

Date: October 22, 1997

To: Exchange Membership

From: Legal Department

Re: Schedule of fines that may be imposed pursuant to Rule 17.50 for violations of DJX Crowd standards of trading conduct

This circular sets forth a schedule of fines that may be imposed by two Floor Officials in the DJX Crowd pursuant to Rule 17.50(g)(6) for violations of certain standards of trading conduct applicable under Rule 6.20(b), including violations of the firm quote requirements under Rule 8.51. These standards of trading conduct are described in Regulatory Circular RG 97-138. This schedule of fines supplements the fines set forth in RG 95-37 for violations of other trading conduct and decorum policies.

Please note that under Rule 17.50(g)(6), Floor Officials may impose for a first or second offense the maximum fine authorized for subsequent offenses if warranted under the circumstances. In addition, the Exchange reserves the right to initiate a formal disciplinary proceeding against a member or person associated with a member pursuant to Chapter XVII of the Rules whenever such action is considered appropriate.

SCHEDULE OF FINES

A. Failure to honor firm quotation obligations under the DJX Firm Quote Program pursuant to Rule 8.51 as described in RG 97-138 (violations of Rule 8.51 are deemed to be violations of Rule 6.20(b) pursuant to paragraph (vii) of Interpretation and Policy .04 under Rule 6.20):

1. For each failure to take the contra side of a transaction in response to Floor Officials' designation within the preceding 12-month period, a member or person associated with a member will be subject to fine in the amount set forth below:

First violation	\$1,000.00
Second violation	\$2,000.00
Third and fourth violations	\$2,500.00
Subsequent violations	Referral to the Business Conduct Committee

B. Violation of the following other obligations under the DJX Firm Quote Program as described in RG 97-138:

1. Failure of a DJX Market Maker to indicate the size on bids and offers for less than the DJX firm quote limit.
2. Failure of an DJX Market Maker to respond to the request of a Floor Broker or Order Book Official to quote a market.

3. Failure of a DJX Market Maker to remove or change posted bids and offers when they cease to be effective (in addition to being subject to fine, the Market Maker is also responsible for satisfying the firm quote obligation at the disseminated market).
4. Causing bids or offers in DJX for less than the DJX firm quote limit to be displayed. (A public (non-broker-dealer) customer bid or offer for less than the DJX firm quote limit, if not immediately executed, shall be displayed as quote for the DJX firm quote limit.)
5. Failure of a Floor Broker to ensure that all orders eligible to be executed under the firm quote rule are executed at the disseminated market or better, by representing the order in one of the two ways described in RG 97-138.
6. Failure of a Floor Broker to inform the crowd prior to the posting of a limit order that improves the market whenever it is the case that the limit order is for less than the DJX firm quote limit.
7. Failure of a Floor Broker to remove a disseminated quote upon leaving the crowd or filling the order (in addition to being subject to fine, the Floor Broker is also responsible for satisfying the firm quote obligation at the disseminated quote).

For each of the foregoing violations within a calendar quarter as determined by at least two Floor Officials, a member or person associated with a member will be subject to fine in the amount set forth below:

First violation	\$100.00
Second violation	\$200.00
Third and subsequent violations	\$300.00

Questions concerning any of the standards of trading conduct or the fine schedule may be directed to a TFL representative or to Daniel Hustad at 786-7715.