

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

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In the Matter of:)	
)	
John Lee)	
c/o Barron Chase Securities)	
10 South Riverside Plaza)	File No. 97-0004
Suite 1430)	
Chicago, IL 60606)	
)	
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"), John Lee ("Lee"), 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, Lee, was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as a Registered Representative of Gruntal & Co., Inc. ("Gruntal"), an Exchange member organization, at its Chicago, Illinois branch office.

2. During all relevant periods in which the activity noted below occurred, Lee was acting in his capacity as a Registered Representative for Gruntal, and was engaged in the handling of public customer accounts.
3. During all relevant periods herein, Exchange Rules 4.1-Just and Equitable Principles of Trade, 9.9-Suitability of Recommendations, 9.10(a)-Discretionary Accounts, Authorization and Approval Required, 9.10(c) Discretionary Accounts, Excessive Transactions Prohibited and 9.18(a) Guarantees and Profit Sharing, Prohibition Against Guarantees, were in full force and effect.
4. During the period from on or about January 3, 1995 through on or about March 24, 1995, Lee accepted numerous stock and option orders for the account of two public customers (the "Public Customers") from a third party, a certain relative of the Public Customers (the "Relative"), without the prior third party written authorization and approval from Gruntal.
5. During the period from on or about March 28, 1995 through on or about May 19, 1995, Lee effected numerous options transactions on a discretionary basis in the Public Customers' account without prior written authorization from the Public Customers and written approval by Gruntal.
6. During the period from on or about January 3, 1995 through on or about May 19, 1995, Lee effected numerous option transactions in the Public Customers' account that were unsuitable in that Lee failed to make a reasonable inquiry into the Public Customers' financial situation and needs, investment objectives, and their financial ability to bear the risks associated with those option transactions.
7. During the period from on or about January 3, 1995 through on or about May 19, 1995, Lee effected numerous option transactions in the Public Customers' account that were excessive in size in view of the Public Customers' financial resources and the character of their account.
8. On or about March 28, 1995, Lee executed an agreement with the Relative whereby Lee promised to compensate the Relative for losses sustained in the Public Customers' account, and pledged his personal residence as security against the losses in the Public Customers' account.
9. On or about May 22, 1995, Lee represented to Gruntal that he committed an error in the Public Customers' account by failing to enter a closing sale order of 20 OEX 495 call option contracts at 2 7/8 on May 18, 1995, just prior to the options expiring worthless on May 19, 1995. Based on Lee's representation, Gruntal entered a trade correction providing the Public Customers' with a closing fill on the 20 OEX 495 calls at 2 7/8, or a credit of approximately \$5,750. Subsequently, Lee admitted to Gruntal that he falsified the aforementioned error in order to reduce the losses sustained in the Public Customers' account when the options expired worthless.

FINDINGS

10. The acts, practices and conduct described in Paragraph 4 above constitute violations of Exchange Rule 4.1 by Lee, in that Lee accepted numerous stock and option orders for the Public Customers' account from a third party without the prior third party written

authorization and approval from Gruntal, which conduct was inconsistent with just and equitable principles of trade.

11. The acts, practices and conduct described in Paragraph 5 above constitute violations of Exchange Rules 4.1 and 9.10(a) by Lee, in that Lee effected numerous options transactions on a discretionary basis in the Public Customers' account, which conduct was inconsistent with just and equitable principles of trade.
12. The acts, practices and conduct described in Paragraph 6 above constitute violations of Exchange Rules 4.1 and 9.9 by Lee, in that Lee effected numerous unsuitable option transactions in the Public Customers' account, which conduct was inconsistent with just and equitable principles of trade.
13. The acts, practices and conduct described in Paragraph 7 above constitute violations of Exchange Rules 4.1 and 9.10(c) by Lee, in that Lee effected excessive option transactions in the Public Customers' account, which conduct was inconsistent with just and equitable principles of trade.
14. The acts, practices and conduct described in Paragraph 8 above constitute violations of Exchange Rules 4.1 and 9.18(a) by Lee, in that Lee guaranteed the Public Customers against losses sustained in their account, which conduct was inconsistent with just and equitable principles of trade.
15. The acts, practices and conduct described in Paragraph 9 above constitute violations of Exchange Rule 4.1 by Lee, in that Lee misrepresented to Gruntal that he committed an error in the Public Customers' account, which conduct was inconsistent with just and equitable principles of trade.

SANCTION

The sanction to be imposed shall consist of a ten thousand dollar (\$10,000) fine, a three month suspension from Exchange membership and from association with any Exchange member or member organization, and a censure.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Lee, shall be and hereby is fined in the amount of ten thousand dollars (\$10,000), suspended for three months from Exchange membership and from association with any Exchange member or member organization, and censured.

**SO ORDERED
FOR THE COMMITTEE**

Dated: August 11, 1997

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