

OPTIONS EXCHANGE			
<b>Regulatory Information Circular</b>			
<b>Circular number:</b>	2010-01	<b>Contact:</b>	Michael J. Simon Chief Regulatory Officer
<b>Date:</b>	January 4, 2010	<b>Telephone:</b>	212-897-0230

## **Subject: Disciplinary Actions**

The purpose of this Regulatory Information Circular is to set forth final disciplinary actions that resulted in the imposition of penalties for violations of specified provisions of the federal securities laws and/or the Constitution and Rules of the Exchange during 2009.

### **A.) Disciplinary Sanctions Imposed Pursuant to ISE Rule 1614, Imposition of Fines for Minor Rule Violations:**

- File No. 2009-033. A member was fined \$1,000 when it established an option position in excess of the contract limit. (ISE Rule 412)
- File No. 2009-039. A member was fined \$500 when it established an option position in excess of the contract limit. (ISE Rule 412)
- File No. 2009-150. A member was fined \$2,500 when it failed to expose for the required time period customer orders it represented as agent prior to entering offsetting and interacting firm proprietary orders. (ISE Rule 717(d))

### **B.) Disciplinary Sanctions Imposed Pursuant to ISE Rule 1603, Letters of Consent:**

#### File No. 2006-103

Bear, Stearns & Co., Inc. was fined \$30,000 for improperly hedging its anticipated facilitation of a customer order prior to disclosure of the customer order to the market place. (ISE Rule 400.02)

#### File Nos. 2006-146

Merrill Lynch, Pierce, Fenner & Smith, Inc. was fined \$30,000 for improperly hedging its anticipated facilitation of a customer order prior to disclosure of the customer order to the market place. (ISE Rule 400.02)

#### File No. 2007-001

Banc of America Securities LLC was fined \$30,000 for improperly hedging its anticipated facilitation of a customer order prior to disclosure of the customer order to the market place. (ISE Rule 400.02)

#### File Nos. 2007-083; 2007-185; 2008-082; 2008-182

Israel A. Englander & Co., Inc. was fined \$80,000 and made a restitution payment of unpaid execution fees due the Exchange in the amount of \$37,997.82 for entering orders with incorrect information regarding account type and for failing to maintain satisfactory written supervisory procedures to assure compliance with applicable rules regarding accurate identification of account type. (ISE Rules 401; 712(a))

File Nos. 2007-162; 2008-006

Goldman, Sachs & Co. was fined \$10,000 for sending P/A Orders through the Linkage that did not reflect the terms of a public customer order, and in certain instances for failing to pass along the execution of a P/A Order to the customer. (ISE Rule 400)

File Nos. 2007-162; 2008-006

Timber Hill LLC was fined \$10,000 for sending P/A Orders through the Linkage that did not reflect the terms of a public customer order, and in certain instances for failing to pass along the execution of a P/A Order to the customer. (ISE Rule 400)

File Nos. 2008-018; 2008-019; 2008-021; 2008-061; 2008-064; 2008-112; 2008-114; 2008-178; 2008-180

Archelon, LLC was fined \$115,000 for, as Competitive Market Maker, failing to quote the required percentage of options classes to which it was appointed, failing to quote the required percentage of the series for options it quoted, and failing to maintain a continuous quote for all series until the close of trading. (ISE Rules 804(e)(2)(i); 804(e)(2))

File Nos. 2008-076; 2008-127; 2008-130

Bulltlick, LLC was fined \$12,000 for failing to expose for the required time period customer orders it represented as agent prior to entering offsetting and interacting proprietary and broker dealer orders. (ISE Rules 717(d); 717(e))

File No. 2008-133

Maxim Group, LLC was fined \$1,000 and made a restitution payment of unpaid execution fees due the Exchange in the amount of \$360.00 for entering orders with incorrect information regarding account type. (ISE Rule 712)

File Nos. 2008-133; 2008-182; 2009-032

Ronin Capital, LLC was fined \$7,500 and made a restitution payment of unpaid execution fees due the Exchange in the amount of \$407.16 for entering orders with incorrect information regarding account type and for failing to adequately supervise to assure compliance with applicable rules regarding accurate identification of account type. (ISE Rules 401; 712(a))

File Nos. 2008-178; 2008-180; 2009-101; 2009-013; 2009-081; 2009-145

Group One Trading, LP was fined \$25,000 for, as Competitive Market Maker, failing to quote the required percentage of the series for options it quoted, failing to maintain a continuous quote for all series until the close of trading, and for submitting quotations that exceeded the required spread quote differential prior to the opening rotation. (ISE Rules 803(b)(4), 804(e)(2)(ii), 904(a)(2))

File No. 2009-072

Walleye Trading, LLC was fined \$2,500 for submitting quotations that exceeded the required spread quote differential after the opening rotation. (ISE Rule 803(b)(4))

**C.) Disciplinary Sanctions Imposed Pursuant to ISE Rule 1609, Offers of Settlement:**

Disciplinary Proceeding No. 20070103754 ISE No. 09-001 (Offer of Settlement)

Wolverine Trading, LLC (“Wolverine”), Eric Henschel (“Henschel”), and Mario Pelini (“Pelini”) consented to the issuance of an Order accepting an Offer of Settlement (“Settlement”) related to the late filing of Contrary Exercise Advices (“CEA”) for options on a security in which there was news released after the cut-off time. This Settlement includes CEAs submitted on other options exchanges, and those exchanges agreed to defer their investigations of similar activity against Wolverine and its employees based on this Settlement.

The Settlement consists of violations of ISE Rules 400 and 1100 by Wolverine and Pelini, in that Pelini, on behalf of Wolverine, submitted a CEA requesting the exercise of call option contracts and the suppression of put option contracts on behalf of Wolverine’s proprietary accounts after the 5:30 p.m. ET cut-off time as established by ISE Rule 1100, and provided false information in connection therewith. In addition, the Settlement includes violations of ISE Rules 400 and 401 by Wolverine, in that Wolverine failed to have proper procedures in place to ensure that Wolverine employees submit CEAs in compliance with ISE Rule 1100; and by Wolverine and Henschel, in that Henschel failed to reasonably and properly supervise the activities of Pelini.

Wolverine, Henschel, and Pelini consented to the following sanctions: a \$350,000 joint and several fine; a four month suspension of Pelini in all capacities; a 30-day suspension of Henschel in a supervisory capacity; and disgorgement in the amount of \$367,887.