the seller, to the Exchange's Price Reporting System.

17. The acts, practices and conduct described in Paragraph 10 above constitute violations of Exchange Rule 4.1 by Halston and Halston Trading, in that Halston, on behalf of Halston Trading, caused to be cleared into his market-maker account the SPX Roll Spread transactions described in Appendix I, which transactions were not the same trades that were consummated in the SPX trading crowd.
18. The acts, practices and conduct described in each of Paragraphs 11, 12 and 13 above constitute violations of Exchange Rules 4.2 and 8.1 and FRB Regulation X by Halston and Halston Trading, in that Halston, on behalf of Halston Trading, initiated numerous opening option transactions, as more fully described in Appendix II, that increased or established positions in his market-maker account while Halston was not present on the trading floor of the Exchange. As a result, Halston and Halston Trading improperly received specialist exempt credit for margin purposes for those opening transactions.

SANCTION

The sanction to be imposed shall consist of:

- a). a ten thousand dollar (\$10,000) joint and several fine; and
- b). a censure of each respondent.

ORDER

ACCORDINGLY IT IS ORDERED THAT the Respondents, John Halston and Halston Trading Company, shall be and hereby are each censured and jointly and severally fined in the amount of ten thousand dollars (\$10,000).

SO ORDERED
FOR THE COMMITTEE

/s/ Fred O. Goldman
Fred O. Goldman
Acting Chairman
Business Conduct Committee

April 4, 1997
Date