

**Disciplinary Panel
American Stock Exchange LLC**

IN THE MATTER :
OF :
SUSQUEHANNA :
INVESTMENT GROUP :

: Case Nos. 04-27, 04-31, 04-40, 04-50, 04-67
: 04-68, 04-81, 04-85, 04-183, 04-226,
: 04-254, 05-17, 05-18, 05-19, 05-46,
: 05-93, 05-99, 05-157, 05-158, 05-170,
: 05-208, 05-325, 05-331, 05-408, 05-460
: 05-463, 05-464, 05-465, 05-466,
: 05-467, 05-468, 05-484, and 06-54

:
: Hearing Officer – RSH
:
: **DECISION**
: July 6, 2006

In accordance with a Stipulation of Facts and Consent to Penalty, the Disciplinary Panel Chair determined that Respondent violated Exchange Rule 156(b), Article V, Section 4(h) of the Exchange Constitution, Exchange Rule 958A, SEC Rule 11Ac1-1, Exchange Rule 943(a), Exchange Rule 992, Exchange Rule 320 and SEC Rule 11Ac1-4 and as a penalty imposed a censure, a \$275,000 fine and an undertaking for Susquehanna to revise the Firm’s written supervisory procedures.

I. Introduction

The American Stock Exchange, LLC (“Exchange”) instituted a formal disciplinary proceeding against Susquehanna Investment Group (“Susquehanna” or the “Firm”), a Regular Member Organization of the Exchange. The Disciplinary Panel Chair (“Chair”), presiding without convening a full Disciplinary Panel, pursuant to Article V, Section 1(b) of the Exchange Constitution, held a hearing on May 4, 2006, pursuant to Article V, Section 2 of the Exchange Constitution, to review a Stipulation of Facts and Consent to Penalty (“Stipulation”), which is attached as Exhibit A. The Exchange and

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

II. Facts

Susquehanna, 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 Susquehanna:

(1) violated Exchange Rule 156(b) and Article V, Section 4(h) of the Exchange Constitution on multiple occasions between June 2002 and November 2004 by failing to use due diligence in handling customer limit orders;

(2) violated SEC Rule 11Ac1-4 (currently known as Rule 604 of Regulation NMS) and Article V, Section 4(h) of the Exchange Constitution on multiple occasions between January 2003 and June 2005 by failing to handle customer limit orders in accordance with Rule 604;

(3) violated Exchange Rule 958A, SEC Rule 11Ac1-1, and Article V, Section 4(h) of the Exchange Constitution on numerous occasions between January 2003 and January 2005 by failing to execute orders upon presentment and failing to honor the published quotation when an order was presented at the published bid or offer in an amount up to the published quotation size;

(4) violated SEC Rule 11Ac1-1 and Article V, Section 4(h) of the Exchange Constitution in March 2003 by failing to execute orders upon presentment, thereby failing to honor the published quotation;

(5) violated Exchange Rule 992 on multiple occasions between June 2002 and May 2003 by failing to report or ensure that transactions were reported within 90 seconds of their execution;

(6) violated Exchange Rule 943 (a) and Article V, Section 4(h) of the Exchange Constitution by failing, on numerous occasions between July 2003 and July 2005, to unlock or uncross a market or failing to direct a principal order through Linkage to trade against the bid or offer that the Firm locked or crossed; and

(7) violated Exchange Rule 320 between June 2002 and July 2005 by failing to have written supervisory procedures providing for: i) identification of the person(s) responsible for supervision with respect to the applicable rules; ii) a statement of the supervisory step(s) to be taken by the identified person(s); iii) a statement as to how often such person(s) should take such step(s); and iv) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.

IV. Penalties and Publicity

The Stipulation proposes that the Chair impose a censure, a fine of \$275,000, and an undertaking that Susquehanna revise the Firm's written supervisory procedures in accordance with the specifications 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 Susquehanna Investment Group a censure, a \$275,000 fine and an undertaking for Susquehanna to revise the Firm's written supervisory procedures.

FOR THE DISCIPLINARY PANEL

Rochelle S. Hall, Chair

Copies to: Susquehanna Investment Group (*via overnight and first class mail*)
 Charles Falgie, 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.

**Disciplinary Panel
American Stock Exchange LLC**

IN THE MATTER
OF
SUSQUEHANNA INVESTMENT GROUP

**STIPULATION OF FACTS AND
CONSENT TO PENALTY**

Case Nos. 04-27, 04-31, 04-40, 04-50, 04-67, 04-68, 04-81, 04-85, 04-183, 04-226, 04-254, 05-17, 05-18, 05-19, 05-46, 05-93, 05-99, 05-157, 05-158, 05-170, 05-208, 05-325, 05-331, 05-408, 05-460, 05-463, 05-464, 05-465, 05-466, 05-467, 05-468, 05-484 and 06-54.

This proceeding was instituted by the American Stock Exchange LLC (the “Exchange”) against Susquehanna Investment Group (“SIG” or the “Firm”) (CRD No. 33875), a Regular Member Organization of the Exchange. This Stipulation of Facts and Consent to Penalty (“Stipulation”) is entered into with SIG pursuant to Article V, Section 2 of the Exchange Constitution in order to settle and conclude all disciplinary actions by the Exchange against SIG based upon or arising out of the facts hereinafter stipulated. SIG, 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. SIG 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. SIG understands and acknowledges that the Disciplinary Panel’s decision in this matter will become part of the firm’s disciplinary record and may be considered in any future proceeding brought by the Exchange.

STIPULATED FACTS:

1.0 During all relevant periods herein, SIG was a Regular Member Organization and a registered equities, options and Exchange Traded Funds (“ETFs”) specialist organization of the Exchange.

1.1 During all relevant periods herein, SIG served as a specialist for various equities, options and ETFs that traded on the Floor of the Exchange.

2.0 Option Limit Order Display Violations

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

2.2 On 125 occasions during the period of June 3, 2002 through May 30, 2003, SIG failed to use due diligence in handling customer limit orders by failing to execute or display customer option limit orders immediately (Amex Case Nos. 04-67, 04-68 and 04-81).

2.3 On 25 occasions during the period of April 1, 2004 through August 31, 2004, SIG Specialist L failed to use due diligence in handling customer limit orders by failing to execute or display customer option limit orders immediately (Amex Case No. 05-17).

2.4 On 25 occasions during the period of April 1, 2004 through August 31, 2004, SIG Specialist N failed to use due diligence in handling customer

¹ As of August 20, 2003, the Exchange notified options specialists that, subject to certain exceptions, failures to execute or display customer options 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

limit orders by failing to execute or display customer option limit orders immediately (Amex Case No. 05-18).

2.5 On 25 occasions during the period of April 1, 2004 through August 31, 2004, SIG Specialist C failed to use due diligence in handling customer limit orders by failing to execute or display customer option limit orders immediately (Amex Case No. 05-19).

2.6 On 25 occasions during the period of April 1, 2004 through August 31, 2004, SIG Specialist O failed to use due diligence in handling customer limit orders by failing to execute or display customer option limit orders immediately (Amex Case No. 05-93).

2.7 On 25 occasions during the period of September 1, 2004 through November 30, 2004, SIG Specialist B failed to use due diligence in handling customer limit orders by failing to execute or display customer option limit orders immediately (Amex Case No. 05-99).

2.8 On 25 occasions during the period of September 1, 2004 through November 30, 2004, SIG Specialist D failed to use due diligence in handling customer limit orders by failing to execute or display customer option limit orders immediately (Amex Case No. 05-157).

2.9 On 25 occasions during the period of September 1, 2004 through November 30, 2004, SIG Specialist I failed to use due diligence in handling customer limit orders by failing to execute or display customer option limit orders immediately (Amex Case No. 05-158).

2.10 The conduct described in paragraphs 2.1 through 2.9 constitutes separate and distinct violations of Exchange Rule 156(b) and Article V, Section 4(h) of the Exchange Constitution.

3.0 Equity Limit Order Display Violations

3.1 Subject to certain exceptions, SEC Rule 11Ac1-4 (currently known as Rule 604 of Regulation NMS) requires an Exchange specialist to immediately display customer limit orders in its public quotation, when each such order is at a price that would improve the specialist's bid or offer in each such security; or when the order is priced equal to the specialist's bid or offer and the national best bid or offer for each such security, and the size of the order represents more than a de minimis change in relation to the size associated with the specialist's bid or offer in each such security.

3.2 On 83 occasions during the period of November 1, 2004 through June 30, 2005, SIG failed to handle customer limit orders in accordance with SEC Rule 11Ac1-4 (Amex Case Nos. 05-408, 05-463 and 05-464).

3.3 On 25 occasions during the period of April 1, 2005 through June 30, 2005, SIG Specialist F failed to handle customer limit orders in accordance with SEC Rule 11Ac1-4 (Amex Case No. 05-465).

3.4 On 25 occasions during the period of April 1, 2005 through June 30, 2005, SIG Specialist M failed to handle customer limit orders in accordance with SEC Rule 11Ac1-4 (Amex Case No. 05-466).

- 3.5 On 25 occasions during the period of April 1, 2005 through June 30, 2005, SIG Specialist K failed to handle customer limit orders in accordance with SEC Rule 11Ac1-4 (Amex Case No. 05-467).
- 3.6 On 25 occasions during the period of April 1, 2005 through June 30, 2005, SIG Specialist A failed to handle customer limit orders in accordance with SEC Rule 11Ac1-4 (Amex Case No. 05-468).
- 3.7 On 63 occasions during the periods of January 1, 2003 through May 31, 2003 and January 1, 2004 through July 31, 2004, SIG failed to handle customer limit orders in accordance with SEC Rule 11Ac1-4 (Amex Case No. 06-54).
- 3.8 The conduct described in paragraphs 3.1 through 3.7 constitutes separate and distinct violations of SEC Rule 11Ac1-4 (currently known as Rule 604 of Regulation NMS) and Article V, Section 4(h) of the Exchange Constitution.

4.0 Option Firm Quote Violations

- 4.1 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 as the published bid or offer, in accordance with SEC Rule 11Ac1-1 and Exchange Rule 958A.
- 4.2 On 45 occasions during the period of January 2, 2003 through May 30, 2003, an order was presented to SIG at the Firm's published bid or offer in an amount up to its published quotation size. The Firm failed to execute

these orders upon presentment and thereby failed to honor its published quotation (Amex Case Nos. 04-40 and 04-50).

- 4.3 On 22 occasions during the period of January 2, 2003 through May 30, 2003, option orders were presented to SIG Specialist I and Specialist P at the published bid or offer in an amount up to the published quotation size. SIG Specialist I and Specialist P failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 04-85).
- 4.4 On 12 occasions during the period of January 2, 2004 through February 27, 2004, option orders were presented to SIG Specialist B and Specialist G at the published bid or offer in an amount up to the published quotation size. SIG Specialist B and Specialist G failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 04-226).
- 4.5 On 35 occasions during the period of March 1, 2004 through January 31, 2005, an option order was presented to SIG Specialist C at the published bid or published offer in an amount up to the published quotation size. SIG Specialist C failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case Nos. 05-170 and 05-331).
- 4.6 On 23 occasions during the period of January 1, 2003 through March 31, 2004, an order was presented to SIG at the Firm's published bid or offer in an amount up to its published quotation size. The Firm executed these

orders at prices inferior to its published quoted market (Amex Case No. 05-208).

- 4.7 On 17 occasions during the period of October 1, 2004 through January 31, 2005, an order was presented SIG Specialist I at the published bid or offer in an amount up to its published quotation size. SIG Specialist I failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 05-460).
- 4.8 The conduct described in paragraphs 4.1 through 4.7 constitutes separate and distinct violations of SEC Rule 11Ac1-1, Exchange Rule 958A and Article V, Section 4(h) of the Exchange Constitution.

5.0 Equity Firm Quote Violations

- 5.1 Subject to certain exceptions, SEC Rule 11Ac1-1 requires Exchange specialists to execute orders to buy or sell a subject security presented to them at a price at least as favorable as the published bid or published offer in an amount up to the specialist's published quotation size.
- 5.2 On 2 occasions on March 21, 2003, an order was presented to SIG Specialist P at the published bid or offer in an amount up to the published quotation size. SIG Specialist P failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 04-183).
- 5.3 The conduct described in paragraphs 5.1 and 5.2 constitutes separate and distinct violations of SEC Rule 11Ac1-1 and Article V, Section 4(h) of the Exchange Constitution.

6.0 Late Trade Reporting Violations

- 6.1 Subject to certain exceptions, Exchange Rule 992 requires the Firm, whether acting as principal or agent, to report or ensure a transaction is reported within 90 seconds of its execution to the Amex Options Market Data System for dissemination to the Options Price Reporting Authority. Transactions not reported within 90 seconds after execution shall be designated as late.
- 6.2 On 91 occasions during the period of June 3, 2002 through May 30, 2003, SIG Specialist J and Specialist L failed to report or ensure that transactions were reported within 90 seconds of their execution in accordance with Exchange Rule 992 (Amex Case Nos. 04-27 and 04-31).²

7.0 Linkage Locked/Crossed Markets Violations

- 7.1 Subject to certain exceptions, Exchange Rule 943(a) requires that an Eligible Market Maker that creates a Locked Market or a Crossed Market unlock or uncross that market or direct a Principal Order through Linkage to trade against the bid or offer that the Eligible Market Maker locks or crosses.
- 7.2 On 89 occasions during the period of July 1, 2003 through October 31, 2004, SIG created a Locked or Crossed market, then failed to unlock or uncross that market or failed to direct a principal order through Linkage to

² Amex Case Nos. 04-27 and 04-31, as included herein, are not to be construed as direct violations of Exchange Rule 992; they are viewed as part of SIG's supervisory deficiencies as addressed in Section 8.0 of this document.

trade against that bid or offer that the Firm locked or crossed (Amex Case Nos. 04-254, 05-46 and 05-325).

7.3 On 25 occasions during the period of May 1, 2005 through July 31, 2005, SIG created a Locked or Crossed market, then failed to unlock or uncross that market or failed to direct a principal order through Linkage to trade against that bid or offer that the Firm locked or crossed (Amex Case No. 05-484).

7.4 The conduct described in paragraphs 7.1 through 7.3 constitutes separate and distinct violations of Exchange Rule 943(a) and Article V, Section 4(h) of the Exchange Constitution.

8.0 Supervision

8.1 During the period June 2002 through July 2005, SIG's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Exchange rules, concerning limit order display, firm quotes, the timely reporting of trades and linkage locked and crossed markets. Specifically, the Firm's supervisory system did not include written supervisory procedures providing for: (1) identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.

8.2 The conduct described in paragraph 8.1 constitutes a violation of Amex Rule 320.

DISCIPLINARY ACTION:

By reason of the foregoing Stipulated Facts and Violations, a Disciplinary Panel may impose the following penalties upon SIG:

- (a) a censure;
- (b) a fine of \$275,000;
- (c) an undertaking for SIG to revise the Firm's written supervisory procedures with respect to the areas described in paragraph 8.1. Within 90 business days of acceptance of this Stipulation by an Exchange Hearing Panel, a registered principal of SIG 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 8.1; and, (3) the date the revised procedures were implemented.

SIG hereby acknowledges that it has read carefully this Stipulation and understands all of the provisions contained herein; that it has agreed to its provisions voluntarily; and that no offer, promise, threat or inducement of any kind has been tendered to SIG by the Exchange, its staff or representatives to induce SIG 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 _____ day of _____, 2006.

on behalf of Susquehanna Investment Group