

<b>Regulatory Information Circular</b>			
<b>Circular number:</b>	2006-01	<b>Contact:</b>	Michael J. Simon Chief Regulatory Officer
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## **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 2005.

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

- File Nos. 2004-0530-04; 2004-0630-04; 2004-0730-04; 2004-0930-04; 2004-05. A member was fined \$4,500 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting firm proprietary orders. (ISE Rule 717(d))
- File No. 2004-0630-04; 2004-0731-04; 2004-0830-04; 2004-0930-04; 2004-05. A member was fined \$6,500 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting firm proprietary orders. (ISE Rule 717(d))
- File Nos. 2004-0731-04; 2004-0831-04; 2004-0930-04. A member was fined \$1,000 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting firm proprietary orders. (ISE Rule 717(d))
- File Nos. 2004-0731-04; 2004-0831-04; 2004-0931-04; 2004-05. A member was fined \$1,000 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting firm proprietary orders. (ISE Rule 717(d))
- File No. 2004-05. A member was fined \$2,000 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting firm proprietary orders. (ISE Rule 717(d))
- File No. 2004-15. Two members were fined \$1,000 when they failed to expose customer orders they represented as agent for 30 seconds prior to entering offsetting and interacting firm proprietary orders. (ISE Rule 717(d))
- File No. 2004-15. A member was fined \$500 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting firm proprietary orders. (ISE Rule 717(d))
- File No. 2005-124. A member was fined \$1,000 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting firm proprietary orders. (ISE Rule 717(d))

- File No. 2005-139. A member was fined \$500 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting firm proprietary orders. (ISE Rule 717(d))
- File No. 2004-0531-04. A member was fined \$1,000 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting broker dealer orders. (ISE Rule 717(e))
- File No. 2005-72. A member was fined \$500 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting broker dealer orders. (ISE Rule 717(e))
- File No.2005-89. A member was fined \$3,000 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting broker dealer orders. (ISE Rule 717(e))
- File No. 2005-124. A member was fined \$1,000 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting broker dealer orders. (ISE Rule 717(e))
- File Nos. 2004-0630-04; 2004-0930-04; 2004-05. A member was fined \$1,000 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting proprietary and broker dealer orders. (ISE Rules 717(d); 717(e))
- File Nos. 2004-0731-04; 2004-0831-04; 2004-0930-04; 2004-05. A member was fined \$5,500 when it failed to expose customer orders it represented as agent for 30 seconds prior to entering offsetting and interacting proprietary and broker dealer orders. (ISE Rules 717(d); 717(e))

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

File Nos. 2004-0109-01; 2004-0414-01; 2004-0514-01; 2004-0621-01

Timber Hill LLC (“Timber Hill”) was censured and fined \$13,500 for the following conduct: During the time period of January 9, 2004 through February 5, 2004, Timber Hill, on eight occasions, controlled an aggregate position that exceeded the 300,000 contract position limit in the Nasdaq 100 Index Trust (“QQQ”). In the QQQ, on June 21, 2004, Timber Hill controlled an aggregate position that exceeded the 300,000 contract position limit. On eleven occasions from March 31, 2004 to April 15, 2004, Timber Hill controlled an aggregate position that exceeded the 40,000 contract position limit in the iShares S&P Index Fund. In the iShares Russell 2000 Index Fund, on May 14, 2004, Timber Hill controlled an aggregate position that exceeded the 75,000 contract position limit. (ISE Rule 412)

File Nos. 2003-0731-04; 2003-0830-05; 2003-0930-05; 2003-1031-07; 2003-1130-03; 2003-1231-03

ABN AMRO Incorporated ("ABN") was censured, fined \$10,000, and made a restitution payment of \$29,185 for the following conduct: On 133 occasions during the period July 1, 2003 through December 30, 2003, ABN entered into the ISE system, as agent on behalf of a customer, multiple orders for a single trading interest when one or more of the orders was for fewer than ten contracts. (ISE Rule 717(c))

File No. 2004-0430-30

Goldman, Sachs & Co. ("Goldman") was fined \$2,500 for the following conduct: On 92 occasions during the period April 2004, Goldman, an Electronic Access Member, effected transactions in options series at prices that were inferior to the National Best Bid or Offer. (ISE Rule 1902)

File Nos. 2004-0131-33; 2004-0229-33; 2004-0331-33; 2004-0430-33; 2004-0531-33; 2004-0831-33

Deutsche Bank Securities, Inc. ("Deutsche Bank") was censured and fined \$25,000 for the following conduct: During the time period of January 2004 through June 2004, on 39 occasions, Deutsche Bank improperly addressed customer orders received for manual handling by either providing no execution or by providing an inferior execution, failed to provide its published best quote, and failed to provide the National Best Bid or Offer. (ISE Rules 803(a); 803(c)(2); 804(d))

File Nos. 2003-1031-08; 2003-1130-23; 2004-0131-24; 2004-0229-24; 2004-0331-24; 2004-0430-24; 2004-0531-24; 2004-0631-24; 2004-0731-24; 2004-0831-24; 2004-0930-24; 2004-12

Deutsche Bank Securities, Inc. ("Deutsche Bank") was censured and fined \$50,000 for the following conduct: During the time period of October 2003 through October 2004, and in connection with 272 instances during the review period, Deutsche Bank failed to give the highest bid or lowest offer priority, provided customer orders with inferior prices, and failed to properly allocate executions to the ISE market place. (ISE Rules 713(b); 713(c); 713(e); 803(a); 804(d); Rule 11Ac1-1 under the Securities and Exchange Act of 1934)

File No. 2005-159

SLK-Hull Derivatives, LLC ("Hull") was censured and fined \$5,000 for the following conduct: During the time period of July 1, 2005 through September 30, 2005, on 27 occasions, Hull improperly addressed customer orders received for manual handling by either providing no execution or by providing an inferior execution and failed to provide the National Best Bid or Offer. (ISE Rules 803(c)(2); 804(d))

File No. 2005-156

SLK-Hull Derivatives, LLC ("Hull") was censured and fined \$10,000 for the following conduct: During the time period of July 1, 2005 through September 30, 2005, on 71 occasions when sending PA Orders that were larger than the Firm Customer Quote Size ("FCQS"), Hull sent an initial PA Order that was not for the FCQS. On 47 occasions, Hull sent an additional PA Order

when such order was not for at least the lesser of the size for the disseminated quotation, 100 contracts, or the entire remainder of the Public Customer order. (ISE Rule 1901(c)(2))

File No. 2005-137

SLK-Hull Derivatives, LLC ("Hull") was censured and fined \$10,000 for the following conduct: During the time period of April 1, 2005 through June 30, 2005, on 19 occasions, Hull failed to give the highest bid or lowest offer priority, provided customer orders with inferior prices, and failed to properly allocate executions to the ISE market place. (ISE Rules 713(b); 713(c); 713(e); 803(a); 804(d))

File No. 2005-112

SLK-Hull Derivatives, LLC ("Hull") was censured and fined \$5,000 for the following conduct: During the time period of April 1, 2005 through June 30, 2005, on 47 occasions when sending PA Orders that were larger than the Firm Customer Quote Size ("FCQS"), Hull sent an initial PA Order that was not for the FCQS. In one instance, Hull sent an additional PA Order when such order was not for at least the lesser of the size for the disseminated quotation, 100 contracts, or the entire remainder of the Public Customer order. In one instance, Hull sent additional PA Orders when such orders, in aggregate, were not for at least the lesser of 100 contracts or the entire remainder of the Public Customer order. (ISE Rule 1901(c)(2))

File No. 2005-60

SLK-Hull Derivatives, LLC ("Hull") was censured and fined \$5,000 for the following conduct: During the time period of January 1, 2005 through March 31, 2005, on 32 occasions when sending PA Orders that were larger than the Firm Customer Quote Size ("FCQS"), Hull sent an initial PA Order that was not for the FCQS. In one instance, Hull sent an additional PA Order when such order was not for at least the lesser of the size of the disseminated quotation, 100 contracts, or the entire remainder of the Public Customer order. (ISE Rule 1901(c)(2))

File Nos. 2004-0131-33; 2004-0229-33; 2004-0331-33; 2004-0430-33; 2004-0531-33; 2004-0831-33

SLK-Hull Derivatives, LLC ("Hull") was censured and fined \$20,000 for the following conduct: During the time period of January 1, 2004 through August 31, 2004, on 37 occasions, Hull improperly addressed customer orders received for manual handling by either providing no execution or by providing an inferior execution, failed to provide its published best quote, traded ahead of a Public Customer Order and failed to provide the National Best Bid or Offer. (ISE Rules 400; 713(c); 803(a); 803(c)(2); 804(d); Rule 11Ac1-1 under the Securities and Exchange Act of 1934)

File Nos. 2003-0829-04; 2003-1231-24

SLK-Hull Derivatives, LLC ("Hull") was censured and fined \$25,000 for the following conduct: During the months of August and December 2003, on 20 occasions, Hull failed to give the highest bid or lowest offer priority, traded ahead of customer orders, provided customer orders with inferior prices, and failed to properly allocate executions to the ISE market place. (ISE Rules 400; 713(b); 713(c); 713(e); 803(a); 804(d))