

**Disciplinary Panel
American Stock Exchange LLC**

IN THE MATTER

OF

TRINITY DERIVATIVES GROUP,
LLC

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:
: Case Nos. 05-154, 05-155,
: 05-384, 05-477, 05-478,
: 05-500, 05-501, 05-524,
: 06-27, 06-94, 06-105,
: 06-112, 06-218 and 06-232

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:
: Hearing Officer – RSH

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: **DECISION**

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: October 10, 2006

In accordance with a Stipulation of Facts and Consent to Penalty, the Disciplinary Panel Chair determined that Respondent violated Exchange Rules 156(b), 958A, 958A(e), 320, SEC Rule 11Ac1-1, and Article V, Section 4(h) of the Exchange Constitution, as stipulated, and as a penalty imposed a censure, an \$80,000 fine, and an undertaking for Trinity to revise the Firm’s written supervisory procedures.

I. Introduction

The American Stock Exchange, LLC (“Exchange”) instituted a formal disciplinary proceeding against Trinity Derivatives Group, LLC (“Trinity” 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 August 25, 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 Trinity entered into the Stipulation for the purposes of settling this proceeding and

concluding all disciplinary actions by the Exchange against Trinity based upon or arising out of the facts set forth in the Stipulation.

II. Facts

Trinity, 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 Trinity and/or individual Trinity specialists:

(1) violated Exchange Rule 156(b), Exchange Rule 958A(e), and Article V, Section 4(h) of the Exchange Constitution on numerous occasions during the period between August 2003 and August 2005 by failing to execute or display customer option limit orders immediately;

(2) violated Exchange Rule 958A, SEC Rule 11Ac1-1, and Article V, Section 4(h) of the Exchange Constitution on multiple occasions during the period between October 2004 and July 2005 by either failing to execute orders upon presentment or executing orders at prices inferior to the Firm's published quoted market;

(3) violated Exchange Rule 941(e), Exchange Rule 958A, SEC Rule 11Ac1-1, and Article V, Section 4(h) of the Exchange Constitution on multiple occasions during the period between November 2004 and October 2005 by failing to execute orders entitled to an execution at the Firm's quoted market in Linkage; and

(4) violated Exchange Rule 320 between October 28, 2004 and October 2005 by failing to have written supervisory procedures providing for: a) identification of the person(s) responsible for supervision with respect to the applicable rules; b) a statement

of the supervisory step(s) to be taken by the identified person(s); c) a statement as to how often such person(s) should take such step(s); and d) 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 \$80,000, and an undertaking for Trinity 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 Trinity Derivatives Group, LLC a censure, an \$80,000 fine, and an

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.

undertaking for Trinity to revise the Firm's written supervisory procedures.

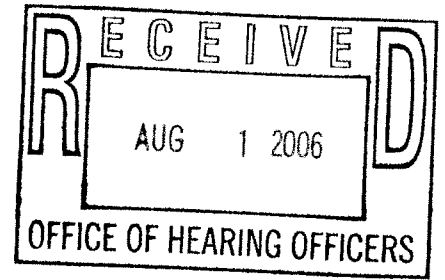
FOR THE DISCIPLINARY PANEL


Rochelle S. Hall, Chair

Copies to: Trinity Derivatives Group, LLC (*via overnight and first class mail*)
Thomas J. McCabe, Esq. (*via facsimile and first class mail*)
Charles Falgie, Esq. (*via facsimile and first class mail*)
Arlene Collins-Day (*via facsimile and first class mail*)

EXHIBIT A

**Disciplinary Panel
American Stock Exchange LLC**



IN THE MATTER
OF
TRINITY DERIVATIVES GROUP, LLC

**STIPULATION OF FACTS AND
CONSENT TO PENALTY**

Case Nos. 05-154, 05-155, 05-384, 05-477,
05-478, 05-500, 05-501, 05-524, 06-27, 06-
94, 06-105, 06-112, 06-218 and 06-232.

This proceeding was instituted by the American Stock Exchange LLC (the "Exchange") against Trinity Derivatives Group, LLC ("Trinity" or the "Firm") (CRD No. 132927), a Regular Member Organization of the Exchange. This Stipulation of Facts and Consent to Penalty ("Stipulation") is entered into with Trinity pursuant to Article V, Section 2 of the Exchange Constitution in order to settle and conclude all disciplinary actions by the Exchange against Trinity based upon or arising out of the facts hereinafter stipulated. Trinity, 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. Trinity 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. Trinity 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, Trinity 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, Trinity 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 During the period between August 20, 2003 and January 20, 2005, Exchange Rule 156(b) required Exchange specialists to use due diligence in handling limited price orders.¹

2.2 Beginning on January 21, 2005, Exchange Rule 958A(e) required Exchange specialists to use due diligence in handling limited price orders.

2.3 On 25 occasions during the period of October 28, 2004 through November 15, 2004, Trinity failed to use due diligence in handling customer limit orders by failing to execute or display customer option limit orders immediately (Amex Case No. 05-154).

2.4 On 25 occasions during the period of September 1, 2004 through November 30, 2004,² Trinity Specialist B failed to use due diligence in

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

² Effective at the opening of business on October 28, 2004, products in specialist unit #846, 920, 921 and 922 of SLK-Hull Derivatives, LLC (“SLK-Hull”), which ceased its business operations, were transferred to Trinity, specialist unit #740. Therefore, Trinity’s responsibility for the violations of the individual

handling customer limit orders by failing to execute or display customer option limit orders immediately. (Amex Case No. 05-155)

2.5 On 25 occasions during the period of June 1, 2005 through August 31, 2005, Trinity Specialist F failed to use due diligence in handling customer limit orders by failing to execute or display customer option limit orders immediately (Amex Case No. 05-524).

2.6 The conduct described in paragraphs 2.1 through 2.5 constitutes separate and distinct violations of Exchange Rule 156(b), Exchange Rule 958A(e) and Article V, Section 4(h) of the Exchange Constitution.

3.0 Option Firm Quote Violations

3.1 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.

3.2 During the period between October 29, 2004 and January 14, 2005: a) on 9 occasions an order was presented to Trinity Specialist B at the published bid or offer in an amount up to the published quotation size and Trinity Specialist B failed to execute these orders upon presentment and thereby failed to honor the published quotation; and, b) on 1 occasion an order was presented to Trinity Specialist B at the published bid or offer in an amount up to its published quotation size and Trinity Specialist B executed the

specialists in Amex Case Nos. 05-155, 05-384, 05-477 and 05-478 will be limited to only those violations that occurred from October 28, 2004 forward.

- order at a price inferior to the published quoted market (Amex Case No. 05-384).
- 3.3 During the period between October 1, 2004 and January 31, 2005: a) on 19 occasions an order was presented to Trinity Specialist H at the published bid or offer in an amount up to the published quotation size and Trinity Specialist H failed to execute these orders upon presentment and thereby failed to honor the published quotation; and, b) on 5 occasions an order was presented to Trinity Specialist H at the published bid or offer in an amount up to its published quotation size and Trinity Specialist H executed the orders at prices inferior to the published quoted market (Amex Case No. 05-477).
- 3.4 During the period between October 1, 2004 and January 31, 2005: a) on 31 occasions an order was presented to Trinity Specialist F at the published bid or offer in an amount up to the published quotation size and Trinity Specialist F failed to execute these orders upon presentment and thereby failed to honor the published quotation; and, b) on 8 occasions an order was presented to Trinity Specialist F at the published bid or offer in an amount up to its published quotation size and Trinity Specialist F executed the orders at prices inferior to the published quoted market (Amex Case No. 05-478).
- 3.5 On 49 occasions during the period of October 28, 2004 through January 31, 2005, an option order was presented to Trinity 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. 05-500 and 05-501).

- 3.6 On 25 occasions during the period of February 1, 2005 through April 30, 2005, an order was presented to Trinity Specialist H at the published bid or offer in an amount up to its published quotation size. Trinity Specialist H failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 06-27).
- 3.7 On 25 occasions during the period of May 1, 2005 through July 31, 2005, an option order was presented to Trinity 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 No. 06-105).
- 3.8 During the period between May 1, 2005 and July 31, 2005: a) on 20 occasions an order was presented to Trinity Specialist A at the published bid or offer in an amount up to the published quotation size and Trinity Specialist A failed to execute these orders upon presentment and thereby failed to honor the published quotation; and, b) on 5 occasions an order was presented to Trinity Specialist A at the published bid or offer in an amount up to its published quotation size and Trinity Specialist A executed the orders at prices inferior to the published quoted market (Amex Case No. 06-112).

3.9 The conduct described in paragraphs 3.1 through 3.8 constitutes separate and distinct violations of SEC Rule 11Ac1-1, Exchange Rule 958A and Article V, Section 4(h) of the Exchange Constitution.

4.0 Linkage Firm Quote Violations

- 4.1 Subject to certain exceptions, SEC Rule 11Ac1-1 and Exchange Rules 941(e) and 958A required Exchange specialists to execute Linkage Principal and Principal as Agent orders received from other Participant Exchanges and entrusted to the specialist as agent at the best available price reflected in the Firm's quoted market.
- 4.2 On 204 occasions during the period of November 1, 2004 through March 31, 2005, either Trinity Specialist B, Trinity Specialist C, Trinity Specialist D, Trinity Specialist E, Trinity Specialist F, Trinity Specialist G or Trinity Specialist H failed to execute orders entitled to an execution at the Firm's quoted market in Linkage (Amex Case No. 06-94).
- 4.3 On 73 occasions during the period of May 1, 2005 through July 31, 2005, Trinity failed to execute orders entitled to an execution at the Firm's quoted market in Linkage (Amex Case No. 06-218).
- 4.4 On 25 occasions during the period of August 1, 2005 through October 31, 2005, Trinity failed to execute orders entitled to an execution at the Firm's quoted market in Linkage (Amex Case No. 06-232).
- 4.5 The conduct described in paragraphs 4.1 through 4.4 constitutes separate and distinct violations of SEC Rule 11Ac1-1, Exchange Rules 941(e) and 958A and Article V, Section 4(h) of the Exchange Constitution.

5.0 Supervision

5.1 During the period October 28, 2004 through October 2005, Trinity'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, and linkage firm quotes. 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.

5.2 The conduct described in paragraph 5.1 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 Trinity:

- (a) a censure;
- (b) a fine of \$80,000;
- (c) an undertaking for Trinity to revise the Firm's written supervisory procedures with respect to the areas described in paragraph 5.1. Within 90 business days of acceptance of this Stipulation by an Exchange Hearing Panel, a registered principal of Trinity 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 5.1; and, (3) the date the revised procedures were implemented.

Trinity 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 Trinity by the Exchange, its staff or representatives to induce Trinity 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.

Further, Trinity hereby agrees that it may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this Stipulation or create the impression that the Stipulation is without factual basis. Nothing in this provision affects Trinity's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.

Finally, it is understood and agreed that in any written submission to or proceeding before any person or body convened to consider this Stipulation of Facts and Consent to Penalty (including to, a Hearing Officer acting alone, a Hearing Panel, or any reviewing body authorized by the Amex Constitution and/or Rules), neither Enforcement nor Trinity shall offer any argument that is inconsistent with the stipulated facts or the agreed-upon penalty, nor shall either party ask for the imposition of any penalty other than that agreed upon in this Stipulation of Facts and Consent to Penalty.

AMERICAN STOCK EXCHANGE LLC

By: 

David Rosenstein
Vice President and Chief Counsel
NASD Amex Regulation Division

Agreed to this 27 day of July, 2006.



on behalf of Trinity Derivatives Group, LLC