

entered into the Stipulation for the purposes of settling this proceeding and concluding all disciplinary actions by the Exchange against Group One based upon or arising out of the facts set forth in the Stipulation.

II. Facts

Group One, without admitting or denying liability, stipulated to the facts set forth in the attached Stipulation. The Chair has determined to accept the facts for purposes of this Decision, and they are incorporated herein.

III. Violations

Based upon the stipulated facts, the Chair concludes that Group One:

(1) violated Exchange Rule 156(b), Exchange Rule 958A(e), and Article V, Section 4(h) of the Exchange Constitution. On 25 occasions during the period of December 1, 2004 through February 28, 2005, Group One Specialist B failed to use due diligence in handling limited price orders by failing to execute or display customer option limit orders immediately, and failed to handle customer limit orders in accordance with Exchange Rule 958A(e);

(2) violated Exchange Rule 958A, SEC Rule 11Ac1-1, and Article V, Section 4(h) of the Exchange Constitution. On 162 occasions during the period of January 2, 2003 through October 31, 2003, an order was presented to the Firm at the Firm's published bid or offer in an amount up to its published quotation size. The Firm either failed to execute these orders upon presentment and thereby failed to honor its published quotation, or executed these orders at prices inferior to the Firm's published quoted market; On 25 occasions during the period of January 2, 2003 through May 30, 2003, an order was presented to Group One Specialist A at the specialist's published bid or offer in an amount up to the published quotation size. Group One Specialist A failed to execute

these orders upon presentment and thereby failed to honor the published quotation; On 19 occasions during the period of January 2, 2004 through February 27, 2004, an order was presented to Group One Specialist A at the specialist's published bid or offer in an amount up to the published quotation size. Group One Specialist A failed to execute these orders upon presentment and thereby failed to honor the published quotation; and

(3) violated Exchange Rule 320 between January 2003 and February 2005 by failing to: a) develop, maintain and enforce reasonable written supervisory procedures with regard to the aforementioned rules, so as to detect and deter the foregoing violations; b) establish a separate system of follow-up and review sufficient to reasonably ensure that supervisory authority and responsibility in connection with the aforementioned rules, was being properly exercised; and c) establish adequate policies or procedures, or a system to implement such policies or procedures, which would reasonably be expected to detect and deter the foregoing violations.

IV. Penalties and Publicity

The Stipulation proposes that the Chair impose a censure, a fine of \$50,000, and an undertaking for Group One to revise the Firm's written supervisory procedures and within 90 business days of acceptance of this Stipulation by the Disciplinary Panel, document the revisions to NASD Amex Regulation division as described in the Disciplinary Action section of the Stipulation.

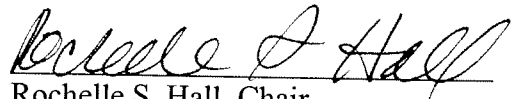
After considering the stipulated facts and the statements of the parties, as well as the decisions cited in the Exchange's precedent memorandum, the Chair finds that the proposed penalty is appropriate under the facts and circumstances of this case, and therefore it will be imposed. The Chair further finds that the results of this disciplinary

proceeding should be publicly disclosed, as provided in Rule 12 of the Exchange Rules on Disciplinary Proceedings.¹

V. Conclusion

The Chair accepts the Stipulation of Facts and Consent to Penalty and hereby imposes upon Group One Trading LP a censure, a 50,000 fine, and an undertaking for Group One to revise the Firm's written supervisory procedures and, within 90 business days of acceptance of this Stipulation by the Disciplinary Panel, document the revisions to NASD Amex Regulation division as described in the Disciplinary Action section of the Stipulation.

FOR THE DISCIPLINARY PANEL

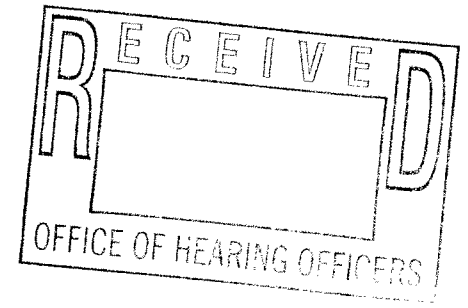

Rochelle S. Hall, Chair

Copies to: Group One Trading, LP (*via overnight and first class mail*)
Sebastian Krawczyk, Esq. (*electronically and via first class mail*)
David E. Rosenstein, Esq. (*electronically and via first class mail*)
Eric S. Brown, Esq. (*electronically and via first class mail*)
Arlene Collins-Day (*electronically and via first class mail*)

¹ Rule 12 exempts from publicity those cases in which the Panel finds that the offense "related solely to minor administrative requirements of the Exchange and does not materially affect the public interest or the interest of investors." That exemption does not apply to the facts of this case.

EXHIBIT A

**Disciplinary Panel
American Stock Exchange LLC**



IN THE MATTER
OF
GROUP ONE TRADING, L.P.

**STIPULATION OF FACTS AND
CONSENT TO PENALTY**
Case Nos. 03-63, 04-19, 04-58, 04-101,
04-209 and 05-253

This proceeding was instituted by the American Stock Exchange LLC (the "Exchange") against Group One Trading, L.P. ("Group One" or the "Firm") (CRD No. 37484), a Regular Member Organization of the Exchange. This Stipulation of Facts and Consent to Penalty ("Stipulation") is entered into with Group One pursuant to Article V, Section 2 of the Exchange Constitution in order to settle and conclude all disciplinary actions by the Exchange against Group One based upon or arising out of the facts hereinafter stipulated. Group One, without admitting or denying the facts, allegations and conclusions contained in this Stipulation of Facts and Consent to Penalty, hereby consents to the entry of findings of violations of the Exchange Constitution and Rules, and the Federal securities laws, and the imposition of the penalties hereinafter provided. Group One understands that this settlement is subject to approval by an Exchange Disciplinary Panel and can be the subject of review by the Amex Adjudicatory Council ("AAC") and that, if so approved, shall constitute a final decision, which may not be appealed by the parties. Group One understands and acknowledges that the Disciplinary Panel's decision in this matter will become part of its disciplinary record and may be considered in any future proceeding brought by the Exchange.

STIPULATED FACTS:

1.0 During all relevant periods herein, Group One was a Regular Member Organization and a registered options specialist organization of the Exchange.

1.1 During all relevant periods herein, Group One served as a specialist for various options that traded on the Floor of the Exchange.

2.0 Option Firm Quote Violations

2.1 Subject to certain exceptions, Exchange specialists are required to execute orders to buy or sell options presented to them at a price at least as favorable to the published bid or offer, in accordance with SEC Rule 11Ac1-1 and Exchange Rule 958A.

2.2 On 162 occasions during the period of January 2, 2003 through October 31, 2003, an order was presented to the Firm at the Firm's published bid or offer in an amount up to its published quotation size. The Firm either failed to execute these orders upon presentment and thereby failed to honor its published quotation, or executed these orders at prices inferior to the Firm's published quoted market (Amex Case Nos. 04-101, 03-63 and 04-19).

2.3 On 25 occasions during the period of January 2, 2003 through May 30, 2003, an order was presented to Group One Specialist A at the specialist's published bid or offer in an amount up to the published quotation size. Group One Specialist A failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 04-58).

2.4 On 19 occasions during the period of January 2, 2004 through February 27, 2004, an order was presented to Group One Specialist A at the specialist's published bid or offer in an amount up to the published quotation size. Group One Specialist A failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 04-209).

2.5 The conduct described in paragraphs 2.2 through 2.4 constitutes separate and distinct violations of SEC Rule 11Ac1-1, Exchange Rule 958A and Article V, Section 4(h) of the Exchange Constitution.

3.0 Limit Order Display Violations

3.1 Exchange Rule 156(b)¹ requires Exchange specialists to use due diligence in handling limited price orders.

3.2 Subject to certain exceptions, Exchange Rule 958A(e)² requires Exchange specialists to publish immediately, but in no event later than 30 seconds from the time of receipt, the price and size of each customer option limit order held by the specialist that is at a price or size that would improve the displayed bid or offer in the option that is the subject of the limit order.

3.3 On 25 occasions during the period of December 1, 2004 through February 28, 2005, Group One Specialist B failed to use due diligence in handling limited price orders by failing to execute or display customer option limit

¹ As of August 20, 2003, the Exchange notified option specialists that, subject to certain exceptions, failures to execute or display customer option limit orders immediately, but in no event later than 30 seconds from the time of receipt, would be enforced pursuant to Exchange Rule 156 and Article V, Section 4(h) of the Exchange Constitution. See Amex Notice – Immediate Display of Customer Options Limit Orders (August 20, 2003).

² Exchange Rule 958A(e) became effective January 21, 2005.

orders immediately, and failed to handle customer limit orders in accordance with Exchange Rule 958A(e) (Amex Case No. 05-253).

- 3.4 The conduct described in paragraph 3.3 constitutes separate and distinct violations of Exchange Rule 156(b), Exchange Rule 958A(e) and Article V, Section 4(h) of the Exchange Constitution.

4.0 Supervision

- 4.1 Although Group One had implemented procedures in an effort to inform its personnel of the rules regarding the display of customer limit orders and adherence to the firm quote provisions, and to deter violations of the aforementioned rules, during the period January 2003 through February 2005, Group One nevertheless failed to: (i) develop, maintain and enforce reasonable written supervisory procedures with regard to the aforementioned rules, so as to detect and deter the foregoing violations; (ii) establish a separate system of follow-up and review sufficient to reasonably ensure that supervisory authority and responsibility in connection with the aforementioned rules, was being properly exercised; and (iii) establish adequate policies or procedures, or a system to implement such policies or procedures, which would reasonably be expected to detect and deter the foregoing violations.
- 4.2 The conduct described in paragraph 4.1 constitutes a violation of Exchange Rule 320.

DISCIPLINARY ACTION:

By reason of the foregoing Stipulated Facts and violations, a Disciplinary Panel may impose the following penalties upon Group One:

- (a) a censure;
- (b) a fine of \$50,000; and
- (c) an undertaking for Group One to revise the Firm's written supervisory procedures with respect to the areas described in paragraph 4.1. Within 90 business days of acceptance of this Stipulation by an Exchange Hearing Panel, a registered principal of Group One shall submit to the COMPLIANCE ASSISTANT, NASD AMEX REGULATION DIVISION, ENFORCEMENT DEPARTMENT, ONE LIBERTY PLAZA, NEW YORK, NY 10006, a signed, dated letter, providing the following information: (1) a reference to this matter; (2) a representation that the Firm has revised its written supervisory procedures to address the deficiencies described in paragraph 4.1; and, (3) the date the revised procedures were implemented.

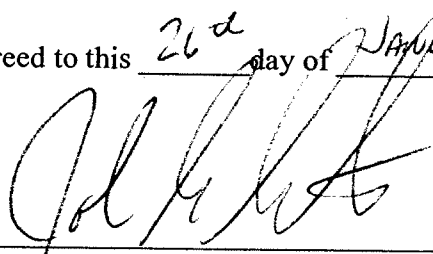
Group One hereby acknowledges that the Firm has read carefully this Stipulation and understands all of the provisions contained herein; that they have agreed to its provisions voluntarily; and that no offer, promise, threat or inducement of any kind has been tendered to Group One by the Exchange, its staff or representatives to induce Group One to enter into this Stipulation, aside from the prospect of settling this disciplinary proceeding based on the terms and conditions set forth in this Stipulation rather than adjudicating this matter by way of a hearing on a Charge Memorandum as provided by Exchange rules.

AMERICAN STOCK EXCHANGE LLC

By: 

David Rosenstein
Vice President and Chief Counsel
NASD Amex Regulation Division

Agreed to this 26th day of January, 2006.


On behalf of Group One Trading, L.P.