

NEW YORK STOCK EXCHANGE, INC.

EXCHANGE HEARING PANEL DECISION 05-26

February 23, 2005

JAMES VINCENT PAROLISI
FORMER EXCHANGE MEMBER

* * *

**Violated Exchange Rule 477 by failing to comply with requests for
testimony – Consent to censure and permanent bar.**

Appearances:

For the Division of Enforcement
Julie Han Broderick, Esq.
Neil T. O'Donnell, Esq.

For the Respondent
Paul F. McCurdy, Esq.

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An Exchange Hearing Panel met to consider a Stipulation of Facts and Consent to Penalty entered into between the Exchange's Division of Enforcement and James Vincent Parolisi, a former specialist member of the Exchange, with Spear, Leeds & Kellogg Specialists LLC. Without admitting or denying guilt, Mr. Parolisi consents to a finding by the Hearing Panel that he violated Exchange Rule 477 by failing to comply with one or more written requests by the Exchange that he appear and testify concerning one or more matters which occurred prior to the termination of his status as a member of the Exchange.

For the sole purpose of settling this disciplinary proceeding, the Division of Enforcement and Mr. Parolisi stipulate to certain facts, the substance of which follows:

Background and Jurisdiction

1. James Vincent Parolisi ("Parolisi") was born on February 20, 1962. He entered the securities industry in September 1982 when he obtained employment as a specialist clerk with Walter N. Frank & Co. In or about May 1987, Parolisi became a partner with Walter N. Frank & Co. and was approved as a member of the Exchange.
2. In or about June 2002, Walter N. Frank & Co. was purchased by Goldman Sachs & Co., Inc and merged with Spear, Leeds & Kellogg Specialists LLC ("the Firm"). Parolisi was employed as a specialist member with the Firm until September 2003.
3. On or about September 15, 2003, Parolisi's retirement from the Firm became effective and his membership with the Exchange terminated. Parolisi is currently not a member of the Exchange or employed in the securities industry.

4. By letter dated December 29, 2003, which Parolisi received, Enforcement notified Parolisi that it was investigating the possibility that he may have violated Exchange rules and the federal securities laws while he was employed at the Firm.
5. On or about November 30, 2004, Enforcement issued a Charge Memorandum against Parolisi relating to the matters described below.

Failure to Cooperate

6. By letter dated May 4, 2004, which Parolisi received, Enforcement informed Parolisi that it was investigating his specialist trading activity at the Firm in three Exchange-listed securities during the period 1999 through 2003 (the "May Letter").
7. In the May Letter, Enforcement requested that Parolisi appear and provide on-the-record testimony ("OTR") on June 3, 2004.
8. Enforcement informed Parolisi in the May Letter that his failure to appear and provide testimony on the scheduled date could result in formal disciplinary action against him for failure to cooperate.
9. Parolisi was aware that his testimony was to focus on allegations that he engaged in improper trading in the Firm's dealer or proprietary account, such as interpositioning and trading ahead of customer orders, which resulted in the customers orders being disadvantaged.
10. Subsequently, by letter dated June 16, 2004, Parolisi, through counsel, requested that his OTR be re-scheduled for July 22, 23, or July 29, 2004.
11. By letter to Parolisi dated June 23, 2004, which he received, Enforcement granted Parolisi's request and rescheduled his OTR to July 22, 2004 (the "June 23rd Letter").
12. In the June 23rd Letter, Enforcement informed Parolisi that his failure to appear and provide testimony on July 22, 2004 could result in formal disciplinary action against him for failure to cooperate.
13. Parolisi did not appear and provide testimony on July 22, 2004.
14. To date, Parolisi has not complied with the Exchange's requests that he appear and provide testimony.

DECISION

The Hearing Panel, in accepting the Stipulation of Facts and Consent to Penalty, found Mr. Parolisi guilty as set forth above by unanimous vote.

PENALTY

In view of the above findings, the Hearing Panel, by unanimous vote, imposed the penalty consented to by Mr. Parolisi of a censure and a permanent bar from membership, allied membership, approved person status, and from employment or association in any capacity with any member or member organization.

For the Hearing Panel

Milton M. Stein – Hearing Officer
Panelists:
Frank V. DeGarcia
Thomas Kay