
APPENDIX I

GLOSSARY

ACATS -- The Automated Customer Account Transfer System is operated by NSCC. The system provides centralized, automated transfers of customer accounts between brokers.

ACHA -- The Associate Clearing House Amsterdam is associated with OCC to enable the EOE members to clear XMI options traded on EOE.

ADP -- Automatic Data Processing is a major provider of brokerage services, including market information, front office services for sales operation, and back office services such as processing trades. ADP also owns BTSI, Brokerage Transactions Services, Inc., which is a data-processing facility that performs such functions as the routing of orders between firms and exchange order systems, back office processing, and commission billing.

Amex -- American Stock Exchange, Inc.

Arbitrage -- Arbitrage is trading to profit from differences in price in the same, or functionally equivalent, security, currency, or commodity in two or more markets.

ASAM -- The Automated Search and Match System is an on-line data base used by the NYSE which lists pertinent facts on directors and corporate officers of all exchange-listed companies. ASAM permits analysts to avoid manually searching corporate directories for ties to persons trading before material news announcements. This search can now be completed by ASAM in a matter of seconds.

Auto-Ex -- The Automatic Execution system is used at the Amex to automatically execute certain index options and stock options orders.

Auto-Quote -- Auto-Quote is a generic term which describes computer systems designed to automatically generate quotations through preset algorithms. Originally, such systems were developed by regional stock exchange specialists to track NYSE quotations. The CBOE and Amex, however, have developed systems which permit market makers and specialists to set parameters for automatic adjustments to quotations in all options series whenever the designated "driver" series is manually adjusted.

Beacon -- The Boston Exchange Automated Communications Order-Routing Network will provide, when completed, the BSE with the same order routing and execution capabilities as are used on the other regional exchanges.

BSE -- Boston Stock Exchange, Inc.

CARS -- The Computer Assisted Rotation System is an automated order processing system, implemented by CBOE in October 1986, that electronically collects, matches and provides execution or "fill" reports for public pre-opening market orders in OEX.

CATS -- The Computer Assisted Trading System is an automated trading system developed by the TSE in 1977.

CBOE -- Chicago Board Options Exchange, Inc.

CBT -- Chicago Board of Trade.

CDS -- The Canadian Depository for Securities is linked with NSCC and DTC.

Clearing Firm -- Clearing, or carrying, broker-dealers are broker-dealers that process transactions and maintain custody of funds and securities on behalf of another broker-dealer. In addition to holding funds and securities, clearing firms are contractually responsible for the settlement of the securities transactions of the other broker-dealer and the maintenance of certain records relating to those transactions.

CME -- Chicago Mercantile Exchange.

CNS -- Continuous net settlement is a process by which clearing corporations net daily trading activity of member broker-dealers and then net each day's activity with prior days.

COD Privileges -- COD refers to cash on delivery or payment and delivery of securities instead of five business days after trade date. Operationally, the term refers to a depository member's use of depository facilities for trade settlement with customers to whom the member extends COD privileges. Such privileges are commonly extended by broker-dealers to institutional customers. The legality of COD privileges stems from an exception in the requirement of Regulation T, issued by the FRB, that customers pay for securities within seven business days after the date of purchase. This exception permits payment on delivery within 35 calendar days of a trade.

CQ Plan -- The Consolidated Quotation Plan enables participant markets - the Amex, BSE, CSE, MSE, NYSE, PSE, Phlx, and the NASD - to make quotation information available to quotation vendors as required in the Commission's Quote Rule (Rule 11Ac-1 under the Securities Exchange Act of 1934). The Commission has approved the CQ Plan.

CRD -- The Central Registration Depository is a computer data base that was developed jointly by NASAA and the NASD and is maintained by the NASD. The CRD provides current registration information for every registered representative that is associated with a member of the NASD and/or is licensed in a state that participates in the CRD system. (Currently, every state but Hawaii participates.) The CRD also holds information on broker-dealers that are members of the NASD.

CSE -- Cincinnati Stock Exchange.

CTA Plan -- The Consolidated Tape Association Plan administered by the CTA -- which consists of the Amex, BSE, CSE, MSE, NYSE, PSE, Phlx, and the NASD -- for facilitating the dissemination of consolidated last sale prices for certain eligible securities. Network A disseminates prices for NYSE-listed securities and Network B disseminates prices for Amex-listed securities and regional listings that substantially meet Amex eligibility criteria. The prices and volume of trades in NYSE-listed stocks and of Amex-listed stocks, regardless of the market in which the trade takes place, are disseminated to vendors over high speed data transmission lines over Network A and Network B, respectively. The Commission has approved the CTA Plan.

CUSIP -- The Committee for Uniform Securities Identification Procedures is a subsidiary of Standard and Poor's under contract with American Bankers Association to assign a unique identification number for each fungible securities issue.

DOT -- The Designated Order Turnaround system (also known as Super Dot) was developed by the NYSE to facilitate routing of orders from NYSE members' offices to the specialist in the particular stock on the floor of the NYSE.

Downtick -- A downtick refers to a sale price lower than the last "regular way" sale of the security. Same as minus tick.

DTC -- The Depository Trust Company is the largest registered securities depository.

EOE -- European Options Exchange.

FEDWIRE -- The Federal Reserve System wire transfer facility provides a system for transferring funds and U.S. government securities between all 12 Federal Reserve Banks, their 24 branches, the Federal Reserve Board office in Washington, D.C., U.S. Treasury offices in Washington, D.C. and Chicago, and the Washington, D.C. office of the Commodity Credit Corporation.

FNCI -- Financial News Composite Index is a price-weighted index comprised of 30 stocks listed on the NYSE, designed to track the overall market.

Hedging -- Hedging is a strategy designed to protect a position in securities or commodities against price movements by taking an offsetting investment position.

ICC -- The Intermarket Clearing Corporation is a subsidiary of OCC that clears futures contracts, now operating a netting system with OCC for securities options and futures settlements.

Index Arbitrage -- Index arbitrage is the simultaneous purchase (or sale) of stocks that comprise or closely track a stock index and the sale (or purchase) of either futures or options on that particular index. Index arbitrageurs take advantage of spreads that periodically develop between equities, futures, and options markets by buying in the lowest-priced market and selling in the highest-priced market.

Instinet Corporation -- A registered broker-dealer that offers computerized execution facilities and securities information services.

Introducing Firm -- An introducing broker-dealer is a broker-dealer that, under a contractual arrangement with a carrying or clearing broker-dealer, transmits funds, securities and orders of customers to the clearing firm which executes the orders and maintains custody of the customer funds and securities. The clearing firms' contractual responsibilities also include the proper disposition of customer funds and securities after trade date, the transfer to the customer of funds and securities after settlement and the maintenance of certain records.

ISCC -- The International Securities Clearing Corporation is a subsidiary of NSCC, not yet registered with the Commission but provided with a no-action position to operate a linkage with the ISE.

ISE -- International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (previously the London Stock Exchange).

ISG -- The Intermarket Surveillance Group was formed in 1981 as trading activities on equity and options markets were becoming increasingly interrelated. Its on-going task is to create and maintain a coordinated intermarket surveillance system to ensure that intermarket surveillance concerns are appropriately addressed. Members include the Amex, BSE, CSE, MSE, PSE, Phlx, CBOE, and the NASD.

ISIS -- The Intermarket Surveillance Information System was created by SIAC for the NYSE and provides automated access to consolidated trade, quotation and clearance data for all exchange-listed equities and options. Moreover, ISIS is programmed so that the automated surveillance programs using this information can easily adjust and "fine tune" parameters to detect suspicious trading situations.

ITS -- The Intermarket Trading System is a communications and order routing system designed to facilitate trading of certain securities designated as eligible for ITS trading between competing market centers; the Amex, BSE, CSE, MSE, NYSE, PSE, Phlx, and the NASD are all participants in the ITS, and a plan governing ITS operations has been approved by the Commission.

JSCC -- The Japanese Securities Clearing Corporation is the clearing arm of TKE. It currently is discussing a clearing linkage with ISCC.

KCBT -- Kansas City Board of Trade.

Letter of Credit (L/C) -- Letter of credit is a commitment, usually made by a commercial bank, which allows the named broker-dealer, under certain conditions and/or upon the occurrence of certain events specified under the terms of the commitment, to draw money to a specified amount from the bank.

List -- List order processing is the DOT feature that enables NYSE member firms to send orders through DOT in a list of securities. List is important in program trading strategies because it allows members to rapidly enter buy or sell orders in a large number of previously-identified securities.

Margin (Futures) -- A futures contract is an agreement to buy or sell a specified amount of a commodity at a specified price at a specified time in the future. Margin related to futures contracts of customers of futures commission merchants refers to the funds required by the futures commission merchant to secure ultimate performance under those contracts and to protect the futures commission merchant from customer default relating to adverse price movements in those contracts. In the context of futures trading, margin also refers to the amounts required of futures commission merchants by entities that facilitate settlement of, or clear, futures transactions.

Margin (Securities and Options) -- Broker-dealers extend credit to customers to purchase securities or options in margin accounts. Margin is the equity in the margin account. Generally, equity refers to the net market value of the securities positions increased by any funds in the account or reduced by the amount extended to the customer. When the customer purchases securities in a margin account, the margin provides additional collateral for the extension of credit by the broker-dealer. If the customer sells securities short or writes uncovered options, the margin protects the broker-dealer against losses related to customer default due to adverse price movements in those positions. Under the rules of the FRB and the various exchanges, broker-dealers are required to obtain certain minimum amounts of margin from their customers.

Broker-dealers are allowed to require their customers to submit margin in excess of those minimums, however.

Market Maker -- The term market maker generally means any dealer who, with respect to a security, holds himself out by entering quotations in an inter-dealer communication system or otherwise as being willing to buy and sell such security for his own account on a regular or continuous basis. The term "market maker" is defined in Section 3(a)(38) of the Securities Exchange Act of 1934.

MAX -- The Midwest Automatic Execution System is used by the MSE as a computerized order routing and execution system for small orders (up to 1099 shares).

MCC -- The Midwest Clearing Corporation is a registered clearing agency and is a subsidiary clearing agency of MSE.

Minus Tick -- A minus tick refers to a sale price lower than the last "regular way" sale of the security. Same as downtick.

MMI -- The Major Market Index is a futures contract that is based on a price-weighted index comprised of 20 highly-capitalized U.S. stocks traded on the NYSE. MMI is also the symbol for the future on the MMI traded on the CBT.

MSE -- Midwest Stock Exchange, Inc.

MSTC -- The Midwest Securities Trust Company is a securities depository which is a subsidiary clearing agency of the MSE and is registered as a clearing agency with the SEC.

NASAA -- North American Securities Administrators Association, Inc.

NASD -- National Association of Securities Dealers, Inc.

NASDAQ -- The National Association of Securities Dealers Automated Quotations system, owned and operated by the NASD, is a computerized communications facility that provides broker-dealers with price quotations for securities that are traded over-the-counter.

Net Capital -- The term net capital, as defined in Securities Exchange Act Rule 15c3-1, refers to the net worth of the broker-dealer increased by certain subordinated liabilities and reduced by unsecured receivables, assets not readily convertible into cash and specified percentages of the broker-dealer's securities and commodities positions. Rule 15c3-1 requires the broker-dealer to maintain net capital in excess of certain minimums in order to continue operating.

NMS Securities -- National Market System Securities are those equity securities, both on exchanges and in the OTC market, for which last sale transaction reporting is required.

NQB -- The National Quotation Bureau is the company that publishes the "pink sheets", a listing of market makers for OTC stocks that are not included in the NASDAQ system.

NSCC -- The National Securities Clearing Corporation is the largest clearing corporation and provides trade comparison, netting, and settlement of exchange, OTC, and municipal bond trades.

NYFE -- New York Futures Exchange, Inc.

NYSE -- New York Stock Exchange, Inc.

OARS -- The Opening Automatic Reporting System is an automated order processing system which is used by both the NYSE and Amex for both stocks and options. OARS stores round lot market orders for selected issues prior to the opening. When an opening price has been determined for an issue, the specialist activates OARS which automatically generates execution reports to the various member firms for each order which participated in the opening. OARS also automatically provides the specialist with summary information indicating the number of shares to buy and sell and any share imbalances.

OCC -- The Options Clearing Corporation issues, clears, and settles all standardized options trades.

OEX -- Standard & Poor's 100 Index. OEX is the symbol for an option on the S&P 100 Index, that is based on 100 widely held common stocks.

OPRA -- The Options Price Reporting Authority is composed of five exchanges that trade options -- the Amex, NYSE, PSE, Phlx, and CBOE. It is authorized by the Commission to act jointly as parties to a plan for the reporting of consolidated options last sale reports and quotation information.

OTC -- Over-the-Counter.

PACE -- The Philadelphia Automated Communication and Execution System is used by the Phlx as a computerized order routing and execution system for small orders in secondary issues. (Primary issues on the Phlx are comprised of local issues which are solely-listed on the Phlx, or issues that are dually-listed on another regional exchange or NASDAQ).

PER -- The Post Execution Reporting system at the Amex is a small order routing and execution system.

Philadep -- The Philadelphia Depository Trust Company is the clearing agency subsidiary of the Phlx.

Phlx -- Philadelphia Stock Exchange, Inc.

Plus Tick -- A plus tick refers to a sale at a price higher than the immediately preceding last "regular way" sale of a security. Same as uptick.

Portfolio Insurance -- Portfolio insurance is a hedging strategy designed to control market risk for a broad based portfolio by selling and buying stock index derivative products to protect against market loss at a cost or some limitation on the opportunities for appreciation. Typically, portfolio insurance seeks to assure a minimum value for a portfolio over a specified time period. To achieve this, stock index futures are sold

when the value of the portfolio decreases a certain percentage, and are repurchased when the portfolio regains this loss.

POSIT -- A system operated by Jefferies and Company, Inc. for matching orders for groups of stocks. A computerized order entry mechanism allows the trading of entire portfolios of stocks.

Post -- The "post" is the physical location on a trading floor where a security is traded -- usually by a specialist.

Price Limits -- The maximum price movement from the previous day's settlement price permitted for a contract in one trading session. The futures exchanges set such price limits with the approval of the CFTC. There are no price limits in the securities markets.

Program Trading -- Program trading is the trading of a whole portfolio or basket of stocks. Computers are used extensively in this process to optimize the composition of the stocks and to assist in the execution of the trades.

PSE -- Pacific Stock Exchange, Inc.

Quotron -- Quotron Systems, Inc. is a supplier of financial information services to brokers, banks, and other users in the United States, Europe, and Japan. This major vendor delivers its services to approximately 90,000 terminals supported by over 8,000 branch office host computers and network processors.

RAES -- The Retail Automatic Execution System is used at the CBOE to execute automatically customer orders in options on the S&P 100 Index, the most heavily traded option on the CBOE, and the S&P 500 Index. It is also used in certain designated equity options on the CBOE.

SCCP -- The Stock Clearing Corporation of Philadelphia is the clearing agency subsidiary of Phlx.

SCOREX -- The Securities Communication Order Routing and Execution System is an automated order routing and execution service which is used by the PSE.

SEAQ -- The Stock Exchange Automated Quotations is the electronic communications facility of the ISE and is modeled after NASDAQ. SEAQ collects the quotes of competing U.K. market makers and disseminates them over the ISE's TOPIC System. (The TOPIC System is the ISE's computer terminal network that provides on-line information service to users in the U.K.).

SEAQ International -- The Stock Exchange Automated Quotations International is the electronic communications facility of the ISE covering international equities.

SESDAQ -- The Stock Exchange of Singapore Dealing and Automated Quotation System is designed after NASDAQ.

SIAC -- Securities Information Automation Corporation is a subsidiary of NYSE and Amex that provides data processing service for DTC, NSCC, the NYSE, and the Amex.

It also acts as securities information processor for the consolidated tape and quote systems, the ITS and the ISG.

SIMEX -- Singapore International Monetary Exchange, Ltd.

SOES -- The Small Order Execution System is used by the NASD for the automatic execution of customer agency trades. The system also automatically reports trades to NASDAQ and sends transaction details to the NSCC for comparison and settlement.

Specialist -- A specialist is an exchange member whose chief obligation is to maintain fair and orderly markets in his assigned securities or specialty stocks. In fulfilling this obligation, the specialist functions as both a broker and a dealer. As a broker, the specialist acts on behalf of other floor brokers who entrust to him stop or limit orders that cannot be immediately executed because the execution prices specified on the orders have not been reached. These orders are recorded in the specialist's "book" and are executed when the market reaches the appropriate price levels. As a dealer, the specialist facilitates orderly price movements between successive trades by buying stock for his own account when sellers outnumber buyers and selling stock from the account when buyers outnumber sellers.

SPX/SPZ -- (S&P 500 Index) -- SPX is the trading symbol for an option (SPZ is the symbol for the December future traded on the CME -- the final letter of this symbol changes for different expiration months) that is based on the value of 500 widely held common stocks.

STA -- The Stock Transfer Association is a transfer agent association that, among other things, sets rules of uniform practice for stock transfers, name recently changed to Securities Transfer Association.

Super DOT -- See DOT.

TALISMAN -- The Trade Accounting Lodgement for Investors' Stock Management is the clearing organization of ISE.

TCO -- Trans-Canada Options.

Third Market -- The third market generally refers to OTC market makers who trade listed securities.

TKE -- Tokyo Stock Exchange.

Trade-side -- With two-sided trade comparison and floor comparison, there are two sides to a transaction or trade. With automated locked-in comparison, there are typically four sides to a transaction. Under the locked-in comparison method the system or the exchange that operates the system imposes itself between the buyer and seller and becomes the contra-side to each half of the trade.

Uptick -- An uptick refers to a sale at a price higher than the immediately preceding last "regular way" sale of the security. Same as plus tick.

XVL -- The Value Line Index is an option based on an equally weighted geometric

average of approximately 1700 stocks, some of which are traded over the counter, included in the Value Line Investment Survey.

XMI — The Major Market Index is an option based on a price-weighted index comprised of 20 highly-capitalized U.S. stocks traded on the NYSE.

Zero Plus Tick (Zero Minus Tick) — The terms zero plus tick and zero minus tick describe a trade at the same price as the immediately preceding last "regular way" sale which was higher (zero plus) or lower (zero minus) than the next preceding last sale or "regular way" trade at a different price.