

OPTIONS EXCHANGE			
Regulatory Information Circular			
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Date:	January 7, 2011	Telephone:	(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 2010.

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

- A member was fined \$500 when it failed to expose an order for one (1) second prior to entering the offsetting and interacting order. (ISE Rule 717(e))
- A member was fined \$1,000 when it submitted an Expiring Exercise Declaration past the 5:30 P.M. decision cut-off time. (ISE Rule 1100)
- A member was fined \$1,000 when it submitted an Expiring Exercise Declaration past the 5:30 P.M. decision cut-off time. (ISE Rule 1100)
- A member was fined \$2,500 when it established a position in excess of the contract limit (ISE Rule 412)
- A member was fined \$1,000 when it submitted an Expiring Exercise Declaration past the 5:30 P.M. decision cut-off time. (ISE Rule 1100)

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

- Goldman Sachs & Co. was fined \$17,500 for failing to report to the LOPR several large trades for a customer during May through August 2009 in violation of ISE Rule 415.
- Merrill Lynch Professional Clearing Corp. was fined \$20,000 for violation of ISE Rule 1100 on September 18, 2009, when Merrill submitted a Contrary Exercise Advise form on expiration Friday after the 5:30 p.m. (ET) cutoff time following news announced after the market closed that impacted the stock price.
- MF Global Inc. was fined \$95,000 for violating ISE Rules 717(d) and (e) by failing to properly expose 48 crosses by flipping the solicited and unsolicited sides when entering the order into the Solicitation Order Mechanism during the 1st quarter of 2008 through the 1st quarter of 2010. MF Global also entered 7 orders, amounting to 38,764 contracts, as “customer” when they should have been represented as “firm” in violation of ISE Rule

712(a). In addition, MF Global was charged with a failure to supervise (ISE Rule 401), as the firm had previously received letters of caution and settled a minor disciplinary action involving misrepresenting orders.

- TFS Derivatives Corp. was fined \$70,000 for violating ISE Rules 717(d) and (e) by failing to properly expose its orders by flipping the solicited and unsolicited sides of 64 crosses prior to entering the order into the Solicitation Order Mechanism or executing it on the book during the time period of 1st quarter 2008 through 3rd quarter 2009.
- Newedge USA, LLC was fined \$20,000 for violating ISE Rules 717(d) and (e) by failing to properly expose its orders by flipping the solicited and unsolicited sides of 8 crosses when entering the order into the Solicitation Order Mechanism during the time period of 1st quarter 2008 through 3rd quarter 2009. Newedge also improperly utilized the Solicited Order Mechanism on 22 occasions by entering orders that involved the firm's proprietary account rather than a solicited account in violation of Supplementary Material .05 to Rule 716 and Rule 717(d) and entered 9 orders on the ISE as "customer" when they should have been represented as "firm" in violation of ISE Rule 712(a).
- BTIG was fined \$1,000 for violating ISE Rule 712(a) by improperly representing and executing 4 orders as "customer" rather than "firm" during the time period of 1st quarter 2009 through 3rd quarter 2009.
- Walleye Trading, LLC was fined \$50,000 for improperly adjusting its quotes after receiving a 'request for quote' from an Exchange EAM that Walleye had a Preferred Market Maker arrangement with so that Walleye would execute against incoming preferenced orders in violation of ISE Rule 713 from April 2008 to April 2009.
- La Branche Structured Products was fined \$12,500 for improperly entering 553 orders as "customer" on the Exchange when they should have been marked "firm/proprietary". Improper customer treatment was received for 77 executed orders (representing 127 contracts) in violation of Rule 712(a) during a two day period.