

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

In the Matter of:)
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)
Kingsbury Trading, L.L.C.)
Suite 1900)
440 S. LaSalle Street)
Chicago, IL 60605)
)
and)
)
John F. Kingsbury, Jr.)
c/o Kingsbury Trading, L.L.C.)
Suite 1900)
440 S. LaSalle Street)
Chicago, IL 60605)
)
Respondents)
_____)

File No. 97-0021

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"), Kingsbury Trading, L.L.C. ("Kingsbury Trading") and John F. Kingsbury, Jr. ("Kingsbury"), 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.

The 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 to impose the sanction specified below.

FACTS

1. During all relevant periods herein, the Respondents, Kingsbury Trading and Kingsbury, were members of the Exchange.
2. During all relevant periods herein, Kingsbury Trading was an Exchange member organization registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as an organization associated with a market-maker.
3. During all relevant periods herein, Kingsbury was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as a market-maker and a CBT exerciser registered for Kingsbury Trading.
4. During all relevant periods herein, Paul C. Stefanos ("Stefanos") was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as a market-maker and a CBT exerciser registered for LaRocque Trading, L.L.C. ("LaRocque"), an Exchange member organization.
5. During all relevant periods herein, Exchange Rules 4.1 - Just and Equitable Principles of Trade and 4.6 - False Statements were in full force and effect.
6. On or about January 4, 1996, Kingsbury, on behalf of Kingsbury Trading, allowed Stefanos to record and submit for trade match and clearance the sale of 500 Standard & Poor's 100 Stock Index ("OEX") Jan 515 call option contracts and the sale of 500 OEX Jan 550 call option contracts with Kingsbury recorded as the contra party, when Kingsbury was neither present in the OEX trading crowd nor present on the trading floor of the Exchange.

FINDINGS

7. The acts, practices, and conduct described in Paragraph 6 above constitute violations of Exchange Rules 4.1 and 4.6 by Kingsbury and Kingsbury Trading, in that Kingsbury, on behalf of Kingsbury Trading, allowed Stefanos to record and submit for trade match and clearance the sale of 500 OEX Jan 515 call option contracts and the sale of 500 OEX Jan 550 call option contracts with Kingsbury recorded as the contra party, when Kingsbury was neither present in the OEX trading crowd nor present on the trading floor of the Exchange.

SANCTION

The sanction to be imposed shall consist of a twelve thousand five hundred dollar (\$12,500) joint and several fine and a censure of each Respondent.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondents, Kingsbury Trading, L.L.C. and John F. Kingsbury, Jr., shall be and hereby are each censured and jointly and severally fined in the amount of twelve thousand five hundred dollars (\$12,500).

**SO ORDERED
FOR THE COMMITTEE**

Dated: November 12, 1997

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