(1) The surveillance and regulation of specialists, market-makers and registered floor traders will be retained by the self-regulatory organizations of which they are a member and on which they fulfill such functions.

(2) The gathering of customer and firm information needed in pursuing insider trading and manipulation cases shall be allocated to the primary market in that family of markets whenever there is a dually traded security.

(3) Whenever an SRO conducting an investigation lacks jurisdiction over a broker-dealer non-member, the information necessary to conduct the investigation shall be obtained from any other self-regulatory organization of which such non-member is a member.

(4) Expiration Studies - It was agreed that the SRO's would inform each other when they are preparing to conduct expiration studies of options vs. stocks in order to prevent a duplication of effort. If two or more self-regulatory organizations have decided to perform a similar study, they would determine among themselves which would conduct the study; however, where market-makers, specialists and registered floor traders are involved, the self-regulatory organizations of which they are a member shall retain responsibility for investigating such matters.

(5) Disciplinary Procedures - Self-regulatory organizations shall share information while retaining jurisdiction of their own members; however, where joint members are involved the market where the violative activity occurred would be responsible for disciplining the member unless otherwise agreed upon.

(6) Employees of SRO's will be made available for testimony as needed by other SRO's in any case where their testimony is required or where such employees performed a portion of an investigation or examination. (The self-regulatory organizations will continue to review the possibility of requiring their members to testify at disciplinary hearings of other self-regulatory organizations which lack jurisdictional authority over such members.)

In agreeing to these principles of allocation, we note that certain initiatives in these areas have previously been undertaken in the form of 17d-2 agreements which have been entered into by the various participants and filed with the SEC. We urge the Commission to promptly review and act upon those agreements which it has not yet considered. In doing so, we recognize that they are not all inclusive in respect to the matters which are the subject of our discussions and that amendment of the 17d-2 agreements may be appropriate as these matters are implemented.

To accomplish our goals, it is anticipated that there will be further discussion by the participants to allocate additional responsibilities with respect to matters arising from inter-market regulatory problems and to further eliminate regulatory duplication.

* * *

The above presentation is a summary of principles agreed upon by staff representatives of the participant SRO's and those questions remaining to be resolved prior to achieving our objective of establishing an efficient and effective integrated inter-market regulatory system. We are continuing to meet in an effort to achieve such a system. It must be borne in mind, however, that certain aspects of these programs would require formal action by the governing bodies of the respective SRO's. Continued cooperation on behalf of the SEC will, of course, be necessary in order to achieve and implement these goals.

We welcome the Commission's participation at future meetings.

Very truly yours,

American Stock Exchange

_______________________________

Boston Exchange Exchange

_______________________________

Chicago Board Options Exchange

__________________________________

Midwest Stock Exchange

__________________________________

National Association of Securities Dealers

__________________________________

New York Stock Exchange

__________________________________

Options Clearing Corporation

__________________________________

Pacific Coast Stock Exchange

__________________________________

Philadelphia Stock Exchange

__________________________________

APPENDIX F

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Special Study
of the
Options Markets

October 11, 1978

Gerald F. Foley
Director, Membership Department
National Association of Securities
Dealers, Inc.
1735 K Street, N. W.
Washington, D. C. 20006

Dear Mr. Foley:

As you will recall, on September 22, 1978, a meeting of representatives of various self-regulatory organizations ("SRO's") was held at the offices of the Chicago Board Options Exchange. Also in attendance were representatives of the Commission's Options Study, Division of Enforcement and Office of Consumer Affairs. The purpose of the meeting was to discuss (1) how the SRO's may obtain access to those data bases which appear to be necessary in monitoring the activities of retail firms, and (2) the feasibility of implementing a centralized file on registered representatives that would facilitate effective enforcement of applicable laws and rules. As to this second objective, the NASD offered to establish a computer-based system for collecting and dissemating such information.

During the meeting, the SRO participants agreed to submit to you a summary of the information which they would be willing to submit for inclusion in the central file, and their anticipated retrieval requirements. The participants requested that the Commission's staff make a similar submission. In addition, the participants requested that the staff describe the categories of information in the Commission's files which might be helpful to SROs in their compliance programs and the accessibility of such data. This letter is in response to those requests.

As you know, significant documentary information in the Commission's possession is currently available to the public and, thus, would be readily available for use by the SROs in their compliance programs. If desired, this data could also be utilized in the anticipated registered representative central file. In this regard, attached is a copy of 17 CFR 200.80a, Appendix A, which lists the categories of information available to the public at this time. Although some of the documents listed in this Appendix may not be relevant to your proposed undertaking, others (indicated by check marks) appear to contain the type of information the SROs are seeking. As reflected in the Appendix, the Commission can make available the results of formal administrative proceedings civil injunctive, or criminal proceedings and copies of any pleadings, briefs or other documents filed in any civil action to which the Commission is a party.

The Commission's Office of Consumer Affairs also receives investor complaints, many of which involve registered broker-dealers. These complaints, or a summary of them, could be transmitted to the central file on a periodic basis.

The Commission also maintains confidential investigatory files. These files are non-public, unless the Commission authorizes their release. There is a procedure, however, by which SROs may request and, in most instances obtain, access to these files. In summary, a letter requesting access must be sent to the Director of the Commission's Division of Enforcement, who, in turn, refers the matter to the Commission. In most instances, the Division will recommend that the request be granted, except when access might impede or otherwise adversely affect the pending investigation or otherwise would be inappropriate.

We understand that this procedure has worked efficiently in the past, and the SROs should have no hesitation in contacting the Division of Enforcement before initiating an examination. If the SROs believe that the time normally required to respond to such requests (about three weeks) is too lengthy, the Options Study would be willing to recommend that the Commission establish a special procedure to consider such requests on an expedited basis.

In any event, upon the conclusion of an investigation, the contents of the investigatory file normally will be made available for review and analysis by SROs under the Freedom of Information Act. While the Act and the Commission's regulations thereunder designate certain procedures which must be followed, the processing time is usually no more than ten days. To the extent that these procedures result in unreasonable delays in responding to requests for access, the Options Study would be willing to urge the adoption of a more streamlined procedure.

Gerald Foley
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The Options Study would also be willing to recommend that a procedure be established whereby the Commission's Division of Enforcement would discuss with representatives of SROs examination and investigatory techniques utilized by the Division to identify potential violations of the federal securities laws by retail firms, with particular emphasis on recently concluded significant administrative and injunctive actions.

With respect to the anticipated central file on registered representatives, we believe that the file could be established quickly and economically through a slight modification in the current NASD files on registered representatives by providing for the inclusion of summary information respecting customer complaints. This data could be furnished periodically, perhaps monthly, by the SRO's and their member firms. Similarly, once a month the NASD could provide the other SRO's with a summary, by firm, of the information received.

While a simplified program such as that summarized above would facilitate the prompt establishment of a centralized file on registered representatives, with modest enhancements the potential uses of the file could be expanded significantly. In this regard, it would seem reasonable to contemplate that the centralized file might contain ultimately the following data; many of which are already present in the NASD's files:

- Name of salesman
- Current home address
- Type of qualification examinations passed
- Current employer, type of employment (e.g. salesman, partner or member) type of business (e.g. options, municipals, or general securities), and branch office
- Employment history as reflected in current form U-4 including the name of firms where previously employed, dates of employment, reasons for change of employment (voluntary resignation, termination for cause, etc.)
- Summaries of disciplinary action (formal and informal) taken by SROs and SEC, etc.
- Summaries of customer complaints and their disposition

It would also be desirable if the system would reflect any pending investigations by SROs of specific individuals.

Gerald Foley
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Data for the centralized file would be obtained from the SROs, the Commission and member firms, which could be required to report all complaints to the file operator. In this regard, enclosed is a copy of the complaint codes utilized by the Commission's Office of Consumer Affairs. Perhaps a similar system could be developed for use by the SROs.

From this data base, the system could have the following capabilities.

Significant activity alarm. The system could be programmed to automatically "flag" significant activity on an individual and firm basis. Standards such as the following might be considered:

- Identification of each salesman who receives two or more complaints during a 30-day period or three or more complaints in a six-month period;
- Identification of each branch office of a firm that receives three or more complaints in a 30-day period or four or more complaints in a six-month period;
- Identification of each firm that receives five or more complaints in a 30-day period or eight or more complaints in a six-month period;
- Identification of salesmen who change employment and who are under investigation by an SRO or who have been the subject of formal or informal disciplinary action by a firm or an SRO; and
- Identification of salesmen who are terminated for cause or resign voluntarily during the pendency of an unresolved customer complaint or SRO inquiry.

Data available upon request. In addition to identifying areas of significant activity, the system could provide certain information on an "as-needed" basis, such as in connection with SRO investigations into customer complaints and terminations for cause. In summary, it would seem reasonable that the system could be programmed to provide within a reasonable time period, perhaps 48 hours, a print-out of the data recorded for an individual salesman. In addition, it might be helpful if the program could provide a summary of customer complaints by firm and by branch office, in order that SROs may consider whether particular intelligence data is indicative of a more widespread problem.

Periodic reports. Certain information could be disseminated to the SROs on a periodic basis. Such information might include the following:

- By firm, number of customer complaints received;
- By firm, the location of those branch offices whose salesmen have received the largest number of complaints;
- By firm, the number of complaints by product and by nature of complaints; and
- By firm, the name of those salesmen who have received the most complaints over the past two years and within the preceding 30 day period.

Pre-examination reports. In anticipation of a sales practice examination, the examining SRO could request a special analysis of the data on file in the central file. Among the analyses that might be requested for major retail firms are the following:

- A list of salesmen who have joined a firm in the past year who have not been employed previously in the securities industry;
- A list of salesmen who have had two or more complaints in the preceding twelve months;
- A list of salesmen who have been employed at four or more firms in the past six years;
- A list of the branch offices which have received the most customer complaints in the past two years; and
- An analysis of the customer complaints against salesmen of the firm during the past twelve months, including an indication of those categories of complaints that have varied significantly from the prior examination.

The foregoing are preliminary general observations respecting the potential organization and operation of the centralized file on registered representatives and the compliance-related data possessed by the Commission and its availability to SRO's. It may be, of course, that these proposed guidelines and retrieval capabilities should be modified to take into consideration the size of different retail firms or other factors. This should be a subject for discussion by the subcommittee at its next meeting.

The views and suggestions expressed in this letter are those of the Options Study. While this letter has been discussed with representatives of other internal offices and divisions, we have not received their definitive comments. In the event that material modifications are recommended, we will advise the subcommittee.

If you would like to discuss any of the views set forth in this letter, feel free to contact me directly at (202) 755-1288.

Sincerely,

Van P. Carter
Assistant Director

which is set forth in the Commission's current schedule of fees.

(iii) *Transcripts of public hearings.* Copies of the transcripts of recent public hearings may be obtained from the reporter subject to the fees established annually by contract between the Commission and the reporter. Copies of that contract, which contains tables of charges, may be inspected in the public reference room, 1100 L Street NW., Washington, D.C. and in each regional and branch office. Copies of other public transcripts may be obtained, in the manner of other Commission records, subject to the charges referred to in paragraph (e)(7)(i) of this section.

(f) *Releases and publications.* (1) The Commission's decisions, reports, orders, rules and regulations are published initially in the form of releases and distributed to the press. Certain decisions and reports thereafter are printed in bound volumes entitled "Securities and Exchange Commission Decisions and Reports"; these volumes may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

(2) The Commission publishes daily the *SEC News Digest*, which summarizes the releases published by the Commission each day, contains Commission announcements, and lists certain filings with the Commission. The Commission publishes weekly the *SEC Docket*, which prints in full the text of every Commission release. Subscriptions to the *SEC News Digest* and the *SEC Docket* may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

(3) The Commission publishes an annual report to the Congress which sets forth the result of the Commission's operations during the past fiscal year under the various statutes committed to its charge. Copies may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

(4) The Commission also makes other information in the fields of securities and finance, including economic studies, available to the public through the issuance of releases on specific subject matters.

(5) A classification of the releases available from the Commission appears below as Appendix B to this section (17 CFR 200.80b). Other publications available from the Commission are set forth in Appendix C to this section (17 CFR 200.80c). Copies of statutes, rules and regulations, and miscellaneous publications set forth in Appendix D to this section (17 CFR 200.80d) may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

(5 U.S.C. 522b). [40 FR 8799, Mar. 3, 1975, as amended at 40 FR 57449, Dec. 10, 1975; 41 FR 53785, Dec. 9, 1976; 42 FR 14693, Mar. 16, 1977]

### § 200.80a Appendix A—Documentary materials available to the public.

SECURITIES ACT OF 1933

| Description | Pursuant to section— |
|---|---|
| Registration statement providing financial and other information concerning securities offered for public sale, filed under Regulation C (17 CFR 230.400 et seq.) | 6 |
| Prospectuses (selling circulars) in connection with registration statement | 10 |
| Periodic reports (annual, quarterly, and current) to keep reasonably current the information in registration statement | (1) |
| Requests for extension of time to file information, document, or report | (2) |
| Reports of sales of registered securities and use of proceeds thereunder by first time registrants | 19(a), 20(a) |
| Report by issuers of securities quoted on NASDAQ Inter-Dealer Quotation System | (1) |
| Preliminary data (prospectus, circular letters, etc.) to oil offering (Regulation B) (17 CFR 230.300 et seq.) | 3(b) |
| Offering sheets for oil or gas rights and royalties under Regulation B for exemption from registration provisions (17 CFR 230.300 et seq.) | 3(b) |
| Notifications of exemption from registration filed under Regulation A, E, and F (17 CFR 230.251, 230.601, 230.651 et seq.) | 3(b) |

[1] Section 15(d)—Securities Exchange Act of 1934.

[2] Section 12(b)—Securities Exchange Act of 1934.

| Description | Pursuant to section— |
|---|---|
| Offering circulars and written advertisements or other communications under Regulations A, E, and F (17 CFR 230.251, 230.601, 230.651 et seq.) | 3(b) |
| Report of sales and use of proceeds (Regulations A and E (17 CFR 230.251, 230.601 et seq.) | 3(b) |
| Consent by non-resident to service of process (Regulation A) (17 CFR 230.251 et seq.) | 3(b) |
| Application for relief from disability under Regulations A and F (17 CFR 230.651 et seq.) | 3(b) |
| Notice of proposed resale of restricted securities and resale of securities by control persons (17 CFR 230.144) | 4(1), 4(4) |
| Notice of proposed sale by non-controlling person of restricted securities of issuers which do not satisfy all of the conditions of Rule 144 (17 CFR 230.237) | 3(b) |
| Notice of sale of securities by closely held issuers (issuers with 100 or less beneficial owners) other than investment companies, registered or required to be registered under the Investment Company Act of 1940 (17 CFR 230.240) | 3(b) |

SECURITIES EXCHANGE ACT OF 1934

| Description | Pursuant to section— |
|---|---|
| Registration statement (securities listed on a national securities exchange) | 12(b) |
| Registration statement (securities traded over-the-counter) | 12(g) |
| Exemption from section 12 (g), 13, 14, 15, or 16 | 12(h) |
| Information by a foreign issuer temporarily exempt from section 12(g) | 12(g)(3) |
| Certification of exchange approving securities for listing and registration | 12(d) |
| Periodic reports (annual, quarterly and current) to keep current the information in the above registration statements | 13(a) |
| Request for extension of time to file information, document, or report | 12(b) |
| Correspondence between the Commission and registrants that are delinquent in filing certain required reports | 13(a), 15(d) |
| Report by issuers of securities quoted on NASDAQ Inter-Dealer Quotation System | 15(d), 13(a) |
| Certificate of termination of Registration for a class of security | (9) |
| Notices of suspension of trading | 12(d) |
| Application to withdraw or strike a security from listing and registration on a national securities exchange | 12(d) |
| Notification by an exchange of the admission to trading of a substituted or additional class of security | 12(a) |
| Definitive proxy soliciting materials filed under Regulation 14A (17 CFR 240.14a-1 et seq.) | 14(a) |
| Distribution of information to security holders from whom proxies are not solicited filed under Regulation C (17 CFR 230.400 et seq.) | 14(c) |
| Acquisitions, tender offers and solicitations. (17 CFR 240.14d-1 et seq.) | 13(d), 14(d) |
| Initial statement of beneficial ownership of equity securities by officers, directors and principal stockholders of issuers having listed equity securities; and changes in such ownership | 16(a) |
| Application for permission to extend unlisted trading privileges, notification of changes, and notification of termination or suspension | 12(f) |
| Application for registration as a broker and dealer, and amendments or supplements to such application | 15(b) ✓ |
| Reports of financial condition of registered brokers and dealers | 17 ✓ |
| Application for registration as a transfer agent and amendments to such application | 17A(c) ✓ |
| Application for registration as a municipal securities dealer | 15B(a) ✓ |
| Application for registration or exemption as a securities information processor | 11A(b) ✓ |

[9] Section 12(g)—Securities Exchange Act of 1934.

| Description | Pursuant to section— |
|---|---|
| Application for registration or exemption as a clearing agency | 17A(b) |
| Irrevocable appointment of agent for service of process, pleadings and other papers | 23(a) |
| Notice by non-resident broker or dealer specifying address of place in United States where copies of books and records are located and undertaking to furnish to Commission, upon demand, copies of books and records he is required to maintain | 17 |
| Subordination agreements | 15 |
| Initial assessment and information form for registered brokers and dealers not members of a registered national securities association | 15(b)(8) |
| Annual assessment and information form for registered brokers and dealers not members of a registered national securities association | 15(b)(8) |
| Reports of market makers and other registered broker-dealers in securities traded on national securities exchanges | 17(a) |
| Reports by registered brokers and dealers who are OTC Market in Makers in any OTC Margin Securities | 17(a) |
| Proposed rule changes by all self-regulatory organizations | 19(b) |
| Notice as to stated policies, practices and interpretations of self-regulatory organizations | 19(b) |
| Application by an exchange for registration or exemption from registration as a national securities exchange | 6(a) |
| Annual amendments and supplemental material filed to keep reasonably current the information contained in application for registration or exemption | 6(c) |
| Record disposal plan of national securities exchanges | 17 |
| Application for listing securities on an exempted exchange | 12(b) |
| Periodic reports to keep reasonably current the information contained in application for listing securities on exempted exchange | 13 |
| Certification of exempted exchange approving securities for listing | 12(d) |
| Application for registration as a national securities association or affiliated securities association | 15A |
| Annual supplement consolidated to keep reasonably current the information in the above application | 15A |
| Report of changes in membership status of any of its members required of national securities exchanges and registered national securities associations | 17, 19 |
| Application by a national securities association or a broker or dealer for admission or continuance of a broker or dealer as member of a national securities association, notwithstanding a disqualification under section 15A(b)(4) | 15A(b)(4) |
| Application for review of disciplinary action or denial of membership by registered securities association | 15A(g) |
| Reports on stabilizing activities pertaining to a fixed price offering of securities registered or to be registered under the Securities Act of 1933, or offered or to be offered pursuant to an exemption under Regulation A (17 CFR 230.251 et seq.), or being or to be otherwise offered if aggregate offering price exceeds $500,000 | 17 |
| Plans by exchanges authorizing payment of special commission in connection with a distribution of securities on exchanges | 10 |
| Suspensions of trading of securities otherwise than on a national securities exchange | 15(c)(5) |
| Annual and supplemental reports of the Municipal Securities Rulemaking Board | 17 |

PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

| Description | Pursuant to section— |
|---|---|
| [illegible]ation of registration and registration statement [illegible] public utility holding companies prov[illegible]cal and other information concerning the issue and sale of securities | 5(a), 5(b) |
| Annual reports by registered holding companies to keep reasonably current information in the registration statement | 5(d) |
| Application for an order of the Commission declaring registrant has ceased to be a holding company | 5(d) |
| Statement by a person employed or retained by a registered holding company or subsidiary thereof, of subject matter in respect of which retained or employed; and annual statement thereafter | 12(i) |
| Application for exemption from provisions of the Act and applications for declaratory orders regarding status of company under Act by holding companies, subsidiaries, and other companies | 2(a)(3), 2(a)(4), 2(a)(7)(B), 2(a)(8)(B), 3(a), (b) |
| Twelve-month statement by bank claiming exemption under the Act | 3(a), (d) |
| Application for approval of mutual service company or declaration with respect to organization and conduct of business of subsidiary service company | 13(b) |
| Statement executed by financial institution authorizing representative to serve as officer or director of holding company or subsidiary, filed by representative | 17(c) |
| Initial statement of beneficial ownership of securities filed by officers and directors of registered public utility holding companies, and changes in such ownership | 17(a) |
| Annual reports by mutual and subsidiary service companies | 13 |
| Application by interested persons for approval of reorganization plans required in court proceedings for reorganization of registered holding companies and subsidiaries | 11(f) |
| Application by or on behalf of persons requesting approval of payment of fees, expenses or remuneration for services rendered in connection with a proceeding in reorganization in a U.S. Court involving registered holding companies or subsidiaries | 11(f) |
| Notices of intention regarding proposed sale of securities and other assets not requiring filing of application or declaration | 11, 12(d), 12(f) |
| Statements in justification of fees and expenses proposed to be paid | 6(b), 7, 9, 10, 12(d) |
| Reports to stockholders by registered holding company or subsidiary thereof and annual reports submitted by registered holding company or subsidiary thereof to a State commission covering operations not reported to Federal Power Commission | 14, 15 |

TRUST INDENTURE ACT OF 1939

| Description | Pursuant to section— |
|---|---|
| Statement of eligibility and qualification of corporations or individuals as trustees under qualified indenture under which debt security has been or is to be issued | 305, 307 |
| Application for qualification of indenture under which security (bonds, debentures, notes and similar debt securities) has been or is to be issued | 307 |
| Application for exemption from provisions of the Act in certain cases | 304(c), (d) |
| Application re conflict of interest of trustees | 310(b)(1) |
| Reports by indenture trustee to indenture security holders with respect to eligibility and qualification under section 310 | 313 |
| Application relative to affiliations between trustees and underwriters | 310(b)(3), 310(b)(6) |

### Investment Advisers Act of 1940

| | |
|---|---|
| Application for registration as investment adviser or to amend or supplement such an application | 203(c), 204 |
| Application for exemption and other relief | 206A |
| Irrevocable appointment of agent for service of process, pleadings and other papers | 211(a) |
| Notice by non-resident investment adviser specifying address of place in United States where copies of books and records are located, or | 204 |
| Undertaking by non-resident investment adviser to furnish to Commission, upon demand, copies of any books or records he is required to maintain | 204 |

### Investment Company Act of 1940

| | |
|---|---|
| Notification of registration of investment company, and registration statement covering an offering of securities of investment company evidencing an interest in a portfolio of securities in which the investment company invests | 8(a), 8(b) |
| Periodic reports (annual and quarterly) to keep reasonably current the information in above registration statement | 30(a), 30(b)(1) |
| Periodic or interim reports to security holders of registered investment companies | 30(b)(2) |
| Application for order of the Commission determining registrant has ceased to be an investment company | 8(f) |
| Fidelity bond, resolution of board of directors, notice of cancellation or termination of bond for officers and employees of investment companies who have access to its securities or funds | 17(g) |
| Waiver of indemnification of officers and directors of investment companies | 17(h), 17(i) |
| Report of independent auditors examining records of investment companies | 17(f) |
| Application by other than registrant for order of Commission declaring corporate name of registrant is misleading or deceptive | 35(d) |
| Request by company for certificate to be issued to Secretary of Treasury | (4) |
| Proxy soliciting material | 20(a)[5] |
| Initial statement of beneficial ownership of securities by officers, directors and other specified insiders of registered closed-end investment companies, and changes in such ownership | 30(f) |
| Application for exemption from provisions of the Act and other relief | 2(a)(9), 2(b)(2), 6(b), (c), (d), 7(d), 10(e), (f), 11(a), (c), 12(d)(1), (d)(2), 14(a), 15(a), 16(a), 17(a), (b), (d), (e), [illegible] (f), 22(d), 23(b)(5), (c)(3), 24(d), 25(a)(2)(C), 26(c), 35(d), and others |
| Statement of transactions—exemption from provisions of section 10(f) | 10(f) |
| Application for an ineligible person to serve as officer, director, etc. of a registered investment company | 9(b) |
| Request for advisory report of the Commission relating to the reorganization of registered investment company | 25(b) |
| Report of repurchase of its own securities by a closed-end company | 23(c) |
| Sales literature regarding securities of certain investment companies | 24(b) |
| Statement of the Federal Savings and Loan Corporation relating to the exemption of certain issuers | 6(a)(4) |
| Report submitted pursuant to an order of the Commission | |
| Documents and records resulting from derivative or representative law suits | 33 |

[4] Section 851(e)(1) of the Internal Revenue Code of 1954 is applicable.

[5] Regulation 14 under the Securities Exchange Act of 1934 is applicable (17 CFR 240.14a–1 et seq.).

MISCELLANEOUS

Requests or petitions that a change in the Commission's rules, regulations or forms be made; comments on proposed rules, regulations or forms; issuance, amendment or repeal of rules, regulations or forms promulgated under the various Acts administered by the Commission.

Requests for no-action and interpretative letters and responses ........

Transcripts of proceedings in public hearings including testimony, exhibits received in evidence, intermediate decisions, oral arguments, motions, briefs, exceptions.

Commission findings, opinions, orders, rulings and notices issued for public release.

Final opinions of the Commission, including concurring and dissenting opinions, as well as orders made by the Commission in the adjudication of cases.

A record of the final votes of each member of the Commission in every Commission proceedings concluded after July 1, 1967.

Hearings and comments on proposed rules or statements of policy, etc., except where the writer requests that his comments not be made public.

Periodic reports filed by the International Bank for Reconstruction and Development under Regulation BW—Rules 1 to 4, section 15(a) of the Bretton Woods Agreement Act (17 CFR Part 285).

Periodic reports filed by the Inter-American Development Bank, pursuant to Regulation IA (17 CFR Part 286) adopted pursuant to section 11(a) of the Inter-American Bank Act.

Periodic reports filed by the Asian Development Bank, pursuant to Regulation AD (17 CFR Part 287) adopted pursuant to section 11(a) of the Asian Development Bank Act.

Copies of papers filed in court, and papers and documents received from courts, are primarily for the use of the Commission attorneys and other members of the staff. These may not always be complete and accurate and may contain nonpublic staff notations. However, in appropriate situations, with the approval of the Office of the General Counsel, examination of such material may be made or copies obtained as a matter of courtesy.

Statements of policy and interpretations which have been adopted by the Commission and are not published in the FEDERAL REGISTER.

Administrative staff manuals and instructions to the staff that affect a member of the public.

Reports by the Commission to the Congress as a whole.

Notices of Commission meetings announced to the public as described in § 200.403; announcements of Commission action to close a meeting, or any portion thereof, as described in § 200.404(b) and § 200.405(c); and certifications by the General Counsel, pursuant to § 200.406, that a Commission meeting, or any portion thereof, may be closed to the public.

(5 U.S.C. 552b.) [41 FR 44696, Oct. 12, 1976, as amended at 42 FR 14693, Mar. 16, 1977]

## § 200.80b Appendix B—SEC releases.

(a) Companies and persons who are registered with the Commission under the various Acts will continue to receive copies of individual releases pertaining to rule proposals and rule changes under the Acts for which they are registered.

(b) Other free mailing list distribution of releases has been discontinued by the Commission because of rising costs and staff limitations. However, the texts of all releases under the various Acts, the corporate reorganization releases, and the litigation releases are contained in the SEC Docket, which may be purchased through the Superintendent of Documents as described in § 200.80c of this Part. The Statistical series releases are contained in the *Statistical Bulletin*, which also can be obtained by purchase through the Superintendent of Documents.

[40 FR 1009, Jan. 6, 1975]

## § 200.80c Appendix C—Statutes, rules and miscellaneous publications available from the Government Printing Office.

(a) The current rules of the Commission are not published by the Commission in pamphlet form. All SEC public rules and regulations, including its Rules of Practice, are contained in Title 17 of the Code of Federal Regulations, which also is available for purchase from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. New rules and rules changes, and other Commission releases, except statistical releases, also are published in the FEDERAL REGISTER as they are adopted.

(b) Copies of the following statutes and miscellaneous publications may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Please address to him directly all inquiries, orders and payments concerning the following publications:

1. *Act pamphlets.*

Securities Act of 1933, as amended.

Securities Exchange Act of 1934, as amended.

Public Utility Holding Company Act of 1935, as amended.

Trust Indenture Act of 1939, as amended.

Investment Company Act of 1940, as amended.

Investment Advisers Act of 1940, as amended.

2. *Reports and Compilations.*

SEC Annual Report to the Congress.

SEC Decisions and Reports.

Accounting Services Releases (compiled, includes Nos. 1 through 112).

COMPLAINT CODES

Broker-Dealer

01 Failure of a broker to deliver stock to a customer

02 Failure of a broker to deliver funds to a customer

03 Dividend or interest problems with respect to a broker

04 Failure to transfer accounts (between brokers)

05 Mishandling of accounts

06 Execution of orders

07 Failure of a broker to send a confirmation to a customer or wrong information on a confirmation

08 Failure of a broker to send prospectus to a customer

09 Failure of a broker to obtain a signed margin or customer agreement

10 Margin problems

11 Surcharges, taxes and other fees charged by a broker

12 High pressure - fraudulent statements

13 Protection offered investors

14 Failure to deliver bonds to a customer

15 Commission rates - other

16 Cannot obtain rate schedule

17 Cannot understand rate schedule

18 Quoted rate different from actual charge

19 Confirmation different from rate schedule

20 No notice of rate change

21 Failure of a broker to forward proxy material to a customer (the beneficial owner) or forwarding it late

List of broker-dealer compliant codes used by the Commission

22 Broker clearing operations

23 Problems concerning liquidation of a broker-dealer (SIPC or otherwise)

When a problem involves a municipal security, place a large "M" after the name of the security.

Broker-Dealer options complaints

25 Improper option recommendations (suitability)

26 Excessive option commission(s)

27 Option order not executed

28 Margin for options: agreement, computation and excessive

29 Unauthorized option transactions in a customer's account

30 Customer unable to execute transactions in restricted ("out-of money") options

31 Failure to execute option-account agreement

32 Failure to receive option prospectus

33 Manipulative floor practices

34 Other - Miscellaneous

## APPENDIX G

### Summary of Statistics Relating to SRO Routine Sales Practice Examinations

The Options Study requested from the options exchanges certain information and statistics relating to all routine sales practice examinations of firms for 1973 - 1977, including the number of interviews conducted, accounts reviewed, hours required to conduct an examination and days required to prepare the examination report and conduct any follow-up inquiry. 1 / The NYSE was requested to submit similar data pertaining to routine examinations which its staff conducted. 2 /

For comparison purposes, the firms which were examined were divided into four categories based upon their options commission income for 1977:

Firms with commissions in excess of $1,000,000
" " " between $100,000 and $999,999
" " " between $25,000 and $99,999
" " " of less than $24,499

In general, the Options Study's evaluation of this data indicated that there was little, if any, difference in the scope of each SRO's examination program regarding firms in these categories that was not attributable to variations in firm size. 3 / There were differences, however, in the quality of examination programs among the SROs.

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1 / Appendix A.

2 / Appendix B. The NASD was also requested to furnish similar information, but its submission did not arrive in time to be included in this analysis.

3 / The Options Study relied almost exclusively upon the statistics and related information furnished by the SROs, although, when the Options Study staff noted aberrations from SRO stated policy or significant variations in data, an inquiry was usually made of the examining SRO.

The following summary of these examinations focuses, therefore, on firms with options commission income for 1977 in excess of $1,000,000. There were 41 firms in this category, and they were examined 74 times collectively during 1977.

TABLE A

Sales Practice Examinations in 1977 of Firms
With Options Commission
Income in Excess of $1,000,000

| SRO | No. of Examinations |
|---|---|
| NYSE | 41 * |
| CBOE | 10 |
| AMEX | 17 |
| PSE | 2 |
| PHLX | 4 |
| Total | 74 |

Number of firms: 41

* The Options Study reviewed 13 of these 41 examinations, or approximately 31%. The Options Study reviewed all of the other 33 sales practice examinations conducted by the other SROs.

1. Interviews. There is no requirement that SROs conduct interviews at member firms. Each of the SROs rely, however, upon interviews with supervisors and employees of the firm under examination to furnish information about the firm's organization and operation. While some SROs require that certain individuals be interviewed, this decision is frequently left to the discretion of its examiners.

TABLE B

Average Number of Interviews Per Sales Practice
or Capital/Sales Practice
Examination Conducted During 1977

| SRO | Average No. of Interviews | High | Low |
|---|---|---|---|
| NYSE | 52 | 107 | 11 |
| AMEX | 9 | 20 | 3 |
| CBOE | 5 | 10 | 1 |
| PSE | 2 | 3 | 1 |
| PHLX | 1 | 3 | 1 |

The larger number of interviews conducted by the NYSE appears to be attributable, at least in part, to the fact that NYSE examinations are usually combined capital/sales practice examinations, which cover all aspects of the firm's business, whereas the options exchanges focus exclusively on options.

2. Accounts reviewed. The number of customer accounts reviewed is also left to the discretion of the SRO examiners. Table C summarizes current SRO standards, and Table D summarizes the average number of accounts actually reviewed.

TABLE C

Minimum Number of Customer Accounts Required by SRO Standards To Be Analyzed in 1977

| SRO | Number of Accounts |
|---|---|
| NYSE | For firms with 10,000 accounts or less - all accounts<br><br>For firms with more than 10,000 accounts - at least 10,000 accounts will be reviewed, the exact percentage is established prior to the commencement of the examination. |
| CBOE | Left to the discretion of the examiner |
| AMEX | 50 accounts selected at random, and 50 accounts with uncovered writing. |
| PSE | Left to the discretion of the examiner |
| PHLX | Left to the discretion of the examiner |

TABLE D

Average Number of Accounts Reviewed
per Sales Practice Examination in 1977

| SRO | Average Number | High | Low |
|---|---|---|---|
| NYSE | * | 21,026 ** | * |
| CBOE | 345 | 1,044 | 47 |
| AMEX | 235 | 1,067 | 60 |
| PHLX | 825 | 2,650 | 50 |
| PSE | 88 | 110 | 66 |

* The NYSE does not record, in all instances, the total number of accounts reviewed due to the exchange's requirement that all accounts be reviewed if the firm has less than 10,000 accounts.

** This figure does not include accounts reviewed by NYSE in its capital examinations.

The NYSE's account review standards are significantly higher than the options exchanges because the NYSE relies extensively upon the firm's in-house computer, when available, to conduct the initial account review. The NYSE examiners initially determine the reliability of the firm's computer to identify "exceptions" in its recordkeeping system and, if the system is adequate, utilize the computer to screen the firm's accounts. Thus, in many instances, the initial account review is not made manually by the NYSE's examiners. Nonetheless, information furnished by the NYSE indicates that its examiners select an average of 8,636 accounts for more detailed analysis, which is usually manual.

Not all accounts selected for review by an SRO are analyzed for the same purpose. For example, of 300 accounts, an SRO may review 50 accounts to determine whether requisite customer information is on file, another 75 accounts to determine whether they have been approved properly to trade options, and an additional 50 accounts for suitability. The remaining 125 accounts may be reviewed for compliance with other SRO rules.

3. Length of Sales Practice Examinations. The time required to conduct a routine sales practice examination is directly related to the number of individuals interviewed and accounts examined. The NYSE therefore spends more time conducting sales practice examination than any other SRO.

TABLE E

Average Hours Required Per Sales Practice Examination in 1977

| SRO | Average Time in Hours | High | Low |
|---|---|---|---|
| NYSE | 502 * | 1,129 | 32 |
| CBOE | 177 | 1,000 | 17 |
| AMEX | 115 | 378 | 28 |
| PSE | 80 | 128 | 32 |
| PHLX | 51 | 72 | 16 |

* Does not include the hours attributable to the NYSE/capital examination.

The time spent in conducting an examination may not reflect the scope of an examination because the efficiency of an examination depends upon the quality as well as quantity of the work performed. Moreover, it is difficult to determine whether sufficient time was taken to evaluate an account. Some accounts will not contain any recent transactions, other accounts will contain a hundred or more.

4. Preparation of examination reports. At the conclusion of an examination, each SRO requires its staff to prepare an examination report. On average, the AMEX requires the least time to prepare its examination report; the NYSE the longest.

TABLE F

Estimated Average Lapsed Time Required in 1977
To Complete Staff Report on Sales Practice Examination

| SRO | Average Time in Days | High | Low |
|---|---|---|---|
| NYSE | 76 | 120 | 45 |
| CBOE | 75 | 110 | 19 |
| AMEX | 17 | 51 | 2 |
| PHLX | 48 | 90 | 9 |
| PSE | 43 | 50 | 35 |

APPENDIX H

Summary of SRO Financial Resources

The Options Study requested from the SROs a summary of their total annual operating expenses and the number of full time personnel employed by them for the years 1977-1978. The following tables summarize the data furnished by the SROs.

Since the SROs use different titles to describe functionally similar departments, the Options Study asked that the requested data be apportioned by the following classifications:

- Compliance programs — all SRO activities relating to the oversight of retail firm operations, such as sales practice examinations, capital examinations, processing and investigating terminations for cause and customer complaints.
- Market surveillance programs— all activities for monitoring the trading activities of SRO members.
- Enforcement programs— all activities directed to evaluating whether or not to recommend or institute disciplinary action and, if such action is taken, to present the SRO staff's case to the SRO's adjudicatory body.