
APPENDIX H



Office of
Consumer Affairs
and Information
Services

H-1

IN REPLYING PLEASE QUOTE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[Sample -- Sent to all SROs]

November 25, 1987

George Mann, Senior Vice President
Boston Stock Exchange, Inc.
One Boston Place
Boston, MA 02108

Dear Mr. Mann:

The Securities and Exchange Commission has undertaken an extensive study of the stock market decline and volatility that occurred in late October. The study will assist in focusing the Commission's regulatory and oversight efforts to ensure a strong and efficient securities market and to protect the interests of investors. As part of this effort, the Office of Consumer Affairs and Information Services is conducting a special, intensive analysis of "market break complaints" to determine and examine the kinds of problems experienced by investors. "Market break complaints" refers to those complaints and inquiries filed by, or on behalf of, individual or institutional investors that relate to problems/concerns which either occurred during the period of October 14-30, 1987 or were caused by market events of that period.

In order to provide a comprehensive analysis of investor complaints, we would appreciate your office's coordinating responses by the Spokane Stock Exchange to the following requests for information. Please provide the information by the dates indicated in each subsection. Enclosed in this package are preferred formats and coding instructions for the written complaints; we would appreciate receiving the information in a machine readable format (preferably on floppy disks). A preformatted disk using the Lotus 1-2-3 Program is included for your convenience. If you have any questions, please feel free to contact Rick Pullano or John Heine of my staff on (202) 272-7440.

I or a member of my staff will call you early next week to ask you for preliminary figures on written and telephone complaints received so far from the October market break, as well as statistics on your normal volume of complaints.

I. TELEPHONE COMPLAINTS (Response due December 8, 1987)

Please provide responses to the following questions:

- A. What, if any, special provisions were made to handle telephone complaints during the October market break?
- B. Were telephone complaints related to the market break logged in or tracked? If so, how?
- C. Please provide the actual or estimated (indicate which) volume of calls: (1) daily from October 14 through October 30, and (2) weekly from November 2 through November 27.
- D. Which brokers or issuers were most often mentioned in complaints and what were the specific kinds of complaints? (please use the format below)

<u>Firm</u>	<u>Actual or est. number of complaints</u>	<u>Nature of complaints</u>	<u>Comments</u>
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- E. For approximately what percentage of telephone complaints did your staff recommend the following types of action?

- (1) Written complaint to your organization or another SRO
- (2) Written complaint to the SEC
- (3) Arbitration
- (4) Contact firm directly
- (5) No action recommended
- (6) Other (specify)

- F. Other comments or information

II. WRITTEN COMPLAINTS (Response for complaints received by November 13 due December 8; additional November and December complaints due December 15. PLEASE NOTE: Depending on the volume received and the delay in receipt of market break complaints, we anticipate the need to monitor these complaints over a period of several months and will advise you accordingly.)

Please provide a list of market break complaint letters identified with the following information:

- A. Assigned file or tracking number (use designated prefix per page 2 of instructions)
- B. Firm or entity name which is the subject of the complaint, where given *
- C. Entity code *
- D. Nature of complaint (please analyze each complaint letter and identify one or more special complaint codes which apply, as described in the instructions) *
- E. Date(s) of transactions
- F. Issuer of securities subject to the complaint or inquiry (full name as space permits)
- G. Market involved *
- H. Type of security *
- I. Categorization of complainant and/or conduit through which complaint was filed *
- J. Notes (list column headings related to any comments furnished on supplemental sheets)

* Asterisks denote fields for which codes or designated abbreviations are given; please see enclosed instructions.

We have coordinated our requirements with both the Division of Market Regulation and the Division of Investment Management in order to ensure that the information you provide will satisfy all data requirements for complaint information from the Commission.

As you know, the Commission is working under severe time constraints to complete this study. We realize that the deadlines established for your responses are demanding, and we appreciate your considerable efforts in furnishing this information. Thank you, in advance, for your cooperation.

Sincerely,

Bonnie M. Westbrook
Director

Enclosures

cc: Nina Gross
Richard Ketchum
Kathryn B. McGrath

INSTRUCTIONS FOR SUBMISSIONS

ANALYSIS OF OCTOBER MARKET BREAK

OFFICE OF CONSUMER AFFAIRS AND INFORMATION SERVICES

November, 1987

OFFICE OF CONSUMER AFFAIRS AND INFORMATION SERVICES
ANALYSIS OF OCTOBER MARKET BREAK COMPLAINTS
CODES AND CODING INSTRUCTIONS

CODING INSTRUCTIONS

The PC based program you will be using to document market break complaints was developed to cover the unique complaints/inquiries generated by the October market decline, as well as to provide a degree of flexibility not presently available in the existing CMPI system. An attempt was made to identify the most common problems raised by investors based on a review of the complaints received in the home office, and an analysis of the types of telephone complaints/inquiries received both in the regional offices and in the home office. Although we attempted to capture all of the reported problems, as well as a number of anticipated problems, the list is by no means all-inclusive. As a result, we are providing a supplemental worksheet to be used should you encounter a complaint letter which presents information that is incompatible with the program format. Specific guidelines for using the supplemental worksheet will be discussed below, but it should be noted that it is an important part of the program since the worksheet provides space to identify entries characterized as "OTHER" and, in addition, offers an opportunity to comment on individual complaints when necessary.

Proper analysis of the information provided in the complaint letters is essential. Consequently, we ask that you read the accompanying instructions carefully, and follow them closely. In the event that you receive a letter which does not fit into the categories provided or would be inadequately described even after using the supplemental comment sheet, we ask that you send us a copy of the letter. Also, if you are uncertain of your analysis of a letter, we ask that you forward a copy of that letter, indicating the problem area.

FILE NUMBER (Column A)

In order to fully account for all complaints, it will be necessary to repeat the file number assigned to most letters. This practice will apply to letters (1) containing multiple complaints, (2) naming more than one entity, (3) citing several transaction dates, (4) naming more than one issuer, or (5) naming more than one market. Examples of multiple complaints are enclosed in your information packet, and an illustration of the corresponding computer entries may be found on the sample computer report.

SPECIAL FILE NUMBER FORMAT FOR SRO's

To accommodate the input of this information to our computer program, a letter prefix to the file number is necessary. As the Commission has pre-assigned prefixes in place, your existing letter prefix (or one arbitrarily chosen) may conflict or cause confusion. Therefore, we ask that you use the following unique prefix: BX.

ENTITY (Column B)

This category should be used to designate the name of the entity (broker-dealer firm, mutual fund or stock exchange) about whom the complaint is directed. If more than one entity is named, you should determine the entity that is the primary target of the complaint, enter the abbreviation of that entity first, then repeat the file number (as described previously) and list the remaining entities, along with the corresponding complaint information for each. If there are several complaints against the same firm, the firm should be listed for each additional complaint.

It must be emphasized that while uniformity in entering data is important for the entire program, it is of particular importance in this category. An accurate count depends on using the abbreviations provided or, if none apply, entering "OTH" in this column, "B" in the NOTES column, and specifying the entity on the supplemental sheet. Deviation from the abbreviations provided will cause problems, so please consult the lists before entering data. Please note that mutual funds having the same name as brokerage firms will have a different designation.

CODE (Column C)

This category will be used to identify the type of institution against which the complaint is being made. We have identified seven (7) such types and provided a two-letter abbreviation for each. One additional code has been provided in order to allow for categorization of general/miscellaneous complaints or inquiries and also those instances where the type of entity is not named (use GN).

COMPLT (Column D)

This category will be used to designate the type(s) of complaints/inquiries received. As we indicated previously, we hope to have covered a majority of the potential problems and topics. The complaint types were intended to be self-explanatory;

however, should a question arise, please contact Rick Pullano or John Heine at (202) 272-7440, or indicate your interpretation in the supplemental comment sheet.

DATE (Column E)

The date that we are looking for in this column is the transaction date referred to in the letter (for example, the date on which a stock was bought or sold) or, the date on which some action took place (for example, the date on which the investor tried to contact his broker). The representative letters provided illustrate how the date column should be used, including situations where several dates are mentioned in one letter.

The time frame targeted in this study is October 14 through October 30. The computer program is designed to analyze information based on that time period. Therefore, your entries in this column should be made with that in mind. If the letter refers to a date outside of this timeframe, but the complaint is still related to the market break, an "NA" should be entered in this column, an "E" in the NOTES column, and a corresponding entry of explanation should be made on the supplemental sheet.

ISSUER (Column F)

This column should be used to identify the issuer of the stock or product referred to in the complaint letter. For example, this column could contain the name of a particular stock or, in the case of a mutual fund, the name of a particular fund if that information is provided.

As the number of possible entries in this column is so great, no attempt was made to provide a codified universe of potential issuers. Therefore, we ask that you use your own discretion in deciding whether to enter as many letters of the full name in the space provided or to enter an acronym. Many of the acronyms or abbreviations are so widely used, they are accepted universally and leave no room for doubt (e.g. IBM, MCI, etc.). On the other hand, there may be instances where an abbreviation may leave room for doubt or be subject to several interpretations. Consequently, we ask that if your entry is unclear (acronym, abbreviation or incomplete full spelling), enter "F" in the NOTES column and please identify the issuer in question on the supplemental comment sheet.

MKT (Column G)

This column should be used to identify the market on which the stock in question was traded. We are aware that this column may not be applicable to all complaints/inquiries. Furthermore, as is the case for the entire program, the information we are attempting to document may not always be provided by the complainant or may not otherwise be known by the person coding the letter. This is especially true in this column. In such instances, enter "NA" and proceed to the next column. It should be noted, however, that this information will be very useful and should be included if it is specified in the letter. If the market codes provided are inadequate, please enter "OTH" in the column, "G" in the NOTES column, and identify the market on the supplemental sheet.

TYPE (Column H)

This column refers to the type of security the complainant may refer to in his/her letter. For example, the letter may specify that the investor was dealing in options, or you may be able to determine that, given the circumstances described therein. Again, we realize that not every letter will yield this kind of information; however, it is important data and should be entered if included in the letter. Please use the appropriate letter codes provided, and if those prove inadequate, use "OTH", reference 'H' in the NOTES column, and include information on the supplemental sheet.

CAT (Column I)

This field is used to categorize the complainant (individual investor, representative of an institutional investor, broker, etc.) and whether the complaint was forwarded directly or through another party (the conduit of the complaint information). Please use the appropriate two or three letter code and, if a specific code does not fit, use "OTH" (other), reference 'I' in the NOTES column, and include information on the supplemental sheet.

NOTES (Column J)

This column should be utilized to reference any columns (A through I) for a particular complaint entry for which additional information or explanation is found on the supplemental sheet. For example, anytime you enter "OTH" in a column, that column letter should be entered in the NOTES column, then referenced and explained on the supplemental sheet.

H-11
OFFICE OF CONSUMER AFFAIRS AND INFORMATION SERVICES

ANALYSIS OF OCTOBER MARKET BREAK

CODES AND CODING INSTRUCTIONS

ENTITY NAME (Column B)

BROKER-DEALERS

CODE	FIRM NAME
AGE	A.G. Edwards & Sons
BS	Bear Stearns Co.
BR	Blinder Robinson
CS	Charles Schwab
TW	Dean Witter
DBL	Drexel Burham Lambert
EPH	E. P. Hutton
FDR	F.D. Roberts & Co.
FB	Fidelity Brokerage
FP	First Potomac Securities Corp.
HBS	H.B. Shaine
JWG	J.W. Gant & Associates
KC	Kennedy & Cabot Co.
KP	Kidder Peabody
LM	Legg Mason Wood Walker
MN	Mabon-Nugent & Co.
ML	Merrill Lynch
OD	Olde Discount
OPP	Oppenheimer & Co.
PW	Paine Webber
PF	Pittock Financial
PB	Prudential Bache
QR	Quick & Reilly
RC	Rose & Co.
SPB	Security Pacific Brokers
SL	Shearson Lehman
SB	Smith Barney
SJ	Stuart James
TM	Thomson McKinnon
WSI	Waterhouse Securities Inc.
OTH	Other (specify on supplemental comment sheet)

Codes for Entity Names (page 2)

MUTUAL FUNDS (Note: funds will have a different designation than brokerage firms having the same name)

AIM	AIM Advisors
AL	Alliance
AC	American Capital
BCA	Boston Company Advisors
COL	Colonial
DWF	Dean Witter Reynolds, Inc.
DC	Dreyfus Corp.
FED	Federated Investors
FG	Fidelity Group
F	Franklin
HAM	Hutton Asset Management
IDS	IDS Financial Services
JH	John Hancock
KMP	Kemper
KEY	Keystone
MLF	Merrill Lynch Fund
OMC	Oppenheimer Management Corp.
PWF	Paine Webber Inc.
PIO	Pioneer
P	Putnam
PBF	Prudential-Bache Mutual Funds
SCD	Scudder Funds
TRP	T. Rowe Price
TF	Templeton Funds
TC	Twentieth Century
VG	Vanguard Group
WR	Waddell Reed, Inc.
OTH	Other (specify on supplemental comment sheet)

ENTITY CODE (Column C)

<u>Code</u>	<u>Entity</u>
BD	Broker-Dealer
SR	Self-Regulatory Org.
BK	Bank
TA	Transfer Agent
IS	Issuer
IA	Investment Adviser
MF	Mutual Fund
GN	General & Miscellaneous

OFFICE OF CONSUMER AFFAIRS AND INFORMATION SERVICESANALYSIS OF OCTOBER MARKET BREAK COMPLAINTS
CODES AND CODING INSTRUCTIONSNATURE OF COMPLAINT (Column D)

<u>CODE</u>	<u>GENERAL INQUIRY/COMPLAINT</u>
101	o inability to contact broker, fund, etc. by telephone
102	o inability to obtain timely or accurate quote prices (includes "tape" delay complaints)
103	o complaints of "bad/faulty" advice or that representatives did not meet fiduciary obligations
104	o general comments on market break situation
105	o questions/comments on program trading
106	o comments/suggestions on degree of SEC or SRO intervention
107	o questions about SIPC
108	o questions about broker-dealer solvency or insolvency
109	o allegations of market manipulation
110	o allegations of other securities law violations (please specify on supplemental sheet)
111	o allegations that firm put own interests before investors' interests
112	o other miscellaneous problems (if there are serious problems not covered by codes, please specify on supplemental sheet)

CONFIRMATION PROBLEMS

201	o inability to get or delay in receiving oral confirmation
202	o oral confirmation of execution different from written confirmation
203	o no written confirmation received
204	o written confirmation received more than seven (7) business days after transaction
205	o price discrepancies (exclusive of code 303 problems)

EXECUTION PROBLEMS

- 301 o non-execution of order
- 302 o delayed execution of order (includes "missing the market")
- 303 o execution at a price different than the one quoted
- 304 o refusal to execute a market order
- 305 o refusal by BD to open an account so that customers may make "quick sales"
- 306 o execution not in accord with stop or limit order
- 307 o refusal or claimed inability to accept or execute stop or limit order
- 308 o problems specifically associated with market makers or specialist performance
- 309 o "systems" problems related to order execution

MARGIN MAINTENANCE PROBLEMS

- 401 o insufficient notice of (maintenance) margin calls
- 402 o insufficient time to meet margin call
- 403 o liquidation of position or account without notice to investor
- 404 o inability to determine maintenance margin requirements or changing requirements
- 405 o past pattern of practice regarding maintenance margin calls is changed

MUTUAL FUND-SPECIFIC PROBLEMS

- 501 o problems transferring from one fund to another fund within the same group
- 502 o problems transferring to a fund outside of the group
- 503 o problem getting immediate access to funds because of seven-day provision
- 504 o complaint about placing the redemption amount into a cash account which earns no interest
- 505 o pricing problems (inability to find out or obtain current net asset value)
- 506 o lack of published price information
- 507 o problems concerning exit or redemption fees
- 508 o redemption procedures (paperwork requirements, etc.)
- 509 o delays in processing redemptions (includes date discrepancies)
- 510 o other redemption problems
- 511 o misunderstanding on part of investor of market risks (price fluctuations)

OFFICE OF CONSUMER AFFAIRS AND INFORMATION SERVICES
ANALYSIS OF OCTOBER MARKET BREAK COMPLAINTS
 CODES AND CODING INSTRUCTIONS

EXCHANGE/MARKETS (Column G)

<u>CODE</u>	<u>NAME</u>
AMS	American Stock Exchange
BSE	Boston Stock Exchange
CIN	Cincinnati Stock Exchange
SSE	Spokane Stock Exchange
MSE	Midwest Stock Exchange
NYS	New York Stock Exchange
CBO	Chicago Board Options Exchange
PHX	Philadelphia Stock Exchange
PSE	Pacific Stock Exchange
OTC	Over the Counter pink sheets
NAS	Nasdaq listed or NMS
FUX	Futures Exchange

TYPE OF SECURITY (Column H)

<u>ASSIGNED CODE</u>	<u>TYPE</u>
C	Common stock
P	Preferred stock
B	Bonds
O	Options (puts & calls)
MF	Mutual funds
IF	Index futures

CATEGORY (Column I)

<u>CODE</u>	<u>COMPLAINANT/TYPE/CONDUIT</u>
ID	Individual Investor Directly
IR	Individual Investor through Representative (including attorney, Congress; etc. but not <u>broker</u>)
RI	Representative of Institutional Investor (e.g., pension fund)
BDD	Broker-Dealer Directly
BI	Broker on Behalf of Investor
BRI	Broker on Behalf of Representative of Institutional Investor
OTH	Other (please specify)

Submitting Organization _____

Page _____ of _____

SUPPLEMENTAL SHEET
FOR
OCTOBER MARKET BREAK COMPLAINT ANALYSIS

File Number	Reference Field Letter	Comments/Brief Description