

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

	)	
In the Matter of:	)	
	)	
Jonathan E. Kahn	)	
1450 W. Hutchinson	)	File No. 97-0012
Chicago, IL 60614	)	
	)	
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"), Jonathan E. Kahn ("Kahn"), 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, Kahn was a member of the Exchange.
2. During all relevant periods herein, Kahn was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as a market-maker and a CBT exerciser.
3. During all relevant periods herein, Exchange Rules 4.2 - Adherence to Law and 8.1 - Marker-Maker Defined, and Regulation X of the Board of Governors of the Federal Reserve System ("FRB") - Borrowers of Securities Credit were in full force and effect.

4. Attached to the Statement of Charges was an Appendix ("Appendix") that contained a sample of cleared option transactions which were executed by floor brokers, and which increased or established positions in Kahn's market-maker account or his market-maker cross-margin account for the period from on or about November 20, 1995, through on or about December 8, 1995.
5. During the period from on or about November 20, 1995, through on or about December 8, 1995, on approximately seven trade dates, Kahn initiated approximately thirty-four (34) option orders resulting in numerous transactions, as more fully described in the Appendix, that increased or established positions in his market-maker account or his market-maker cross-margin account while Kahn was not present on the trading floor of the Exchange. As a result, Kahn improperly received specialist exempt credit for margin purposes for these transactions.

### **FINDINGS**

6. The acts, practices and conduct described in Paragraph 5 above constitute violations of Exchange Rule 8.1 by Kahn, in that Kahn initiated approximately thirty-four (34) option orders resulting in numerous transactions, as more fully described in the Appendix, that increased or established positions in his market-maker account or his market-maker cross-margin account while Kahn was not present on the trading floor of the Exchange.
7. The acts, practices and conduct described in Paragraph 5 above constitute violations of Exchange Rule 4.2 and FRB Regulation X by Kahn, in that Kahn improperly received specialist exempt credit for margin purposes for these transactions.

### **SANCTION**

The sanction to be imposed shall consist of a four thousand five hundred dollar (\$4,500) fine and a censure.

### **ORDER**

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Jonathan E. Kahn, shall be and hereby is fined in the amount of four thousand five hundred dollars (\$4,500) and censured.

**SO ORDERED  
FOR THE COMMITTEE**

**Dated: August 11, 1997**

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