

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

)	
In the Matter of:)	
)	
Patrick Rooney,)	
Rooney Trading, Inc., and)	
Karen Johnson)	
440 South LaSalle St., Suite 1565)	
Chicago, IL 60605)	
)	
)	
Respondents)	File Nos. 96-0038 and 96-0039
)	
)	

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”), Patrick Rooney (“Rooney”), Rooney Trading, Inc. (“Rooney Trading”) and Karen Johnson (“Johnson”) 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 Statements 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 records 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, Respondents, Rooney and Rooney Trading were Exchange members, and Respondent Johnson was associated with and employed as a clerk by Rooney and Rooney Trading.
2. During all relevant periods herein, Rooney was registered with the Exchange to transact business on the Exchange in accordance with Exchange Rules as a market-maker and a nominee for Rooney Trading.
3. During all relevant periods herein, Rooney Trading was registered with the Exchange to transact business on the Exchange as a lessee organization associated with a market-maker.
4. During all relevant periods herein, Exchange Rules 4.1 - Just and Equitable Principles of Trade; 4.6 - False Statements; 6.51(a) & (b) - Reporting Duties and Interpretation and Policy .01 thereunder; 17.2(b) - Complaint and Investigation; and 17.50(g)(4) - Imposition of Fines for Minor Rule Violations were in full force and effect.
5. Attached to and incorporated as Appendix A to the Statements of Charges for File Nos. 96-0038 and 96-0039 is a sampling of Rooney's transactions effected on various dates in November 1994.
6. As more fully described in Appendix A, Rooney and/or Johnson, on behalf of Rooney Trading, added or altered execution times recorded on Rooney's market-maker hardcards for approximately 10 transactions effected on various dates in November 1994, and caused to be submitted to the Exchange altered market-maker hardcards representing approximately 10 transactions during the verification procedure for eliminating summary fines assessed for failure to report accurate transaction times pursuant to Exchange Rule 17.50¹.
7. On various trade dates during November and December 1994, Rooney on behalf of Rooney Trading submitted and/or caused to be submitted trade tickets without designated execution times or with inaccurate execution times to the Exchange and his clearing firm.

¹ Exchange Rule 17.50(g)(4) assesses a summary or minor rule violation fine to market-makers who submit inaccurate or no transaction times to the Exchange for a significant percentage of transactions executed in a month. Under Interpretation & Policy .03 to Exchange Rule 17.50, a market-maker may attempt to reverse a summary fine through a "verification" process, by producing substantiating evidence to Exchange staff usually in the form of sufficient numbers of hardcards showing entry of accurate times by the market-maker. The verification process thus entails a review of and investigation by staff of the hardcards or other substantiating evidence produced by the market-maker.

FINDINGS

8. The acts, practices, and conduct described in Paragraph 6 above constitute violations of Exchange Rules 4.1, 4.6 and 17.2(b) by Rooney, Rooney Trading and Johnson in that Rooney's and/or Johnson's alteration of the execution time on the subject market-maker hardcards and subsequent submission of those hardcards to the Exchange on behalf of Rooney Trading were inconsistent with just and equitable principles of trade, misrepresented to the Exchange that the altered times were accurate execution times, and impeded the Exchange's verification process.
9. The acts, practices, and conduct described in Paragraph 7 above constitute violations of Exchange Rule 6.51(a) & (b) and Interpretation and Policy .01 thereunder by Rooney and Rooney Trading.

SANCTION

The sanction to be imposed shall consist of:

- a). a two thousand dollar (\$2,000) joint and several fine;
- b). a censure of each respondent; and
- c). an educational meeting with staff on audit trail integrity and related matters.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondents, Patrick Rooney, Rooney Trading, Inc., and Karen Johnson, shall be and are hereby each censured and jointly and severally fined in the amount of two thousand dollars (\$2,000). The Respondents are also hereby ordered to undertake an educational meeting with staff on audit trail integrity and related matters

**SO ORDERED
FOR THE COMMITTEE**

Dated: April 9, 1997

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