

**Disciplinary Panel
American Stock Exchange LLC**

IN THE MATTER

of

SPECTRA DERIVATIVES
GROUP, LLC
FORMERLY KNOWN AS
SPECTRA FINANCIAL
GROUP, LLC

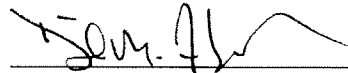
Case Nos. 05-243 and 07-79

[AMXC08020]

Hearing Officer – DMF

NOTICE OF DECISION

Enclosed is a copy of the decision of the Hearing Officer in this disciplinary proceeding, dated July 10, 2008 (“Decision”). Under Article V, Section 2 of the Exchange Constitution, this Decision will become the final decision of the Exchange 10 days after service of the Decision upon you unless the Amex Adjudicatory Council calls the Decision for review. Pursuant to Exchange Disciplinary Rule 12, the Hearing Officer has decided that its Decision shall be publicized as provided therein. However, no publicity release shall be made until the Decision becomes final.



David M. FitzGerald
Hearing Officer

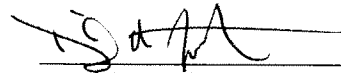
Dated: July 10, 2008

Copies to: Spectra Derivatives Group, LLC (*via overnight and first-class mail*)
George Brunelle, Esq. (*via first-class mail*)
Charles Falgie, Esq. (*via electronic and first-class mail*)
Jocelyn Thrower (*via electronic and first-class mail*)

1. Violated SEC Rule 17a-3(a)(11) in failing to finalize the trial balance, general ledger and net capital computation for March 2005 until April 24, 2005, which was six business days after the time prescribed by applicable interpretations;
2. Violated SEC Rule 17a-11(b)(1) in that Respondent had a net capital deficiency for a period of time near the end of March 2005 and did not give notice of that deficiency to the Exchange or the SEC on the same day that the deficiency occurred, as required by the Rule, instead giving notice to the Exchange on April 25, 2005 and to the Commission on April 27, 2005; and
3. Violated SEC Rule 17a-4 during the period of June 18, 2003 through April 6, 2004, by failing to preserve all communications received and copies of all communications sent by the Firm with respect to its business.

In accordance with the Stipulation, for these violations, Respondent is censured and fined \$12,500.

SO ORDERED.


David M. FitzGerald
Hearing Officer

Copies to: Spectra Derivatives Group, LLC (*via overnight and first-class mail*)
George Brunelle, Esq. (*via first-class mail*)
Charles Falgie, Esq. (*via electronic and first-class mail*)
Jocelyn Thrower (*via electronic and first-class mail*)

EXHIBIT A

Disciplinary Panel
American Stock Exchange LLC

IN THE MATTER
OF
SPECTRA DERIVATIVES GROUP LLC
FORMERLY KNOWN AS
SPECTRA FINANCIAL GROUP LLC

RECEIVED
OFFICE OF HEARING OFFICERS
STIPULATION OF FACTS AND CONSENT
TO PENALTY

Case Nos. 05-243 and 07-79

This proceeding was instituted by the American Stock Exchange LLC (the "Exchange" or "Amex") against Spectra Derivatives Group LLC (the "Respondent" or the "Firm") (CRD# 125332) a former Regular Member Organization of the Exchange. This Stipulation of Facts and Consent to Penalty ("Stipulation") is entered into with the Firm pursuant to Article V, Section 2 of the Exchange Constitution in order to settle and conclude all disciplinary actions brought by the Exchange against the Respondent and any of its affiliates based upon or arising out of the facts hereinafter stipulated. The Respondent, without admitting or denying the facts, allegations and conclusions contained in this Stipulation, 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. The Respondent understands that a hearing officer, without conducting a formal hearing, will determine whether the Respondent has committed the violations set forth herein and may fix and impose the agreed upon penalty or reject the Stipulation. This Stipulation can also be the subject of review by the Amex Adjudicatory Council ("AAC"). The Respondent understands and acknowledges that the hearing officer's acceptance of this Stipulation may not be appealed by the parties, will become part of its disciplinary record and may be considered in any future proceeding brought by the Exchange.

STATEMENT OF FACTS:

- 1.0 During all relevant time periods herein, Section 17 of the Securities Exchange Act of 1934 (the “Act”), and Rule 17a-3(a)(11), thereunder, applicable to Exchange members and member organizations pursuant to Article V, Section 4(i) of the Exchange Constitution, provided in relevant part that:

Every member of a national securities exchange who transacts a business in securities directly with others than members of a national securities exchange, and every broker or dealer who transacts a business in securities through the medium of any such member, and every broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934, as amended, shall make and keep current the following books and records relating to its business:

A record of the proof of money balances of all ledger accounts in the form of trial balances, and a record of the computation of aggregate indebtedness and net capital, as of the trial balance date, pursuant to Rule 15c3-1; *Provided, however*, (i) That such computation need not be made by any member, broker or dealer unconditionally exempt from Rule 15c3-1 by paragraph (b)(1) or (b)(3), thereof; and (ii) that any member of an exchange whose members are exempt from Rule 15c3-1 by paragraph (b)(2) thereof shall make a record of the computation of aggregate indebtedness and net capital as of the trial balance date in accordance with the capital rules of at least one of the exchanges therein listed of which he is a member. Such trial balances and computations shall be prepared currently at least once a month.

- 1.1 During all relevant time periods herein, Section 17 of the Securities Exchange Act of 1934, and Rule 17a-11(b)(1), thereunder, applicable to Exchange members and member organizations pursuant to Article V, Section 4(i) of the Exchange Constitution, provided in relevant part that:

Every broker or dealer whose net capital declines below the minimum amount required pursuant to Rule 15c3-1 shall give notice of such deficiency that same day in accordance with paragraph (g) of this section. The notice shall specify the broker or dealer's net capital requirement and its current amount of net capital. If a broker or dealer is informed by its designated examining authority or the [Securities and Exchange] Commission (the “Commission”) that it is, or has been, in violation of Rule 15c3-1 and the broker or dealer has not given notice of the capital deficiency under this Rule 17a-11, the broker or dealer, even if it does not agree that it is, or has been, in violation of

Rule 15c3-1, shall give notice of the claimed deficiency, which notice may specify the broker's or dealer's reasons for its disagreement.

1.2 During all relevant time periods herein, Section 17 of the Securities Exchange Act of 1934, and Rule 17a-4, thereunder, applicable to Exchange members and member organizations pursuant to Article V, Section 4(i) of the Exchange Constitution, provided in relevant part that:

(b) Every such broker and dealer shall preserve for a period of not less than 3 years, the first two years in an accessible place:

(4) Originals of all communications received and copies of all communications sent by such member, broker or dealer (including inter-office memoranda and communications) relating to his business as such.

Untimely Filing/Net Capital Deficiency (05-243)

- 2.0 During all times relevant herein, the Firm was a Regular Member organization of the Exchange operating as a broker/dealer.
- 2.1 During all times relevant herein, pursuant to Rule 17a-3(a)(11) of the Act, the Firm was required to prepare periodically a trial balance, general ledger and net capital computation no later than 10 business days after the end of the accounting period.¹
- 2.2 The Firm did not finalize on a timely basis the preparation of its trial balance, general ledger and net capital computation for a period during late March 2005, and did so six business days later than prescribed by applicable interpretations.
- 2.3 As a result of preparing its trial balance, general ledger and net capital computation, the Firm determined that at some time period between January 1, 2005 and March 31, 2005, the Firm had a net capital deficiency of \$696,874.

¹ While the 10 business day requirement is not specifically stated in Rule 17a-3(a)11 of the Act, SEC Release No. 10756/April 26, 1974 specifically states that "Subparagraph (11) requires the monthly preparation of a trial balance... no later than 10 business days after the end of the accounting period..."

- 2.4 During all times relevant herein, pursuant to Rule 15c3-1(iii) of the Act, the Firm was required to maintain a minimum Net Capital of \$100,000.²
- 2.5 Given the Firm's net capital deficiency and its requirement to maintain a minimum net capital of \$100,000, the Firm was operating for a period during late March 2005 at \$796,874 under its minimum net capital requirement.
- 2.6 At all times relevant herein, the Firm was required under SEC Rule 17a-11(b)(1), should its net capital fall below its minimum requirement of \$100,000, to give notice of the deficiency that same day to both the Commission and the Firm's Designated Examining Authority (in this instance the Exchange).
- 2.7 The Firm failed to notify the Exchange of the net capital deficiency until it filed its FOCUS Part IIA Report (the "Report") for the period between January 1, 2005 through March 31, 2005. The report was filed with the Exchange on April 25, 2005, and with the Commission on April 27, 2005.
- 2.8 According to the Firm, during the period between January 1, 2005 and March 31, 2005, a complex arbitrage transaction engaged in by the Firm resulted in a large non-market making position, a haircut and, ultimately, in the net capital deficiency. Due to a change in the Firm's operating structure, the Firm's non-market making positions were being transferred to a non – broker dealer account at a new clearing firm. The transfer was to have been completed by March 31, 2005. However, the transfer did not begin until April 5, 2005, and due to operational issues involving the change in clearing firms, the transfer took several weeks to complete. During the aforesaid period, as the Firm traded

² Rule 15c3-1(iii) of the Act states, in relevant part: A dealer shall maintain net capital of not less than \$100,000. For the purposes of this section, the term "dealer" includes: A. Any broker or dealer that endorses or writes options otherwise than on a registered national securities exchange or a facility of a registered national securities association; and, B. Any broker or dealer that effects more than ten transactions in any one calendar year for its own investment account.

only for its own account as principal and had only one equity investor, the events of this matter did not involve any actual or potential injury to investors or customers.

Preservation of Electronic Communications (07-07)

- 3.0 During all relevant times herein, pursuant to Rule 17a-4 of the Act, the Firm was required to preserve originals of all communications received and copies of all communications sent by the Firm (including inter-office memoranda and communications) relating to their business as such.
- 3.1 Pursuant to a routine investigation, the FINRA Market Regulation Division - Trading Analysis Staff (“TA”), in a letter dated October 27, 2006, requested the Firm to provide all e-mail correspondence and “Instant Message” correspondence for the period of May 1, 2003 through April 6, 2004.
- 3.2 In a letter of response dated November 20, 2006, the Firm indicated that it did not have the requested material and instead had relied on its clearing organization to preserve all of the Firm’s electronic communications. The Firm occupied office space, and used the computer system supplied by its clearing firm. Given these circumstances, the Firm relied upon the clearing organization to preserve the requested materials, but the clearing firm did not preserve them and did not consider it their responsibility to do so.
- 3.3 Further investigation by the Exchange revealed that the Client Access Agreement, executed by the Firm in connection with its clearing arrangement, included a section entitled “Software, Equipment, Telecommunications and Media”, and stated the following:

“We [the clearing firm] may also provide you [the Firm] with access to, and permit you to use, instant messaging, electronic mail, and other Internet media services (“Media”)...We accept no responsibility for recording, backing up or archiving any data, software, or messages created, transmitted or received using Telecommunications or Media. You acknowledge and agree that it is solely your responsibility to record, backup or archive data, software and messages for disaster recovery, record-keeping or any other purpose.”

- 3.4 Based upon statements made by the Firm and the language of the Client Access Agreement provided by the clearing firm, the Firm failed to retain its email communications and “Instant Message” records during the period of June 18, 2003 (the effective date of the Client Access Agreement) through April 6, 2004.

CONCLUSION:

By reason of the foregoing Stipulated Facts, an Exchange Disciplinary Panel may conclude that:

- 4.0 The Firm violated SEC Rule 17a-3(a)(11) of the Act in failing to finalize the trial balance, general ledger and net capital computation for March 2005 until April 24, 2005, or six business days after the time prescribed by applicable interpretations, as described in above paragraphs 2.0 through 2.8.
- 4.1 The Firm violated SEC Rule 17a-11(b)(1) of the Act in that the Firm had a net capital deficiency for a period time near the end of March 2005, and did not give notice of that deficiency to the Exchange or Commission the same day that the deficiency occurred, as required by SEC Rule 17a-11(b)(1), instead giving notice to the Exchange on April 25, 2005, and to the Commission on April 27, 2005, as described in above paragraphs 2.0 through 2.8.
- 4.2 The Firm violated SEC Rule 17a-4 of the Act in that during the period of June 18, 2003 through April 6, 2004, the Firm failed to preserve all communications received and copies of all communications sent by the Firm with respect to their business, as described in above paragraphs 3.0 through 3.4.

DISCIPLINARY ACTION:

By reason of the foregoing Stipulated Facts and violations, a Hearing Officer may impose the following penalties against the Respondent:

- (a) a censure;
- (b) a fine in the amount of \$12,500.

The Respondent 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 the Respondent by the Exchange, its staff or representatives to induce the Respondent 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, the Respondent 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 the Respondent'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.

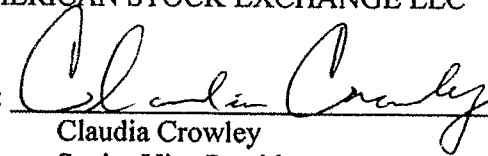
Further, the Respondent understands and agrees that the Exchange may make a public announcement concerning this Stipulation and the subject matter thereof in a manner consistent with those specified in Rule 12 of the Rules and Procedures Applicable to Exchange Disciplinary Proceedings.

Finally, it is understood and agreed that in any written submission to or proceeding before any person reviewing and/or body convened to consider this Stipulation of Facts and Consent to

Penalty (including any reviewing person or body authorized by the Amex Constitution and/or Rules), neither Enforcement nor the Respondent, 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 (including arguing that no penalty should be imposed) other than that agreed upon in this Stipulation of Facts and Consent to Penalty.

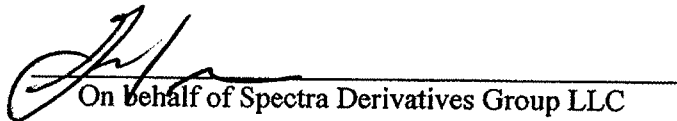
AMERICAN STOCK EXCHANGE LLC

By:

 DEC 5/9/08

Claudia Crowley
Senior Vice President
Chief Regulatory Officer
American Stock Exchange LLC

Agreed to this 8th day of May, 2008.


On behalf of Spectra Derivatives Group LLC