
APPENDIX E

**INFORMATION REQUESTS
TO
BROKER-DEALERS**

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



DIVISION OF
MARKET REGULATION

October 30, 1987

Dear

We greatly appreciate the assistance already provided by members of your firm, particularly your trading staff, in compiling preliminary aggregate data on the recent market break. As we indicated in our earlier phone conversations, it is necessary for the Securities and Exchange Commission ("SEC") and the Commodity Futures Trading Commission ("CFTC") to reconstruct accurately the trading of the major firms over the last few weeks, and that, to accomplish this, more detailed trading information must be compiled. Because this reconstruction may require information from various operational units in each firm, we are asking the firms' compliance or legal staff to coordinate the collection and submission to the SEC and CFTC of this data. For your convenience, we are designating the SEC as the central collection point for this information.

In particular, we request that your firm provide the following breakdown of index-related trading for October 6, 1987, October 14, and each subsequent trade date up to one day prior to submission of these data. We request that these data be submitted either by telecopier or by overnight mail to be received by the SEC no later than November 10, 1987.

Index Arbitrage or "Substitution"

For each program, please indicate:

1. Proprietary or Customer Designation
 - Indicate the identity of the customer only if the customer is a broker-dealer or is affiliated with a broker-dealer.

2. Designation of the basic strategy employed
 - Opening arbitrage
 - Closing arbitrage
 - Substitution
3. Time the stock side of the program was entered (within 10 minutes)
4. Buy/Sell/Sell-short indications for the stock orders
5. Order entry method
 - List
 - Other automated systems
 - By phone to the NYSE
 - A combination of the above
 - Other
6. The market to which the stock orders were directed
 - NYSE
 - Other exchanges, foreign or domestic
 - Third Market
7. The identity and entry time for any futures or options contracts for the program
8. The size of the program broken down into the following categories:
 - Approximate dollar size
 - Approximate share size
 - Number of futures or options contracts

"Straight" Buy or Sell Programs

Please provide the same information for each buy or sell program:

Items 1-6 above

Item 7, if futures or options were used.

Item 8, including number of futures or options contracts, if appropriate.

Portfolio Insurance

1. The futures or options contracts used
2. Time the futures or options contract orders were entered (within 10 minutes).
3. Number of futures or options contracts purchased or sold (with indications of whether these increased or decreased short or long positions)
4. If any stock orders were used, please provide
 - Approximate dollar size and number of shares
 - Time of entry (within 10 minutes)
 - Buy/sell/sell-short designation
 - Entry method
 - The market to which the stock orders were directed

If there is a discrepancy between the total number of futures contracts bought or sold for proprietary or customer accounts and the change in futures or options positions routinely reported to the exchanges, please explain this discrepancy.

While we recognize that it may be difficult for the firms to identify some customers' basic strategy in entering program orders, this information is essential for our review. Therefore, if your firm is unable to obtain this information from any customer by November 6, 1987, we request that the following information for each such account be telecopied to the SEC by 12:00 p.m. on November 6:

1. The name, address, and contact person (with telephone number) for the account.
2. A listing of each program for each trade date providing:
 - Time of entry of stock orders
 - Buy/sell/sell short designation
 - Entry method
 - Market to which the orders were directed
 - Size of order
 - Approximate dollar and share size
 - Identity and number of futures or options contracts used, including time the futures orders were entered.

If there are any questions regarding this data request, please contact John Nielke for the CFTC at (202) 254-3310 or

Alton Harvey for the SEC at (202) 272-2970. The SEC's telecopier number is (202) 272-7050 or 7051.

Sincerely,



Richard G. Ketchum
Director
Division of Market Regulation
SEC



Paula A. Tosini
Director
Division of Economic Analysis
CFTC

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



DIVISION OF
MARKET REGULATION

November 12, 1987

Dear

The Division of Market Regulation ("Division") is conducting a review of trading, operational, and financial conditions during the October market break. In order to complete this review, which will include a reconstruction of market conditions during the key market moves, we will need detailed information concerning trading, financial and operational capability during October 1987. Because the data requested involves various parts of the firm, we would appreciate having one department or office, preferably the compliance officers or legal staff, coordinate the firm's responses to the following items. We request that your response be submitted by telecopier 1/ or by overnight mail to be received by the SEC no later than the dates specified for each of the following subsections. A Division contact person for questions also is provided for each subsection.

I. Trading (Response due November 23, 1987 -- Contact Alton Harvey at (202) 272-2970)

1. For each trade date in October 1987, please provide aggregate daily figures for purchases and sales (in thousands of shares of stocks and approximate dollar value of shares traded) for the following categories. Please provide separate figures for:

- (1) NYSE-listed stocks;
- (2) Amex-listed stocks;
- (3) National Market System ("NMS") NASDAQ stocks; and
- (4) non-NMS NASDAQ stocks.

1/ The SEC's telecopier number is (202) 272-7050 or 7051.

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Proprietary

- Index Arbitrage
- Risk Arbitrage
- Equity Trading (including block-positioning)
or Market-Making
- Other

Agency

- Retail
- Institutional

2. For each trade date in October 1987, please provide aggregate daily figures (in numbers of contracts and approximate dollar value) for purchases and sales for the above categories (if applicable) involving futures or options on the following indexes: Standard & Poor's ("S&P") 500, S&P 100, Amex Major Market, NYSE Composite, and Kansas City Value Line (collectively, derivative index products).
3. For trade dates October 16, 19, and 20, please provide figures (in number of contracts, thousands of shares and the dollar value of shares traded) for purchases and sales of NYSE-listed stocks and derivative index products for the above categories by hour bracket in which orders were executed (e.g., 9:00-10:00, 10:00-11:00, etc.) 2/

Separate Response due December 7, 1987

4. Please provide the same hourly breakdown for purchases and sales on October 16, 19, and 20 of: (1) Amex-listed; (2) NMS NASDAQ; and (3) non-NMS NASDAQ.

2/ If time of execution can not be provided, please provide orders by hour bracket in which orders were entered.

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II. Operations (Response due November 30, 1987 -- Contact Jonathan Kallman at (202) 272-2402)

1. For each of the following items, please indicate an average number prior to the trading period October 14-30, e.g., the average figures for September 1987. 3/
2. For each of the trade dates October 14 through October 30, please provide the following data for NYSE, Amex and NASDAQ activity (by market place): (1) number of trade sides you reported; (2) number of trade sides reported to you on trade date contract sheets; (3) number of reported trade sides compared on T+1; (4) number of unreported trade sides on T+1; (5) number of advisories submitted to you on T+1; (6) number of unreported trade sides resolved on each of T+2, T+3, T+4, T+5; (7) number of reported trade sides not resolved as of settlement data; and (8) number of trade sides not resolved as of your most recent calculations. Please provide approximate dollar values for questions (7) and (8).
3. For each business day from October 14 through November 6, please provide figures for the following: dollar value of CNS settlement obligation of your firm (debit or credit), dollar value of your net mark-to-the-market payment or receipt, and dollar value of CNS fails to receive and fails to deliver.
4. For each of the trade dates October 14 through October 30, please provide the following data concerning institutional trades processed through the Institutional Delivery ("ID") system: (1) number of trades reported to the ID system on trade date, T+1, T+2, T+3, after T+3; (2) number of trades

3/ We believe that most of these data requests can be answered by reference to your clearing agency reports, e.g., NSCC contract sheets and settlement reports, DTC ID reports. If you cannot provide exact figures, make your best approximation and indicate that those figures are approximate. Finally, if information we have requested is unavailable or extremely difficult to obtain, please provide what information you can obtain and the reasons why remaining information is unavailable.

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reported as affirmed by ID system on T+2, T+3, T+4 and T+4; (3) number of affirmed ID trades that settled T+5; and (5) number of non-affirmed trades that settled on T+5, and after T+5 by actual settlement date.

5. For each of the trade dates October 14 through October 30, please provide the following data concerning institutional trades involving delivery-against-payment or receipt-against-payment ("DVP/RVP") to be settled in the U.S., that were not processed through the ID system: (1) number of confirmations sent on T+1, T+2, after T+2; (2) number of those trades that settled on T+5, after T+5, and related aggregate dollar values.
6. For each business day from October 14 through November 6, please provide: (1) the average number of business days from receipt of certificates from customers to delivery to transfer agents or deposit into a securities depository; and (2) the number of business days from receipt of certificates from transfer agents or depositories to delivery to customers.

III. Financial Responsibility (Response due November 30, 1987 -- Contact Michael Macchiaroli (202) 272-2904)

1. For each day from October 14 through October 30, please provide total margin debits, margin deficits and margin calls for securities accounts and commodities futures or options accounts. For each of those days, please identify the amount of securities and commodities futures or options margin calls satisfied through:
 - (1) receipt of additional cash or securities;
 - (2) sales of securities initiated by customers; and
 - (3) liquidation of customer accounts by the firm upon failing to receive margin. When providing the above information please distinguish between institutional accounts, retail accounts and customer accounts introduced on a fully-disclosed basis. Please answer separately the above questions for domestic and foreign accounts.
2. Please indicate the firm's procedures for liquidating customer stock or options positions if unable to contact the customer (or reach an agreement) about a margin call, and provide figures on the number of such liquidations and the daily aggregate dollar amounts of liquidations for each trade date from October 14 to 30.

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3. Please identify the amount of trading losses incurred between October 14 and October 30 related to firm equity securities positions. For that period, please identify the amount of probable losses related to deficits in customers' cash and margin accounts.

IV. Order Routing (Response due December 7, 1987 -- Contact Kathryn Natale at (202) 272-2405)

1. What order-routing and execution systems does the firm use for exchange and OTC trades? For October 13 to 30, please provide the following information concerning your use of those systems: (1) which systems were not operating on particular days and for how long; (2) in which systems did you experience execution delays and how long were those delays; (3) in which systems were you unable to obtain confirmation of execution and how many trades were involved; (4) what other problems did you experience with those systems; (5) what alternatives to these systems did you use?
2. Please indicate approximately how many orders (proprietary and customer) your firm can direct routinely by automated means to each automated exchange and OTC execution system per minute (e.g., your order-routing system capacity)? Did the number of orders you received on October 13-23 at any time exceed that capacity? If possible, provide an estimate of normal use, normal peak activity and peak activity on October 13-23. What alternatives to these automated systems did the firm use?

V. Internationalization (Response due December 7, 1987-- Contact Kathryn Natale at (202) 272-2405)

1. For each trade date in October 1987, please provide aggregate daily purchases and sales of U.S. stocks (in thousands of shares and approximate dollar value) executed in: (1) markets outside the U.S. by marketplace and (2), for NYSE-listed stocks, in the domestic third market.
2. What effect, if any, did the closing of the Hong Kong Exchange have on your firms' proprietary, institutional, and retail trading?

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**VI. Customer Complaints (Response due December 14, 1987 --
Contact Catherine McGuire at (202) 272-2790)**

1. How many customer complaints (written and oral) in the following categories have been received concerning activity related to high volume and high volatility in the period from October 14 to 30: (1) inability to contact broker-dealer; (2) lack of verbal confirmation of execution; (3) poor quality of execution; (4) lack of notice or time related to margin calls; and (5) other.
2. Please describe any special procedures your firm has adopted for resolving any of the types of disputes that arise out of October's high volume and high volatility.
3. Do you anticipate any increase in use of self-regulatory organization sponsored arbitration systems to resolve disputes arising out of October's high volume and high volatility? How many cases?

We sincerely appreciate your cooperation in helping us meet the severe time constraints imposed on us for completing this review.

Sincerely,



Richard G. Ketchum
Director

cc:



DIVISION OF
MARKET REGULATION

E-13
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

November 30, 1987

Dear

Your firm's assistance in providing information for the Division of Market Regulation's review of the October Market Break is greatly appreciated. As we noted in our November 12, 1987 letter, an essential question in our review is when did various types of selling occur, e.g., by retail or institutional accounts or by various types of proprietary accounts? When did any of these accounts enter the market to buy? This is the context in which we must place our analysis of index-related trading during the Market Break.

While most of the firms we have contacted in our November 12 letter have produced useful daily aggregate trading statistics (requested in questions 1 and 2 in Section I), few have been able to reconstruct the hour-by-hour statistics requested for October 16, 19, and 20 in questions 3 and 4. The difficulty for the firms is that their routine automated trading/clearing records do not include times for trades; thus, reconstructions would require extremely time-consuming and expensive checking of individual order tickets. The Division recognizes that such an effort to reconstruct all types of trading in all securities would be extremely difficult. As a result, the staff has attempted to refine its data request in an effort to reduce the reconstruction burden on the firms while at the same time producing useful information on timing patterns for the key trading days under inquiry. In particular, we believe that an hour-by-hour breakdown for a small sample of NYSE-listed securities may be sufficient to meet our analytical needs.



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The Division is therefore revising its request by deleting question 3 and 4 in Section I of the November 12, 1987 letter and requesting instead that each firm conduct an hour-by-hour breakdown by checking order tickets for the following fifteen NYSE-listed stocks for October 16, 19, and 20:

1. International Business Machines
2. Merck and Company
3. General Motors
4. American Telephone and Telegraph
5. Exxon Corp.
6. General Electric
7. E.I. Dupont
8. Sears, Roebuck & Co.
9. Coca Cola Co.
10. Phillip Morris
11. Digital Equipment Corp.
12. Bell & Howell
13. Dayton Hudson
14. Harley Davidson
15. Ryland Group

We request that the results of the order ticket review be submitted to the Division no later than December 11, 1987 on "floppy" disks in the Lotus II Format illustrated in the attached sample spreadsheets. Please do not submit the results on Lotus I Format.

We recognize that even this limited reconstruction will involve some reconstruction burden. We would not request this effort if an alternative was possible (the Division's on-going analysis of audit trail information is expected to produce only a limited amount of useful information because of the absence of complete information from all of the firms). Your assistance in this effort, therefore, is essential.

Sincerely,



Richard G. Ketchum
Director

Enclosure

TRADING IN IBM - OCTOBER 15, 1967

TIME	PROPRIETARY				ADDITIONAL				RETAIL				AGGREGATE			
	BUY	SELL	NET	BUY	SELL	NET	BUY	SELL	NET	BUY	SELL	NET	BUY	SELL	NET	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
Open-10:00																
10:00-11:00																
11:00-12:00																
12:00-1:00																
1:00-2:00																
2:00-3:00																
3:00-Close																

PROPRIETARY TRADING IN IBM - OCTOBER 16, 1967

TIME	IBM ADDITIONAL				IBM ADDITIONAL				LIMIT TRADING				OTHER			
	BUY	SELL	NET	BUY	SELL	NET	BUY	SELL	NET	BUY	SELL	NET	BUY	SELL	NET	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
Open-10:00																
10:00-11:00																
11:00-12:00																
12:00-1:00																
1:00-2:00																
2:00-3:00																
3:00-Close																



DIVISION OF
MARKET REGULATION

D-10
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

December 11, 1987

Dear

As you know, the Division of Market Regulation has been working extensively on a comprehensive study relative to the market break in October 1987. As a part of that study we are reviewing and analyzing the impact of short selling activity and issuer repurchases during this period.

Accordingly, the staff is interested in obtaining information with respect to your firm's experience in effecting issuer repurchases and their impact, if any, on the market during the week of October 19-23. In addition, the staff would like to obtain information regarding Rule 10b-18 to determine how the rule functioned in connection with issuer repurchases during that period.

With regard to short selling activity, we are seeking information regarding the extent of short selling activity, what types of market participants were selling short, and where these transactions occurred.

Outlines of the areas of inquiry we intend to pursue are enclosed. The staff prefers to obtain this information through telephone interviews at the earliest opportunity with the appropriate personnel of your firm, as the study must be completed by the end of this year. Except where specifically requested, at this time we do not anticipate seeking client-specific information. Based on the responses we receive, however, we may seek additional detail.



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We will contact you on Monday, December 14 to schedule a telephone interview for December 16, 17, or 18. Should you require any additional information, please call me at (202) 272-2874, or Nancy Burke at (202) 272-2848.

Sincerely,

Larry E. Bergmann
Assistant Director

**INFORMATION REQUESTS
TO
SELF-REGULATORY ORGANIZATIONS**



DIVISION OF
MARKET REGULATION

E-21
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

November 16, 1987

Mr. Robert Birnbaum
President
New York Stock Exchange, Inc.
11 Wall Street
New York, New York 10005

Re: October Market Break

Dear Mr. Birnbaum:

As you know, the Division of Market Regulation ("Division") is conducting a comprehensive review of trading during the October 1987 Market Break. Because the data requested involves various parts of the Exchange, we would appreciate having your Office coordinate the NYSE's responses to the following items. We request that this information be submitted to us no later than the dates indicated for each of the following subsections. In addition, we request that the statistical information in your response (particularly the lists requested in Sections I and VIII) be provided in a machine-readable format, preferably on "floppy disks." A Division contact person for questions is provided for each subsection.

- I. Specialist Performance (Response by December 4, 1987 -- Contact Howard Kramer at (202) 272- 2889 or Alton Harvey at (202) 272-2970)
 1. For each of the 50 stocks comprising the list of "pilot stocks" subject to order-imbalance disclosure procedures on recent index product expirations, please submit:
 - (a) Specialists' opening positions for each stock for each trade date in October 1987.
 - (b) Daily market-making statistics for each stock for October 6, 14, 15, 16, 19, 20, and 26, 1987. In



Mr. Robert Birnbaum
Page 2

addition, please provide an average for September 1987 of these daily statistics. Statistics should cover:

- Price Continuity
- Market Depth
- Quotation Spreads
- Stabilization Percentage
- Percentage of Participation

- (c) The same market-making statistics broken down by hour bracket (e.g. 9:30-10:00, 10:00-11:00) for trade dates October 6, 14, 15, 16, 19, 20, and 26.
- (d) Forms 81 for trade dates October 6, 14, 15, 16, 19, 20, and 26.

2. Please provide the same daily and hourly figures and Forms 81, for the same trade dates, for the following stocks. In addition, please provide an average for September 1987 for these daily statistics.

- | | |
|-------------------|----------------------------|
| a. Dayton Hudson | e. Bell & Howell |
| b. Irving Bank | f. Holly Farms |
| c. Newmont Mining | g. Household International |
| d. Geico | |

3. For October 6, 14, 15, 16, 19, 20, and 26, 1987, please provide a list of all delayed openings ^{1/} for order imbalances. For each delayed opening, please provide:

- (a) Stock symbol.
- (b) Number of shares "paired."
- (c) Number of shares in the imbalance.
- (d) Opening price.
- (e) Change from previous close (dollar amount and ¢ change).
- (f) Indication of whether floor official approval was obtained.
- (g) Time that stock opened.

4. For October 6, 14, 15, 16, 19, 20, and 26, 1987, please provide the same breakdown (3(a) - 3(g), above) for each "gap" opening in a stock that is not already included in the list of delayed openings.

^{1/} Questions on "delayed openings" and "gap openings" refer to those situations requiring the filing of standard forms pursuant to NYSE rules.

Mr. Robert Birnbaum
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5. For October 6, 14, 15, 16, 19, 20, and 26, 1987, please provide a list of all trading halts, formal or informal, due to order imbalances with the breakdown in 3(a) - 3(f), above, plus:
- time that each halt was imposed
 - time that each halt was lifted
6. Please provide the following statistics for each of the following trade dates: October 6, 14, 15, 16, 19, 20, and 26.

	No. of DJIA Stocks/ % of Price Weight	No. of "Pilot" Stocks/ % of Capital- ization	No. of S&P 500 Stocks/ % of Capital- ization	No. of NYSE Stocks/ % of Capital- ization
Open by 10:00 am	___/___%	___/___%	___/___%	___/___%
Open by 11:00 am	___/___%	___/___%	___/___%	___/___%
Open after 11:00 am	___/___%	___/___%	___/___%	___/___%

(Separate Response Due December 11, 1987)

We will send the Exchange in the next few days an additional list of stocks for which we will need daily market-making statistics for October 6, 14, 15, 16, 19, 20, and 26, 1987.

II. Specialist Operations (Response due December 4, 1987 -- Contact Jonathan Kallman at (202) 272-2402 or Michael Macchiarolli at (202) 272-2904)

1. Please provide a list of all NYSE member firms that act as clearing agents for specialists ("clearing members"), and, for each clearing member:
 - (a) The identity of all specialists for whom it acted at any time during October 1987.
 - (b) The securities assigned to such specialists.

Mr. Robert Birnbaum

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2. Please provide a brief chronology of all specialist unit capitalization or operational-capacity problems providing the identity of the unit and the date and time for:
 - (a) Each unit requiring additional market-making assistance.
 - (b) Each unit transferring a specialty stock book.
 - (c) Each unit being provided special scrutiny by the Exchange staff for possible capitalization problems.
 - (d) Each unit ceasing independent operations or being acquired by other units or other NYSE member firms.
3. Please provide copies of all correspondence since January 1977 from registered clearing agencies (e.g., NSCC, MCC, BSECC, SCP and PCC) concerning these firms' status under NYSE Rule 132.

III. Trading/Clearing Statistics (Response by December 4, 1987 -
- Contact Jonathan Kallman at (202) 272-2402)

1. Please provide the following trading statistics for each trade date in October 1987 and for each hour bracket for October 6, 14, 15, 16, 19, 20, and 26. In addition, please provide a daily average for September 1987.
 - (a) Total number of transactions and shares executed on the NYSE.
 - (b) Total number of transactions and shares involving block-size orders (10,000 shares or more).
 - (c) Total number of transactions and shares involving orders routed via the Exchange's automated systems?
 - (d) Total number of transactions and shares processed by the Exchange's "List" system.
 - For each list program on October 6, 14, 15, 16, 19, 20, and 26, please indicate:
 - Time of entry
 - Identity of Firm
 - Principal/Agency Designation
 - Strategy (if indicated)
 - Share Size

Mr. Robert Birnbaum
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2. Please provide the following clearing statistics for each trade date in October 1987 and provide a daily average for September 1987.
 - (a) Total number of questioned or "don't know" trades.
 - (b) Total number of questioned or don't know trades resolved by supplemental means at registered clearing agencies.
 - (c) Total number of questioned or don't know trades resolved through exchange facilities on T+2, T+3, T+3, T+4, T+5, T+6.

IV. Order Routing Systems (Response by December 4, 1987 -- Contact Kathryn Natale at (202) 272-2405 or Alton Harvey at (202) 272-2970)

Please provide the following statistics on each of the Exchange's automated order routing systems for each of the following trade dates: October 6, 14, 15, 16, 20, and 26. In addition, for each of the following questions, please provide a daily average for the month of September 1987.

1. Average number of opening and post-opening orders per second for each hour bracket (e.g., 8:00 - 9:00, 10:00 - 11:00).
2. Average number of opening and post-opening reports per second for each hour bracket.^{2/}
3. Average number of order transmission delays due to "queuing" problems for each hour bracket and average length of delay for each "queued" order.
4. Average size (number of shares) for orders transmitted during each hour bracket.
5. Number of orders being entered into the Exchange's systems during each hour bracket.
 - (a) Of the number of orders entered during each hour bracket, how many were printed out at the specialists' posts for execution: (1) within 5

^{2/} In addition, please provide a graph of opening and post-opening traffic, similar to the sample graph attached to this letter, for trade dates October 6, 14, 15, 16, 19, 20, and 26, as well as for an average day in September 1987.

Mr. Robert Birnbaum
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minutes of time of entry; (2) within 15 minutes; (3) within 30 minutes; (4) within 60 minutes; (5) after 60 minutes; (6) not at all?

(b) Of the number of orders entered during each hour bracket, how many of these orders received fill reports: (1) within 15 minutes of time of entry; (2) within 30 minutes; (3) within 60 minutes; (4) after 60 minutes; (5) not at all?

V. Intermarket Trading System (Response by December 11, 1987 -
- Contact Kathryn Natale at (202) 272-2405)

Please provide the following statistics for each of the following trade dates: October 6, 14, 15, 16, 19, 20, and 26. In addition, for each of the following questions, please provide a daily average for the month of September 1987.

1. Number of ITS pre-opening notifications for each trade date.
 - Number of shares requested in response to pre-opening notifications.
 - Number of shares sent pursuant to these requests.
2. Number of "locked markets" for ITS stocks for each hour bracket.
 - Of this number, how many were caused by NYSE specialists?
3. Number of "crossed markets" for ITS stocks for each hour bracket.
 - Of this number, how many were caused by NYSE specialists?
4. Number and nature of ITS inquiries or complaints, s.g., trade-through complaints, directed to NYSE specialists for each hour bracket.
 - Of this number, how many received responses by the NYSE specialists: (1) within 15 minutes; (2) within 30 minutes; (3) within 60 minutes; (4) after 60 minutes; (5) not at all.
5. Similar breakdowns for inquiries or complaints sent by NYSE specialists.

Mr. Robert Birnbaum
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6. Please provide a chronology of operational problems in ITS as well as periods in which the NYSE halted operations of ITS.

VI. Other Systems Problems (Response by December 11, 1987 -- Contact Kathryn Natale at (202) 272-2405)

For trade dates October 6, 14, 15, 16, 19, 20, and 26:

1. Please provide a chronology of delays or other problems in the consolidated quotation or transaction reporting systems.
2. Please provide a brief chronology of similar problems in the "low-speed tape."

VII. Automation Enhancements (Response by December 11, 1987 -- Contact Kathryn Natale at (202) 272-2405 or Alton Harvey at (202) 272-2970)

Please provide the NYSE's projections for overall capacity to process the following categories of transactions by: (1) the end of FY 88; (2) the end of FY 89; (3) the end of FY 90.

1. Number of orders routed to the Exchange floor via automated systems: (1) on an average daily basis; (2) on a peak daily basis; (3) on an average hourly basis; (4) on a peak hourly basis; (5) on an average minute basis; (6) on a peak minute basis.
2. Similar breakdowns for the total number of shares in orders which can be routed to the Exchange floor via automated systems.
3. Similar breakdowns for total number of transactions processed on the NYSE.
4. Similar breakdowns for total number of shares traded on the NYSE.

In addition, please submit copies of all reports submitted to the NYSE Board of Directors since September 1, 1986, concerning possible enhancements to the Exchange's automated order-routing systems and overall order-processing capabilities.

VIII. Investor, Member, and Issuer Complaints (Response due December 11, 1987 -- Contact Catherine McGuire at (202) 272-2790 or Kathryn Natale at (202) 272-2405)

Mr. Robert Birnbaum
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Please provide a list of all complaints or inquiries received by the NYSE by November 13, 1987 concerning the October market break. For each complaint or inquiry, please indicate the following:

1. Whether the complainant was an investor, a member, or a representative of an issuer
 - If the complainant is an investor, please: (a) indicate whether the complainant is an individual investor or represents an institutional investor; and (b) identify the NYSE member firm for this investor.
 - If the complainant is a broker-dealer, please identify and indicate: (a) whether the firm is an NYSE member; and (b) whether the firm is complaining for itself, an associated person, or a customer.
 - If the complainant represents an issuer, please identify the issuer.
2. The trade dates subject to the complaint or inquiry.
3. The stock and its specialist unit.
4. Whether the following subject areas were included in the complaint:
 - (a) Specialist market-making performance
 - (b) Non-execution of order
 - by Specialist
 - by Broker
 - (c) Quality of order execution
 - by Specialist
 - by Broker
 - (d) Late "fill" reports
 - (e) Inability to obtain accurate quote prices
 - (f) Inability to contact broker
 - (g) Broker liquidating positions due to margin calls without obtaining investor assent
 - (h) Other complaints concerning broker

Mr. Robert Birnbaum
Page 9

- (i) Other complaints concerning specialist
- (j) Complaints concerning the Exchange's order routing systems.
- (k) Complaints about "tape" delays
- (l) Complaints about specialists not using ITS
- (m) Allegations of market manipulation
- (n) Allegations of other securities law violations (please identify)
- (o) Complaints about "program trading"
- (p) Other (Identify)

We sincerely appreciate your cooperation in helping us meet the severe time constraints imposed on us for completing this review.

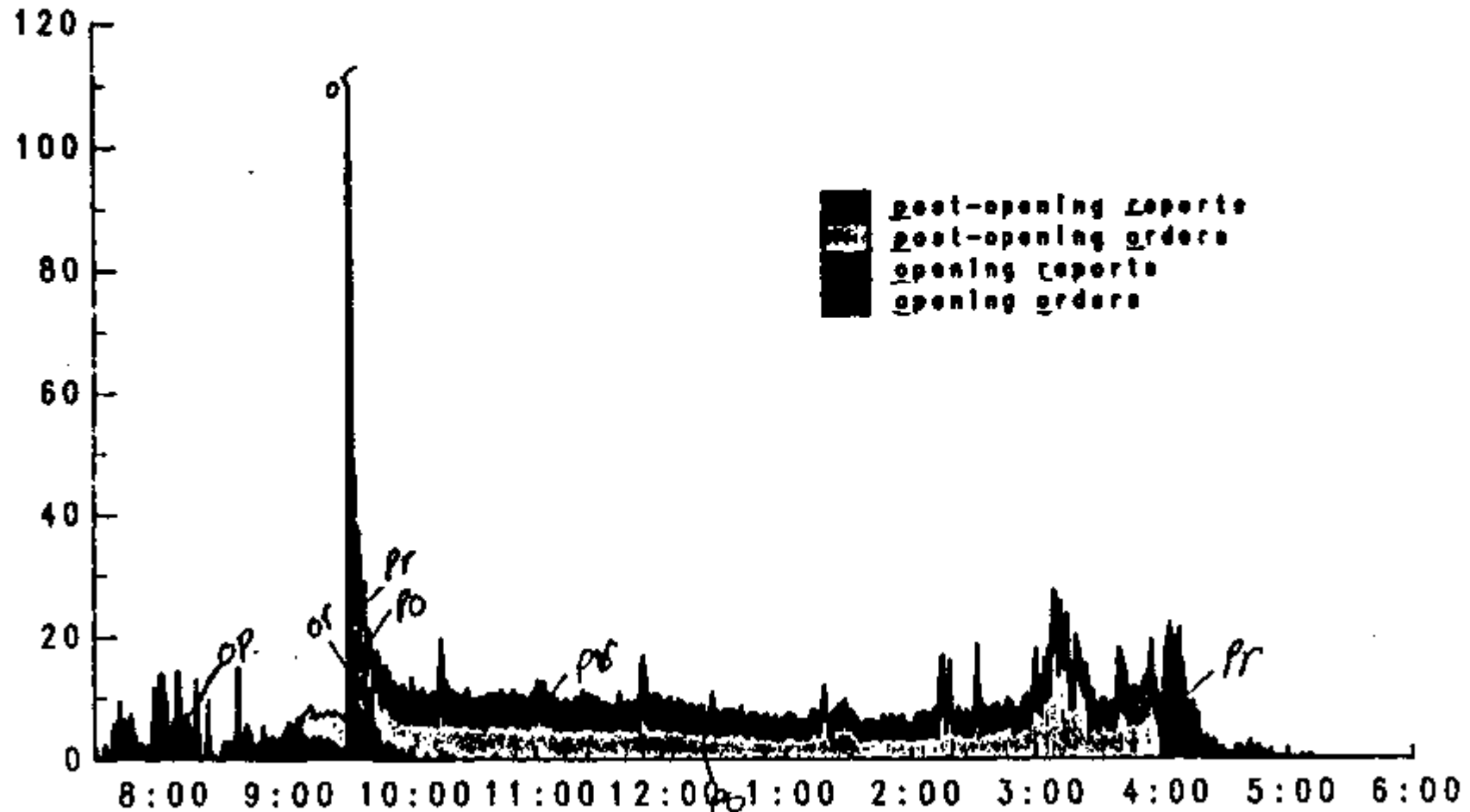
Sincerely,



Richard G. Ketchum
Director

June 19, 1987

Opening and Post-Opening Traffic
(orders and reports per second)



E-30



DIVISION OF
MARKET REGULATION

E-31
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
December 4, 1987

Harry Day, Esq.
Counsel-Regulation
New York Stock Exchange, Inc.
1800 K. Street, N.W.
Washington, D.C. 20006

RE: October Market Break

Dear Mr. Day:

Thank you for the assistance and cooperation already provided by the Exchange and its members in discussing with the Commission staff the recent market volatility. These discussions were very informative and will aid the staff in its study of market performance during this critical period.

During our visit to the Exchange our staff made some additional requests for information that will supplement the information already requested in Richard Ketchum's November 16, 1987 letter to Robert Birnbaum ("November 16 Letter"). This letter is intended to confirm the additional information requested which the Exchange staff has agreed to provide the Commission. We would like to receive the following information no later than December 11, 1987.

1. A comparison of the overall specialist stabilization rates and percentage of participation as of November 23, 1987, and the rates for September 1987. Please also identify overall TTV for all specialists for each day during the weeks of October 19 and 26.
2. For the weeks of October 19, 26, November 2 and 9, please identify each day when the exchange declared a floor wide delay in the time by which a stock must be opened or a notification would have to be sent out. For each day identified state the period of time the delay existed, e.g., 9:30-10:30. In addition, for those dates identified, please describe how the decision on a floor wide delayed opening was made, who made the decision, what factors were involved, and at what point in time the delayed opening was actually declared.
3. For each day of the week during October 19 and 26, please identify the number of percentage orders that were entered and those that were executed. Identify those percentage orders which needed either Floor Official or Floor Governor approval to be executed and



if approval was granted or denied. Please describe how the percentage order volume figures compare to periods of average trading activity.

4. In addition to the dates of October 6, 14, 15, 16, 19, 20 and 26 identified in footnote 2 of our November 16 Letter, could you please provide a chart on opening and post opening traffic for October 21, 22, 23, 27, 28, 29, and 30 as well.
5. Please identify the stocks and violations your surveillance department is examining for the 25 investigations Bob McSweeney has opened concerning potential violations that occurred during the week of October 19.
6. For all the stocks in which you are providing us information pursuant to our November 19 Letter, please identify which issuers announced corporate buy-backs during the weeks of October 19 and 26. Of the issuers identified, please state the time and date of the announcement and for how long the corporate buy program lasted.
7. Please send a chart on your DOT system similar to the diagram drawn by your staff in our meeting on November 24. Please include in the diagram where ITS orders enter the system and to the extent possible mark the places on the chart where the back-ups occurred.
8. Please send the October 31st Focus reports for the following firms: E. F. Hutton, Paine Webber, Goldman Sacks, Salomon Brothers, Kidder Peabody, Drexel Burnham, Merrill Lynch, First Boston, Shearson Lehman, Bear Stearns, Morgan Stanley, Dean Witter, Prudential Bache, Donaldson Lufkin, A.G. Edwards, Charles Schwab, Smith Barney, Thomson McKinnon.
9. Please provide us with the Specialist Capital Check Report for the following dates:
10/14 - 10/16
10/26 - 10/30.

We sincerely appreciate your cooperation in providing us with this additional information in a timely manner to help us meet the time constraints imposed on us for completing our review.

Sincerely,


Howard Kramer
Assistant Director

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



November 25, 1987

Frederic M. Krieger, Esq.
Associate General Counsel
Chicago Board Options Exchange, Inc.
La Salle at Van Buren
Chicago, Illinois 60604

Re: October Market Break

Dear Fred:

As you know, over the past several weeks, Holly Smith and Howard Kramer have made various data requests to the CBOE in connection with the Commission's study of the market events of October 1987. We appreciate the helpful and timely assistance the CBOE staff has provided over a wide range of issues. Nevertheless, I thought it might be useful if I summarized in writing our various data requests. In addition, we ask that the information be provided on or before December 7, 1987. If this date cannot be met, or if you have any questions, please contact Howard Kramer (202/272-2889) or Holly Smith (202/272-2406) as soon as possible.

1. Provide a list of all complaints or inquiries received by the CBOE concerning the trade dates of October 12 to October 30, 1987. For each complaint or inquiry, indicate the nature of the complaint (e.g., pricing, late "fill" report, inability to obtain accurate quotes, etc.); the trade date(s) involved; the option involved; and whether the complainant is an investor or a CBOE member. If the complainant is an investor, indicate whether he is an individual investor or represents an institutional investor. If the complainant is a broker-dealer, indicate whether the firm is complaining for itself or a customer.

2. Position Limits -- All position limit violations during the weeks of October 12, 19 and 26, 1987, and all requests for position limit exemptions during these weeks.



Frederic M. Krieger
Page Two

3. RAES -- The number of market makers on RAES for each day during the weeks of October 12, 19 and 26, 1987, for index products and a representative sample of equity options. In addition, the number of market makers on RAES by half hour time brackets for periods of free trading during the weeks of October 13 and 19.

4. A list of all trading halts, formal or informal, in any option called during the weeks of October 13 and 19. Please provide the time that each halt was imposed and the time that each halt was lifted.

5. A list of all trading rotations in OEX and SPX (SPX also includes NSX in all references in this letter) during the week of October 19 (include opening rotations plus all others), and any equities that had more than one rotation on any day during that week. Please provide the times when the rotation started and when it was completed.

6. Opening times for OEX, SPX and all equity options during the week of October 19.

7. Total number of out-trades each day during the week of October 19, and the same figure expressed as a percentage of total volume. Please provide separate data for out-trades in OEX, and for purposes of comparison, the average daily number of out-trades in September 1987 with a separate identification for OEX.

8. Total number of book orders (combine index and equity options) for the week of October 19. Comparison figures for the preceding three months.

9. Data regarding the timeliness of execution of book orders in OEX and equities, if possible.

10. Equity and stock index option volume and trade statistics from October 1 to November 6 -- OEX and SPX volume and trade statistics for this period should be shown separately. RAES volume and trade statistics also should be shown separately.

11. Average quote spread statistics for every trade date from October 14-30 for IBM, EK, MCI, HWP, Amdahl, OEX, and SPX, measured as a percentage of option premiums. Include as a comparison a historical measure of daily quote spreads as a percentage of option premium for these options.

Frederic Krieger
Page Three

12. Time Value Premiums on near term options for each trade date from October 19-30 for OEX, SPX, IBM, EK, MCI and HWP option series. These time value premiums should be compared to a historical measure for a non-expiration week during the months of January, April, and September 1987.

13. Any information collected by the special "group" or "committee" at the CBOE analyzing the pricing of OEX and SPX options on December 20, 1987.

14. For October 22, 1987, the last trade and closing quote for all series of OEX and SPX and any quote adjustment

15. A "pit profile" of the OEX trading pit for October 16, 19, and 21. This should include the number of market makers who executed a trade in the OEX pit for each day, and the percent each day of trades by the following categories: market maker to market maker trades, trades with a floor broker on only one side, and trades between two floor brokers.

16. A chronological survey of the steps the CBOE took in dealing with the liquidity concerns of First Options and the Fossett Corporation.


17. A profile of all firms who "failed" (e.g., went out of business, transferred accounts or otherwise suffered severe financial distress) during the weeks of October 13 and 19, and summary of the primary reasons for such firm failures. In this regard, please inform us how many seat sales since October 13 have been due to such financial distress.

18. The number of market makers whose trading activities were temporarily restricted (including instances in which market makers were asked to liquidate positions) by their clearing firms. Please include the identity of the clearing firms and the options in which the market makers trade.

19. A description of why the CBOE halted trading on October 20, why it reconvened trading and the precise times of such trading halts.

I appreciate the efforts you and others at the CBOE are expending to produce the requested information in a very short time span.

Sincerely,



Richard G. Ketchum
Director

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



DIVISION OF
MARKET REGULATION

November 25, 1987

Carrie Dwyer, Esq.
General Counsel
American Stock Exchange
86 Trinity Place
New York, New York 10006

Re: October Market Break

Dear Ms. Dwyer:

We appreciate the assistance and cooperation already provided by the exchange and its members in discussing with the Commission staff recent market volatility. We believe these discussions will aid the staff in its study of market performance during this critical period. While I understand that the Commission staff already has made several data requests from the Amex, we also will need additional data from the exchange to reconstruct accurately trading during the weeks of October 13, 19 and 26. We request that the information outlined below be submitted to us by December 11, 1987. If you have any questions concerning the request, you should contact Howard Kramer at (202) 272-2889 or Sharon Lawson at (202) 272-2910.

In particular, we request the following information for the trade dates of October 16, 19, 20 and 26:

I. Equity Specialist Performance

1. audit trail information for the above dates in GTI Corp., Wang, Unicorp American Corp., Dillard Department Stores, Andahl, N.Y. Times, Washington Post, Giant Food, and DeLaurentis Entertainment;
2. specialist positions in the above listed stocks both before the opening and after the close of trading on the above specified dates;
3. daily specialist market making statistics for each stock for the above specified dates, including, if available, price continuity, market depth, quotation spreads, stabilization percentage, and percent of participation. Please provide an average for September 1987 of these statistics;



4. data on all proprietary trading by specialists in the above listed stocks, on the dates specified above;
5. any other information, including any internal reports, the exchange has on specialist activity and performance for the dates specified above.

II. Operations

1. for each trade date during the weeks of October 19 and 26, a list of all trading halts, the time each halt was imposed and lifted and the reason for the halt.
2. Please provide the following statistics for the PERS system for October 6, 14, 15, 16, 20 and 26
 - Average number of opening and post-opening orders per second for each hour bracket (e.g., 8:00-9:00, 10:00 - 11:00).
 - Average number of opening and post-opening reports per second for each hour bracket.
 - Average number of order transmission delays due to "queuing" problems for each hour bracket and average length of delay for each "queued" order.
 - Average size (number of shares) for orders transmitted during each hour bracket.
 - Number of orders being entered into the Exchange's systems during each hour bracket.
 - (a) Of the number of orders entered during each hour bracket, how many were printed out at the specialists' post for execution: (1) within five minutes of time of entry; (2) within 15 minutes; (3) within 30 minutes; (4) within 60 minutes; (5) after 60 minutes; (6) not at all?
 - (b) Of the number of orders entered during each hour bracket, how many of these orders received full reports: (1) within 15 minutes of time of entry; (2) within 30 minutes; (3) within 60 minutes; (4) after 60 minutes; (5) not at all?
3. Please provide the following statistics for stocks that the Amex serves as primary market for each of the following trade dates: October 6, 14, 15, 16,

19, 20 and 26. In addition, for each of the following questions, please provide a daily average for the month of September.

- a. Number of ITS pre-opening notifications for each trade date.
 - Number of shares requested in response to pre-opening notifications.
 - Number of shares sent pursuant to these requests.
- b. Number of "locked markets" for ITS stocks for each hour bracket.
 - Of this number, how many were caused by Amex specialists?
- c. Number of "crossed markets" for ITS stocks for each hour bracket.
 - Of this number, how many were caused by Amex specialists?
- d. Number and nature of ITS inquiries or complaints, e.g. trade-through complaints, directed to Amex specialists for each hour bracket.
 - Of this number, how many received responses by the Amex specialists: (1) within 15 minutes; (2) within 30 minutes; (3) within 60 minutes; (4) after 60 minutes; (5) not at all.
- e. Similar breakdowns for inquiries or complaints sent by Amex specialists.
- f. Please provide a chronology of any operational problems in ITS as well as any periods in which the Amex halted operation of ITS.

III. Market Statistics

1. Please provide the number of Amex firm failures as well as the names of market makers (i.e., specialists, REMMs, ROTs) that failed or were forced to merge or be acquired due to financial difficulties.
2. Please provide the following trade statistics for each trade date in October 1987 and for each hour

bracket for October 16, 19, 20, and 26. In addition, please provide a daily average for September 1987.

- (a) Total number of transactions and shares executed on the Amex.
 - (b) Total number of transactions and shares involving block-size orders (10,000 shares or more).
 - (c) Total number of transactions and shares involving orders routed via the Exchange's automated systems?
3. Please provide the following clearing statistics for each trade date in October 1987 and provide a daily average for September 1987.
- (a) Total number of questioned or "don't know" trades.
 - (b) Total number of questioned or don't know trades resolved by supplemental means at registered clearing agencies.
 - (c) Total number of questioned or don't know trades resolved through exchange facilities on T+2, T+3, T+4, T+5, T+6.

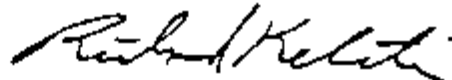
IV. Options Market

- 1. All position limit violations for trade dates during the weeks of October 12, 19, and 26, 1987, and all requests for position limit exemptions during these weeks.
- 2. The number of market makers on Auto-Ex for each day during the weeks of October 12, 19, and 26, 1987.
- 3. A list of all trading halts, formal or informal, in any option during the week of October 19. Please provide the time that each halt was imposed and the time each halt was lifted.
- 4. A list of all trading rotations in XMI and XII during the week of October 19 and any equity options that had more than one trading rotation at any day that week. Please provide the time when the rotation started and when it was completed.

5. Any data regarding the timeliness of execution of book orders in XMI and equity options during the week of October 19, 1987, if available.
6. Equity and stock index option volume and trade statistics from October 1, to November 6, 1987. XMI and XII statistics should be separated.
7. Daily specialist market making statistics for XMI, Apple Computer, and Household International for October 6, 14, 15, 16, 19, 20, and 26, 1987. In addition, please provide an average for September 1987 of these daily statistics. Statistics should cover:
 - Price continuity;
 - Market depth;
 - Quotation spreads;
 - Stabilization percentage;
 - Percentage of participation
8. Average quote spread for XMI measured, as a percentage of premium, for every trade date from October 14-30, as well as a historical measure for comparison purposes.
9. Time value premiums on near-term options for XMI, Household International and Apple Computer options for each trade date from October 19-30, as well as for a non-expiration week in January, April, and September 1987.

We sincerely appreciate your cooperation in helping us meet the severe time constraints imposed on us for completing this review.

Sincerely,



Richard G. Ketchum
Director

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



DIVISION OF
MARKET REGULATION

November 25, 1987

William G. Morton, Jr.
Chairman and Chief Executive Officer
Boston Stock Exchange, Inc.
One Boston Place
Boston, MA 02108

Dear Mr. Morton:

Thank you for the assistance and cooperation already provided by the exchange and its members in discussing with the Commission staff the recent market volatility. We believe these discussions will aid the staff in its study of market performance during this critical period.

I understand you have provided some data already to the Commission staff. We also will need additional data from your exchange to reconstruct accurately the trading by specialist firms during the weeks of October 12, 19 and 26. We request that the information outlined below be submitted to us by December 11, 1987. If you have any questions concerning the request, you can contact Howard Kramer at (202) 272-2889 or Sharon Lawson at (202) 272-2910.

In particular, we request the following information for the trade dates of October 16, 19, 20 and 26:

I. Specialist Activity

1. Audit trail and/or transaction journal information for any trades executed on your exchange on the above dates in International Business Machines, Merck & Co., Eastman Kodak, General Motors, U.S. Steel, Coca Cola, Dayton Hudson, Newmont Mining, GEICO, Bell & Howell, Holly Farms, Household International, Genrad Inc., Universal Matchbox Group Ltd., Malaysia Fund, Zenith Laboratories, Ryland Group, Towle Manufacturing, Shoetown, Harley Davidson, Lonestar Industries, and Cineplex Odeon Corp.
2. Specialist positions in the above listed stocks both before the opening and after the close of trading on the above dates.
3. Data on all proprietary trading by specialists in the above listed stocks, on the dates specified above, to



the extent this information is not already included in the audit trail information provided by the exchange.

4. Any other information the exchange has on specialist activity and performance for the dates specified above, including any internal reports, or statistics on market making performance. In particular, we would appreciate receiving information about the depth, continuity and quote performance of your specialists.
5. In handling orders, particularly limit orders, how did the specialist ensure that those orders received so-called "primary market protection" during the weeks of October 12, 19 and 26.
6. Estimate the total capital available to your specialists to take positions.

II. Specialist Operations

1. Please provide a list of all exchange member firms that act as clearing agents for specialists ("clearing members"), and, for each clearing member:
 - (a) the identity of all specialists for whom it acted at any time during October 1987, and
 - (b) the securities assigned to such specialists.

III. Operations

1. Please provide the following trading statistics for each trade date in October 1987 and for each hour bracket for October 16, 19, 20, and 26. In addition, please provide a daily average for September 1987.
 - (a) Total number of transactions and shares executed on the exchange;
 - (b) Total number of transactions and shares involving block-size orders (10,000 shares or more); and
 - (c) Total number of transactions and shares involving orders routed via the exchange's automated systems. In addition, of the number of orders entered during each hour bracket, how many orders received fill reports within 5 minutes of time of entry? Within 15 minutes? Within 60 minutes? After 60 minutes? Not at all?

2. Please provide the following comparison and clearing statistics for each trade date in October 1987 and provide a daily average for September 1987.
 - (a) Total number of questioned or disputed trades;
 - (b) Total number of questioned or disputed trades resolved through a correction process at registered clearing agencies; and
 - (c) Total number of questioned or disputed trades resolved through a correction process at the exchange on T + 2, T + 3, T + 4, T + 5, later than T + 5.
3. Please provide a chronology of any modifications, reductions, or cessation of operation of your small order routing and execution system during the weeks of October 19 and 26, 1987. Please explain the actions listed in the chronology. How were member firms affected? What steps does the exchange intend to take in reaction to problems in the operation of the system?
4. Please provide a description of any problems experienced with ITS during the weeks of October 12, 19 and 26, 1987. In addition, please specify the amount of order flow sent and received through ITS during these weeks.

IV. Financial Integrity

Please provide a list of all market-makers (both equity and option, if applicable) that experienced capitalization problems during the weeks of October 12, 19, and 26, 1987, including the date and end result of any action resulting from such problems.

V. Customer Complaints

A list of all complaints or inquiries from exchange members received by your exchange concerning trades (equities and options) during the week of October 19, 1987. For each complaint, indicate the nature of the complaint (e.g., pricing, late fill report, etc.), the trade date involved, the security involved, and whether the firm is complaining for itself or a customer.

- We understand that the Commission's Office of Consumer Affairs has sent your exchange a letter requesting similar information concerning complaints by individuals.

We sincerely appreciate your cooperation in helping us meet the severe time constraints imposed on us for completing this review.

Sincerely,

Richard G. Ketchum d.s.c.

Richard G. Ketchum
Director



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20540

November 25, 1987

Richard M. Niehoff
President
Cincinnati Stock Exchange, Inc.
205 Dixie Terminal Building
Cincinnati, OH 45202

Dear Mr. Niehoff:

Thank you for the assistance and cooperation already provided by the exchange and its members in discussing with the Commission staff the recent market volatility. We believe these discussions will aid the staff in its study of market performance during this critical period.

I understand you have provided some data already to the Commission staff. We also will need additional data from your exchange to reconstruct accurately the trading by specialist firms during the weeks of October 12, 19 and 26. We request that the information outlined below be submitted to us by December 11, 1987. If you have any questions concerning the request, you can contact Howard Kramer at (202) 272-2889 or Sharon Lawson at (202) 272-2910.

In particular, we request the following information for the trade dates of October 16, 19, 20 and 26:

I. Specialist Activity

1. Audit trail and/or transaction journal information for any trades executed on your exchange on the above dates in International Business Machines, Merck & Co., Eastman Kodak, General Motors, U.S. Steel, Coca Cola, Dayton Hudson, Newmont Mining, GEICO, Bell & Howell, Holly Farms, Household International, Genrad Inc., Universal Matchbox Group Ltd., Malaysia Fund, Zenith Laboratories, Ryland Group, Towle Manufacturing, Shoetown, Harley Davidson, Lonestar Industries, and Cineplex Odeon Corp.
2. Specialist positions in the above listed stocks both before the opening and after the close of trading on the above dates.
3. Data on all proprietary trading by specialists in the above listed stocks, on the dates specified above, to



the extent this information is not already included in the audit trail information provided by the exchange.

4. Any other information the exchange has on specialist activity and performance for the dates specified above, including any internal reports, or statistics on market making performance. In particular, we would appreciate receiving information about the depth, continuity and quote performance of your specialists.
5. In handling orders, particularly limit orders, how did the specialist ensure that those orders received so-called "primary market protection" during the weeks of October 12, 19 and 26.
6. Estimate the total capital available to your specialists to take positions.

II. Specialist Operations

1. Please provide a list of all exchange member firms that act as clearing agents for specialists ("clearing members"), and, for each clearing member:
 - (a) the identity of all specialists for whom it acted at any time during October 1987, and
 - (b) the securities assigned to such specialists.

III. Operations

1. Please provide the following trading statistics for each trade date in October 1987 and for each hour bracket for October 16, 19, 20, and 26. In addition, please provide a daily average for September 1987.
 - (a) Total number of transactions and shares executed on the exchange;
 - (b) Total number of transactions and shares involving block-size orders (10,000 shares or more); and
 - (c) Total number of transactions and shares involving orders routed via the exchange's automated systems. In addition, of the number of orders entered during each hour bracket, how many orders received fill reports within 5 minutes of time of entry? Within 15 minutes? Within 60 minutes? After 60 minutes? Not at all?

2. Please provide the following comparison and clearing statistics for each trade date in October 1987 and provide a daily average for September 1987.
 - (a) Total number of questioned or disputed trades;
 - (b) Total number of questioned or disputed trades resolved through a correction process at registered clearing agencies; and
 - (c) Total number of questioned or disputed trades resolved through a correction process at the exchange on T + 2, T + 3, T + 4, T + 5, later than T + 5.
3. Please provide a chronology of any modifications, reductions, or cessation of operation of your small order routing and execution system during the weeks of October 19 and 26, 1987. Please explain the actions listed in the chronology. How were member firms affected? What steps does the exchange intend to take in reaction to problems in the operation of the system?
4. Please provide a description of any problems experienced with ITS during the weeks of October 12, 19 and 26, 1987. In addition, please specify the amount of order flow sent and received through ITS during these weeks.

IV. Financial Integrity

Please provide a list of all market-makers (both equity and option, if applicable) that experienced capitalization problems during the weeks of October 12, 19, and 26, 1987, including the date and end result of any action resulting from such problems.

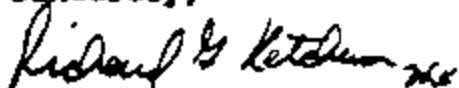
V. Customer Complaints

A list of all complaints or inquiries from exchange members received by your exchange concerning trades (equities and options) during the week of October 19, 1987. For each complaint, indicate the nature of the complaint (e.g., pricing, late fill report, etc.), the trade date involved, the security involved, and whether the firm is complaining for itself or a customer.

We understand that the Commission's Office of Consumer Affairs has sent your exchange a letter requesting similar information concerning complaints by individuals.

We sincerely appreciate your cooperation in helping us meet the severe time constraints imposed on us for completing this review.

Sincerely,

A handwritten signature in cursive script that reads "Richard G. Ketchum".

Richard G. Ketchum
Director



DIVISION OF
MARKET REGULATION

E-50
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

November 25, 1987

John G. Weithers
Chairman
Midwest Stock Exchange, Inc.
440 South La Salle Street
Chicago, Illinois 60605

Dear Mr. Weithers:

Thank you for the assistance and cooperation already provided by the exchange and its members in discussing with the Commission staff the recent market volatility. We believe these discussions will aid the staff in its study of market performance during this critical period.

I understand you have provided some data already to the Commission staff. We also will need additional data from your exchange to reconstruct accurately the trading by specialist firms during the weeks of October 12, 19 and 26. We request that the information outlined below be submitted to us by December 11, 1987. If you have any questions concerning the request, you can contact Howard Kramer at (202) 272-2889 or Sharon Lawson at (202) 272-2910.

In particular, we request the following information for the trade dates of October 16, 19, 20 and 26:

I. Specialist Activity

1. Audit trail and/or transaction journal information for any trades executed on your exchange on the above dates in International Business Machines, Merck & Co., Eastman Kodak, General Motors, U.S. Steel, Coca Cola, Dayton Hudson, Newmont Mining, GEICO, Bell & Howell, Holly Farms, Household International, Genrad Inc., Universal Matchbox Group Ltd., Malaysia Fund, Zenith Laboratories, Ryland Group, Towle Manufacturing, Shootown, Harley Davidson, Lonestar Industries, and Cineplex Odeon Corp.
2. Specialist positions in the above listed stocks both before the opening and after the close of trading on the above dates.
3. Data on all proprietary trading by specialists in the above listed stocks, on the dates specified above, to



the extent this information is not already included in the audit trail information provided by the exchange.

4. Any other information the exchange has on specialist activity and performance for the dates specified above, including any internal reports, or statistics on market making performance. In particular, we would appreciate receiving information about the depth, continuity and quote performance of your specialists.
5. In handling orders, particularly limit orders, how did the specialist ensure that those orders received so-called "primary market protection" during the weeks of October 12, 19 and 26.
6. Estimate the total capital available to your specialists to take positions.

II. Specialist Operations

1. Please provide a list of all exchange member firms that act as clearing agents for specialists ("clearing members"), and, for each clearing member:
 - (a) the identity of all specialists for whom it acted at any time during October 1987, and
 - (b) the securities assigned to such specialists.

III. Operations

1. Please provide the following trading statistics for each trade date in October 1987 and for each hour bracket for October 16, 19, 20, and 26. In addition, please provide a daily average for September 1987.
 - (a) Total number of transactions and shares executed on the exchange;
 - (b) Total number of transactions and shares involving block-size orders (10,000 shares or more); and
 - (c) Total number of transactions and shares involving orders routed via the exchange's automated systems. In addition, of the number of orders entered during each hour bracket, how many orders received fill reports within 5 minutes of time of entry? Within 15 minutes? Within 60 minutes? After 60 minutes? Not at all?

2. Please provide the following comparison and clearing statistics for each trade date in October 1987 and provide a daily average for September 1987.
 - (a) Total number of questioned or disputed trades;
 - (b) Total number of questioned or disputed trades resolved through a correction process at registered clearing agencies; and
 - (c) Total number of questioned or disputed trades resolved through a correction process at the exchange on T + 2, T + 3, T + 4, T + 5, later than T + 5.
3. Please provide a chronology of any modifications, reductions, or cessation of operation of your small order routing and execution system during the weeks of October 19 and 26, 1987. Please explain the actions listed in the chronology. How were member firms affected? What steps does the exchange intend to take in reaction to problems in the operation of the system?
4. Please provide a description of any problems experienced with ITS during the weeks of October 12, 19 and 26, 1987. In addition, please specify the amount of order flow sent and received through ITS during these weeks.
5. With respect to your OTC/UTP pilot system, please provide information on trade volume, trading halts, if any, and, generally, problems encountered during the weeks of October 12, 19 and 26.

IV. Financial Integrity

Please provide a list of all market-makers (both equity and option, if applicable) that experienced capitalization problems during the weeks of October 12, 19, and 26, 1987, including the date and result of any action resulting from such problems.

V. Customer Complaints

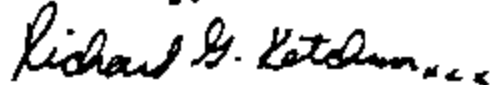
A list of all complaints or inquiries from exchange members received by your exchange concerning trades (equities and options) during the week of October 19, 1987. For each complaint, indicate the nature of the complaint (e.g., pricing, late fill report, etc.), the trade date involved, the security involved, and whether the firm is complaining for itself or a customer.

We understand that the Commission's Office of Consumer Affairs has sent your exchange a letter requesting

similar information concerning complaints by individuals.

We sincerely appreciate your cooperation in helping us meet the severe time constraints imposed on us for completing this review.

Sincerely,

A handwritten signature in cursive script that reads "Richard G. Ketchum".

Richard G. Ketchum
Director



DIVISION OF
MARKET REGULATION

E-54
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

November 27, 1987

Dr. Maurice Mann
Chairman & Chief Executive Officer
Pacific Stock Exchange, Inc.
301 Pine Street
San Francisco, CA 94104

Dear Dr. Mann:

Thank you for the assistance and cooperation already provided by the exchange and its members in discussing with the Commission staff the recent market volatility. We believe these discussions will aid the staff in its study of market performance during this critical period.

I understand you have provided some data already to the Commission staff. We also will need additional data from your exchange to reconstruct accurately the trading by specialist firms during the weeks of October 12, 19 and 26. We request that the information outlined below be submitted to us by December 11, 1987. If you have any questions concerning the request, you can contact Howard Kramer at (202) 272-2889 or Sharon Lawson at (202) 272-2910.

In particular, we request the following information for the trade dates of October 15, 19, 20 and 26:

I. Specialist Activity

1. Audit trail and/or transaction journal information for any trades executed on your exchange on the above dates in International Business Machines, Merck & Co., Eastman Kodak, General Motors, U.S. Steel, Coca Cola, Dayton Hudson, Newmont Mining, GEICO, Bell & Howell, Holly Farms, Household International, Genrad Inc., Universal Matchbox Group Ltd., Malaysia Fund, Zenith Laboratories, Ryland Group, Towle Manufacturing, Shoetown, Harley Davidson, Lonestar Industries, and Cineplex Odeon Corp.
2. Specialist positions in the above listed stocks both before the opening and after the close of trading on the above dates.
3. Data on all proprietary trading by specialists in the above listed stocks, on the dates specified above, to



the extent this information is not already included in the audit trail information provided by the exchange.

4. Any other information the exchange has on specialist activity and performance for the dates specified above, including any internal reports, or statistics on market making performance. In particular, we would appreciate receiving information about the depth, continuity and quote performance of your specialists.
5. In handling orders, particularly limit orders, how did the specialist ensure that those orders received so-called "primary market protection" during the weeks of October 12, 19 and 26.
6. Estimate the total capital available to your specialists to take positions.

II. Specialist Operations

1. Please provide a list of all exchange member firms that act as clearing agents for specialists ("clearing members"), and, for each clearing member:
 - (a) the identity of all specialists for whom it acted at any time during October 1987, and
 - (b) the securities assigned to such specialists.

III. Operations

1. Please provide the following trading statistics for each trade date in October 1987 and for each hour bracket for October 16, 19, 20, and 26. In addition, please provide a daily average for September 1987.
 - (a) Total number of transactions and shares executed on the exchange;
 - (b) Total number of transactions and shares involving block-size orders (10,000 shares or more); and
 - (c) Total number of transactions and shares involving orders routed via the exchange's automated systems. In addition, of the number of orders entered during each hour bracket, how many orders received fill reports within 5 minutes of time of entry? Within 15 minutes? Within 60 minutes? After 60 minutes? Not at all?

2. Please provide the following comparison and clearing statistics for each trade date in October 1987 and provide a daily average for September 1987.
 - (a) Total number of questioned or disputed trades;
 - (b) Total number of questioned or disputed trades resolved through a correction process at registered clearing agencies; and
 - (c) Total number of questioned or disputed trades resolved through a correction process at the exchange on T + 2, T + 3, T + 4, T + 5, later than T + 5.
3. Please provide a chronology of any modifications, reductions, or cessation of operation of your small order routing and execution system during the weeks of October 19 and 26, 1987. Please explain the actions listed in the chronology. How were member firms affected? What steps does the exchange intend to take in reaction to problems in the operation of the system?
4. Please provide a description of any problems experienced with ITS during the weeks of October 12, 19 and 26, 1987. In addition, please specify the amount of order flow sent and received through ITS during these weeks.

IV. Financial Integrity

Please provide a list of all market-makers (both equity and option, if applicable) that experienced capitalization problems during the weeks of October 12, 19, and 26, 1987, including the date and end result of any action resulting from such problems.

V. Customer Complaints

A list of all complaints or inquiries from exchange members received by your exchange concerning trades during the week of October 19, 1987. For each complaint, indicate the nature of the complaint (e.g., pricing, late fill report), the trade date involved, the security involved, and whether the firm is complaining for itself or a customer.

We understand that the Commission's Office of Consumer Affairs has sent your exchange a letter requesting similar information concerning complaints by individuals.

VI. Options

1. A list of all trading halts, formal or informal, in any option called during the week of October 19. Please provide the time each halt was imposed and the time each halt was lifted.
2. The audit trail for October 19 and 20 for any broad-based index option traded on your exchange.
3. Data regarding the timeliness of execution of book orders in your options during the week of October 19, 1987, if available.
4. A measure of the level of market-maker performance (e.g., average quote spread) in any broad-based index option traded on your exchange and for the first, fifth, and tenth most active equity options traded on your exchange ^{1/} as well as options on Dayton Hudson, during the weeks of October 12, 19 and 26 and a representative week in July.
5. An analysis of the pricing relationship maintained in the 10 most active options classes (for the quarter ending September 30, 1987) to their underlying interest (e.g., Were there pricing problems? Did volatility estimates increase?) for the weeks of October 12, 19 and 26.
6. All position limits violations during the weeks of October 13, 19 and 26, and all requests for position limit exemptions during these weeks.
7. Total number of out-trades each day during the week of October 19, and the same figure expressed as a percentage of total volume. Please provide separate data for out-trades in any broad based index option, and for purposes of comparison, the average daily number of out-trades in September 1987 with a separate identification for such broad based index options.

^{1/} As measured for the week of October 19, 1987.

We sincerely appreciate your cooperation in helping us meet the severe time constraints imposed on us for completing this review.

Sincerely,

Richard G. Ketchum

Richard G. Ketchum
Director



E-59
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
MARKET REGULATION

November 25, 1987

Nicholas A. Giordano
President
Philadelphia Stock Exchange, Inc.
1900 Market Street
Philadelphia, PA 19103

Dear Mr. Giordano:

Thank you for the assistance and cooperation already provided by the exchange and its members in discussing with the Commission staff the recent market volatility. We believe these discussions will aid the staff in its study of market performance during this critical period.

I understand you have provided some data already to the Commission staff. We also will need additional data from your exchange to reconstruct accurately the trading by specialist firms during the weeks of October 12, 19 and 26. We request that the information outlined below be submitted to us by December 11, 1987. If you have any questions concerning the request, you can contact Howard Kramer at (202) 272-2889 or Sharon Lawson at (202) 272-2910.

In particular, we request the following information for the trade dates of October 16, 19, 20 and 26:

I. Specialist Activity

1. Audit trail and/or transaction journal information for any trades executed on your exchange on the above dates in International Business Machines, Merck & Co., Eastman Kodak, General Motors, U.S. Steel, Coca Cola, Dayton Hudson, Newmont Mining, GEICO, Bell & Howell, Holly Farms, Household International, Genrad Inc., Universal Matchbox Group Ltd., Malaysia Fund, Zenith Laboratories, Ryland Group, Towle Manufacturing, Shootown, Harley Davidson, Lonestar Industries, and Cineplex Odeon Corp.
2. Specialist positions in the above listed stocks both before the opening and after the close of trading on the above dates.
3. Data on all proprietary trading by specialists in the above listed stocks, on the dates specified above, to



the extent this information is not already included in the audit trail information provided by the exchange.

4. Any other information the exchange has on specialist activity and performance for the dates specified above, including any internal reports, or statistics on market making performance. In particular, we would appreciate receiving information about the depth, continuity and quote performance of your specialists.
5. In handling orders, particularly limit orders, how did the specialist ensure that those orders received so-called "primary market protection" during the weeks of October 12, 19 and 26.
6. Estimate the total capital available to your specialists to take positions.

II. Specialist Operations

1. Please provide a list of all exchange member firms that act as clearing agents for specialists ("clearing members"), and, for each clearing member:
 - (a) the identity of all specialists for whom it acted at any time during October 1987, and
 - (b) the securities assigned to such specialists.

III. Operations

1. Please provide the following trading statistics for each trade date in October 1987 and for each hour bracket for October 16, 19, 20, and 26. In addition, please provide a daily average for September 1987.
 - (a) Total number of transactions and shares executed on the exchange;
 - (b) Total number of transactions and shares involving block-size orders (10,000 shares or more); and
 - (c) Total number of transactions and shares involving orders routed via the exchange's automated systems. In addition, of the number of orders entered during each hour bracket, how many orders received fill reports within 5 minutes of time of entry? Within 15 minutes? Within 60 minutes? After 60 minutes? Not at all?

2. Please provide the following comparison and clearing statistics for each trade date in October 1987 and provide a daily average for September 1987.
 - (a) Total number of questioned or disputed trades;
 - (b) Total number of questioned or disputed trades resolved through a correction process at registered clearing agencies; and
 - (c) Total number of questioned or disputed trades resolved through a correction process at the exchange on T + 2, T + 3, T + 4, T + 5, later than T + 5.
3. Please provide a chronology of any modifications, reductions, or cessation of operation of your small order routing and execution system during the weeks of October 19 and 26, 1987. Please explain the actions listed in the chronology. How were member firms affected? What steps does the exchange intend to take in reaction to problems in the operation of the system?
4. Please provide a description of any problems experienced with ITS during the weeks of October 12, 19 and 26, 1987. In addition, please specify the amount of order flow sent and received through ITS during these weeks.

IV. Financial Integrity

Please provide a list of all market-makers (both equity and option, if applicable) that experienced capitalization problems during the weeks of October 12, 19, and 26, 1987, including the date and end result of any action resulting from such problems.

V. Customer Complaints

A list of all complaints or inquiries from exchange members received by your exchange concerning trades during the week of October 19, 1987. For each complaint, indicate the nature of the complaint (e.g., pricing, late fill report), the trade date involved, the security involved, and whether the firm is complaining for itself or a customer.

We understand that the Commission's Office of Consumer Affairs has sent your exchange a letter requesting similar information concerning complaints by individuals.

VI. Options

1. A list of all trading halts, formal or informal, in any option called during the week of October 19. Please provide the time each halt was imposed and the time each halt was lifted.
2. The audit trail for October 19 and 20 for any broad-based index option traded on your exchange.
3. Data regarding the timeliness of execution of book orders in your options during the week of October 19, 1987, if available.
4. Please provide daily specialist market making statistics for Value Line, Newmont Mining and Genrad Inc. options as well as for your first, fifth and tenth most active equity options, ^{1/} for October 6, 14, 15, 16, 19, 20, and 26, 1987. In addition, please provide an average for September 1987 of these daily statistics. Statistics should cover:
 - Price continuity;
 - Market depth;
 - Quotation spreads;
 - Stabilization percentages; and
 - Percentage of participation.
5. An analysis of the pricing relationship maintained in the 10 most active options classes (for the quarter ending September 30, 1987) to their underlying interest (e.g., Were there pricing problems? Did volatility estimates increase?) for the weeks of October 12, 19 and 26.
6. All position limits violations during the weeks of October 13, 19 and 26, and all requests for position limit exemptions during these weeks.
7. Total number of out-trades each day during the week of October 19, and the same figure expressed as a percentage of total volume. Please provide separate data for out-trades in any broad based index option, and for purposes of comparison, the average daily number of out-trades in September 1987 with a separate identification for such broad based index options.

^{1/} As measured for the week of October 19, 1987.

We sincerely appreciate your cooperation in helping us meet the severe time constraints imposed on us for completing this review.

Sincerely,

Richard G. Ketchum H.G.K.

Richard G. Ketchum
Director

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



DIVISION OF
MARKET REGULATION

Joe Carmichael
General Counsel
Boston Stock Exchange Clearing Corporation
1 Boston Place, 38th Floor
Boston, Massachusetts 02109

RE: October Market Break

Dear Joe:

As you may be aware, the Division is conducting a comprehensive review of market activity during the record volume and market decline in October 1987. We would appreciate having your office coordinate the responses to the following items. Your staff has provided us with considerable data during the last month and we appreciate their responsiveness and cooperation. If information is available in a readily available, but different format, we are prepared to accept that data in that format. We request that this information be submitted to us no later than December 10, 1987. If you have any questions please contact Jonathan Kallman or Jerry Greiner at 202/272-2402 or 202/272-2775.

I. Operations

- A. Please describe all system down time, if any, during October 1987, and provide the following related information:
1. types of system and related functions or services;
 2. date and time of occurrence;
 3. the length of the downtime;
 4. consequences for participant services, such as delayed report distribution; and
 5. cause or estimated cause of the downtime.
- B. Please provide the following information concerning system and service capacity for trade comparison (please identify types of trades for which you perform the comparison function, if any, and please provide data separately for OTC and ITS activity, if possible):



1. average processing time for loading, editing, and processing trade comparison reports;
 2. actual processing time daily from October 14 through October 26;
 3. peak number of trade sides the system is designed to process;
 4. number of trade sides processed daily from October 16 through October 26; and
 5. peak number of trade sides processed (and date).
- C. Trade Data Input (Please provide data separately for each system)
1. Did you experience delays in receiving trade data input from any of the following sources?
 - a. member firms (including clearing members)
 - b. service bureaus
 - c. other clearing agencies
 2. Did any such delay impede or delay orderly processing of transactions? If so, please identify the responsible entity, the date and time the delay occurred, the reason for such delay.
 3. Do your rules authorize disciplinary action for such a delay?
- D. Participant Services
1. Did you expand the time periods during which certain services are provided?
 2. If so, what services were involved, what time frames normally apply and what were the expanded time frames?
- E. Clearing Agency Interfaces
1. Did you experience any delays or problems with the Regional Interface operation or the Depository Interfaces?

2. Please describe any such problems, delays or unusual events.

II. Financial Risk Management and Member Monitoring

A. Member settlement defaults:^{1/}

1. For each business day in October 1987, please provide a list of all accounts with settlement debits that were suspended overnight.
2. Please list all accounts with suspended settlement debits that exceeded the member's clearing fund deposit, the dollar value of debits, and the dollar value of the clearing fund deposit.
3. Please indicate when those suspended items were paid.
4. If not paid, please indicate when a decision was made to cease to act for that participant (generally or with respect to specific transactions), or when the participant announced its intention to withdraw from membership or to cease business through your clearing agency.
5. For each participant who withdrew voluntarily or suspended its activities through your clearing agency during October, or for whom your clearing agency ceased to act, please provide the following October daily reports:
 - a. preliminary/final settlement statements;
 - b. projected CNS reports; and
 - c. copies of all position and account adjustments.

^{1/} If data requested in items 1, 2, or 3 are included on a summary report for management, please provide a copy of all such reports.

6. For each participant that withdrew voluntarily or for whom you ceased to act (generally or with respect to specific transactions) during October, please provide the following information:
- a. a summary of securities positions closed-out or bought-in (please describe briefly how those transactions were executed, and anything unusual that occurred in connection with those transactions). Please provide, in summary form, the dollar values and dates of execution for any securities position that accounted for more than 15% of the clearing agency's losses.
 - b. all securities deliveries reversed and related payment debit or credit adjustments.
 - c. list the dollar value of money credits or debits reversed or adjusted by the clearing agency (unrelated to specific securities deliveries).
 - d. required clearing fund contribution and actual deposit.
 - e. form of clearing fund contribution deposit (i.e., cash, government securities, letter of credit).
 - f. amount of clearing fund contribution applied against participant obligations or clearing agency losses.
 - g. loss on liquidation, if any, to date.
 - h. expected recoveries, if any.
- B. Litigation
1. Please describe any litigation in which your clearing agency was named as a party or, in connection with litigation among or against

any of your participants, you were served with any subpoenas, orders or other process.

2. Please provide a copy of all such documents and any response filed on your behalf.

C. Further Assurances and Member Financial Responsibility.

1. At any time from October 6 through November 6, did you seek from (a) all members; or (b) specific members (please identify):
 - a. additional clearing fund deposits;
 - b. additional mark-to-the-market payments;
 - c. deposits in the nature of further assurances; and
 - d. additional margin deposits.
2. If so, please provide date requested, date paid, dollar amounts requested and dollar amounts collected.

III. Statistics

Please provide the following data with respect to each business day, October 14, 1987 - November 6, 1987.

Continuous Net Settlement System:

Dollar value of debits, credits and net money settlement.
Dollar value of Fails -- Long
Dollar value of Fails -- Short
No. of Shares -- Long
No. of Shares -- Short

Regional Interface Operation:

Number of trade sides processed
 Number of trades rejected
 Dollar value of daily debits and credits

Marks-to-the Market collected or paid
 (and manner of payment)
 Number of fails--long
 Number of fails--short
 Number of breaks or items suspended

Balance Orders:

No. of Deliver Tickets issued
 No. of Receive Tickets issued
 Total Dollar Value

Automated Customer Account Transfers:

No. of Instructions Received
 No. of Instructions Rejected
 No. of Instructions Processed

Money Payments among participants:

No. of Payments processed
 Total Dollar Value

Depository Deliveries:

Total number of book-entry deliveries
 total number of reclaims

Institutional Delivery System

No. of confirms processed
 No. of affirms processed

Depository Custodial Services:

No. of Deposits
 No. of Withdrawals
 -- COD
 -- Withdrawal by Transfer
 (including direct mail)

Interface Deliveries

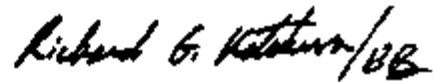
Number of Third Party Deliveries

Number of Dual Participant Deliveries
Number of Fourth Party deliveries
Number of breaks in interface accounts
Dollar value of interface deliveries
Number of interface reclaims/rejects

* * * *

Again, thank you for your cooperation.

Sincerely,



Richard G. Ketchum
Director

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549



DIVISION OF
MARKET REGULATION

Richard B. Nesson, Esq.
General Counsel
Depository Trust Company
7 Hanover Square
New York, New York 10004

Re: October Market Break

Dear Richard:

As you may be aware, the Division is conducting a comprehensive review of market activity during the record volume and market decline in October 1987. We would appreciate having your office coordinate the responses to the following items. Your staff has provided us with considerable data during the last month which may address many of the specific areas below, and we appreciate their responsiveness and cooperation. If information is available in a readily available, but slightly different format, we are prepared to accept that data in that format. We request that this information be submitted to us no later than December 10, 1987. If you have any questions, please contact Jonathan Kallman or Jerry Greiner at 202/272-2902 or 202/272-2775.

I. Operations

- A. Please describe all system down time, if any, during October 1987, and provide the following related information:
1. types of system and related functions or services;
 2. date and time of occurrence;
 3. the length of the downtime;
 4. consequences for participant services, such as delayed report distribution; and
 5. cause or estimated cause of the downtime.
- B. Participant Services
1. Did you expand the time periods during which certain services are provided?



2. If so, what services were involved, what time frames normally apply and what were the expanded time frames?

C. Trade Data Input

1. Did you experience delays in receiving trade data input from any of the following sources?
 - a. Participant firms
 - b. service bureaus
 - c. other clearing agencies
2. Did any such delay impede or delay orderly processing of transactions? If so, please identify the responsible entity, the date and time the delay occurred, the reason for such delay.
3. Do your rules authorize disciplinary action for such a delay?

II. Financial Risk Management and Member Monitoring

A. Member settlement defaults:^{1/}

1. For each business day in October 1987, please provide a list of all accounts with settlement debits (in excess of \$250,000) that were suspended overnight.
2. Please list all accounts with suspended settlement debits that exceeded the participant's fund deposit, the dollar value of debits, and the dollar value of the participants fund deposit.
3. Please indicate when those suspended items were paid.
4. If not paid, please indicate when a decision was made to cease to act for that participant (generally or with respect to specific transactions), or when the participant announced its intention to withdraw from membership or to cease business through your clearing agency.

^{1/} If data requested in items 1, 2, or 3 are included on a summary report for management, please provide a copy of all such reports.

5. For each participant who withdrew voluntarily or suspended its activities through your clearing agency during October, or for whom your clearing agency ceased to act, please provide the following October daily reports:
 - a. preliminary/final settlement statements; and
 - b. copies of all position and account adjustments.

6. For each participant that withdrew voluntarily or for whom you ceased to act (generally or with respect to specific transactions) during October, please provide the following information:
 - a. all securities deliveries reversed and related payment debit or credit adjustments;
 - b. list the dollar value of money credits or debits reversed or adjusted by the clearing agency (unrelated to specific securities deliveries);
 - c. required participant fund contribution and actual deposit;
 - d. form of participants fund contribution deposit (i.e., cash, government securities, letter of credit);
 - e. amount of participants fund contribution applied against participant obligations or clearing agency losses;
 - f. loss on liquidation, if any, to date; and
 - g. expected recoveries, if any.

B. Further Assurances and Member Financial Responsibility.

1. At any time from October 6 through November 6th, did you seek from (a) all participants; or (b) specific participants (please identify):
 - a. additional participants fund deposits;
 - b. additional mark-to-the-market payments; and
 - c. deposits in the nature of further assurances.
2. If so, please provide date requested, date paid, dollar amounts requested and dollar amounts collected.

C. Litigation

1. Please describe any litigation in which your clearing agency was named as a party or, in connection with litigation among or against any of your participants, you were served with any subpoenas, orders or other process.
2. Please provide a copy of all such documents and any response filed on your behalf.

D. Transfers--Please provide a copy of any summaries of Transfer Agent report cards for turnaround performance during September, October and November.

III. Statistics

Please provide the following data with respect to each business day, October 14, 1987 - November 6, 1987.

Money Payments among participants:

No. of Payments processed
Total Dollar value

Depository Deliveries:

total number of book-entry deliveries
total number of reclaims

Automatic Deliveries (e.g., PDC)

Total number of deliveries
Automatic Delivery Rate (%completed) --
Corporate
Automatic Delivery Rate (%completed) --
Municipal

Institutional Delivery System

No. of confirms processed
No. of affirms processed

Depository Custodial Services:

No. of Deposits
No. of Withdrawals
-- COD
-- Withdrawal by Transfer
(including direct mail)

Interface Deliveries

Number of Third Party Deliveries
Number of Dual Participant Deliveries
Number of Fourth Party deliveries
Number of breaks in interface accounts
Dollar value of interface deliveries
Number of interface reclaims/rejects

* * * *

Again, thank you for your cooperation.

Sincerely,

Richard G. Ketchum/BB

Richard G. Ketchum
Director



DIVISION OF
MARKET REGULATION

E-76
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

A. M. Anderson, Jr.
President
Midwest Clearing Corporation
Midwest Securities Trust Company
MBS Clearing Corporation (Clearing Division)
120 S. LaSalle Street
Chicago, Illinois 60603

RE: October Market Break

Dear Andy:

As you may be aware, the Division is conducting a comprehensive review of market activity during the record volume and market decline in October 1987. We would appreciate having your office coordinate the responses to the following items. Your staff has provided us with considerable data during the last month and we appreciate their responsiveness and cooperation. If information is available in a readily available, but different format, we are prepared to accept that data in that format. We request that this information be submitted to us no later than December 10, 1987. If you have any questions please contact Jonathan Kallman or Jerry Greiner at 202/272-2402 or 202/272-2775.

I. Operations

- A. Please describe all system down time, if any, during October 1987, and provide the following related information:
1. types of system and related functions or services;
 2. date and time of occurrence;
 3. the length of the downtime;
 4. consequences for participant services, such as delayed report distribution; and
 5. cause or estimated cause of the downtime.
- B. Please provide the following information concerning system and service capacity for trade comparison (please identify types of trades for which you perform the comparison function, if any, and please provide data separately for OTC and ITS activity, if possible):



1. average processing time for loading, editing, and processing trade comparison reports;
2. actual processing time daily from October 14 through October 26;
3. peak number of trade sides the system is designed to process;
4. number of trade sides processed daily from October 16 through October 26; and
5. peak number of trade sides processed (and date).

C. Trade Data Input (Please provide data separately for each system)

1. Did you experience delays in receiving trade data input from any of the following sources?
 - a. member firms (including clearing members)
 - b. service bureaus
 - c. other clearing agencies
 - d. securities exchanges
2. Did any such delay impede or delay orderly processing of transactions? If so, please identify the responsible entity, the date and time the delay occurred, the reason for such delay.
3. Do your rules authorize disciplinary action for such a delay?

D. Participant Services

1. Did you expand the time periods during which certain services are provided?
2. If so, what services were involved, what time frames normally apply and what were the expanded time frames?

E. Clearing Agency Interfaces

1. Did you experience any delays or problems with the Regional Interface operation or the Depository Interfaces?

2. Please describe any such problems, delays or unusual events.

II. Financial Risk Management and Member Monitoring

A. Member settlement defaults:^{1/}

1. For each business day in October 1987, please provide a list of all accounts with settlement debits that were suspended overnight.
2. Please list all accounts with suspended settlement debits that exceeded the member's clearing fund deposit, the dollar value of debits, and the dollar value of the clearing fund deposit.
3. Please indicate when those suspended items were paid.
4. If not paid, please indicate when a decision was made to cease to act for that participant (generally or with respect to specific transactions), or when the participant announced its intention to withdraw from membership or to cease business through your clearing agency.
5. For each participant who withdrew voluntarily or suspended its activities through your clearing agency during October, or for whom your clearing agency ceased to act, please provide the following October daily reports:
 - a. preliminary/final settlement statements;
 - b. projected CNS reports; and
 - c. copies of all position and account adjustments.
6. For each participant that withdrew voluntarily or for whom you ceased to act (generally or with respect to specific

^{1/} If data requested in items 1, 2, or 3 are included on a summary report for management, please provide a copy of all such reports.

transactions) during October, please provide the following information:

- a. a summary of securities positions closed-out or bought-in (please describe briefly how those transactions were executed, and anything unusual that occurred in connection with those transactions). Please provide, in summary form, the dollar values and dates of execution for any securities position that accounted for more than 15% of the clearing agency's losses.
- b. all securities deliveries reversed and related payment debit or credit adjustments.
- c. list the dollar value of money credits or debits reversed or adjusted by the clearing agency (unrelated to specific securities deliveries).
- d. required clearing fund contribution and actual deposit.
- e. form of clearing fund contribution deposit (i.e., cash, government securities, letter of credit).
- f. amount of clearing fund contribution applied against participant obligations or clearing agency losses.
- g. loss on liquidation, if any, to date.
- h. expected recoveries, if any.

B. Litigation

1. Please describe any litigation in which your clearing agency was named as a party or, in connection with litigation among or against any of your participants, you were served with any subpoenas, orders or other process.

2. Please provide a copy of all such documents and any response filed on your behalf.

C. Further Assurances and Member Financial Responsibility.

1. At any time from October 6 through November 6, did you seek from (a) all members; or (b) specific members (please identify):
 - a. additional clearing fund deposits;
 - b. additional mark-to-the-market payments; and
 - c. deposits in the nature of further assurances.
2. If so, please provide date requested, date paid, dollar amounts requested and dollar amounts collected.

III. Statistics

Please provide the following data with respect to each business day, October 14, 1987 - November 6, 1987.

A. Statistical data regarding MCC/MSTC

Continuous Net Settlement System:

Dollar value of debits, credits and net money settlement.
 Dollar value of Fails — Long
 Dollar value of Fails — Short
 No. of Shares — Long
 No. of Shares — Short

Regional Interface Operation:

Number of trade sides processed
 Number of trades rejected
 Dollar value of daily debits and credits
 Marks-to-the Market collected or paid (and manner of payment)
 Number of fails--long
 Number of fails--short
 Number of breaks or items suspended

Envelopes Deliveries:

No. of items
Dollar value of debits and credits

Balance Orders:

No. of Deliver Tickets issued
No. of Receive Tickets issued
Total Dollar Value

Automated Customer Account Transfers:

No. of Instructions Received
No. of Instructions Rejected
No. of Instructions Processed

Money Payments among participants:

No. of Payments processed
Total Dollar value

Depository Deliveries:

Total number of book-entry deliveries
total number of reclaims

Stock Loan Activity

Total number of shares loaned to
participants (Corporate and Municipal)

Total dollar value of shares loaned
(Corporate and Municipal)

Number of participants borrowing
securities

Number of participants loaning
securities

Institutional Delivery System

No. of confirms processed
No. of affirms processed

Depository Custodial Services:

No. of Deposits
No. of Withdrawals
-- COD
-- Withdrawal by Transfer
(including direct mail)

Interface Deliveries

Number of Third Party Deliveries
Number of Dual Participant Deliveries
Number of Fourth Party deliveries
Number of breaks in interface accounts
Dollar value of interface deliveries
Number of interface reclaims/rejects

B. Statistical data Regarding MBS Clearing Corporation (Clearing Division)

Total dollar amount of margin on deposit
(Specify form of deposits)

Number of trades recorded
--SBO
--Trade for trade
--Dollar value of those trades

SBO net settlement value

* * * *

Again, thank you for your cooperation.

Sincerely,

Richard G. Ketchum /RS
Richard G. Ketchum
Director



E-83
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
MARKET REGULATION

December 3, 1987

Robert J. Woldow, Esquire
Executive Vice President
and General Counsel
National Securities Clearing Corporation
55 Water Street
New York, New York 10041

Dear Bob:

The Division of Market Regulation is conducting a comprehensive review of market activity during the record volume and market decline in October 1987. We would appreciate having your office coordinate the responses to the following items. As indicated below, your staff has provided us with considerable data during the last month which may address many of the specific areas below, and we appreciate their responsiveness and cooperation. To assure the accuracy of that information, we are enclosing a copy of that data for your reference and review. If information is available in a readily available, but slightly different format, we are prepared to accept the data in that format. We request that this information be submitted to us no later than December 11, 1987. If you have any questions regarding these requests, please contact Jonathan Kallman or Jerry Greiner at 202/272-2402 or 202/272-2775.

I. Operations

- A. Please describe all significant system processing delays, if any, during October 1987, and provide the following related information:
1. types of system and related functions or services;
 2. date and time of occurrence;
 3. the length of the delay;
 4. consequences for participant services, such as delayed report distribution;
 5. cause or estimated cause of the delay.
- B. Please provide the following information concerning system and service capacity for trade comparison:



1. average elapsed time from when data was received, input for comparison, compared, and reports were transmitted and distributed;
2. with respect to item 1., actual elapsed time daily from October 14 through October 26;
3. peak number of trade sides system is designed to process;
4. number of trade sides processed daily from October 16 through October 26; and
5. peak number of trade sides processed (and date).

C. Trade Data Input

1. Did you experience delays in receiving trade data input from any of the following sources?
 - a. member firms
 - b. service bureaus
 - c. other clearing agencies
 - d. national securities exchanges
 - e. NASD
 - f. qualified special representatives.
2. Did any such delay impede or delay orderly processing of transactions? If so, please identify the responsible entity, the date and time the delay occurred, the reason for such delay,
3. Do your rules authorize disciplinary action for such a delay?

D. Participant Services

1. Did you expand the time periods during which certain services are provided?
2. If so, what services were involved, what time frames normally apply and what were the expanded time frames?

- E. Participant Operations-- please provide a copy of any summaries of participant report cards for services such as trade comparison.

II. Financial Risk Management and Member Monitoring

A. Member settlement defaults:

1. For each business day in October 1987, with respect to all members, please provide a list of all accounts with settlement debits (in excess of \$250,000) that were placed in suspense accounts overnight;
2. please list all accounts identified in item 1 above with settlement debits that exceeded the member's clearing fund deposit, the dollar value of debits, and the dollar value of the clearing fund deposit.
3. please indicate when those items were paid;
4. if not paid, please indicate when a decision was made to cease to act for that participant (generally or with respect to specific transactions), or when the participant announced its intention to withdraw from membership or to cease business through your clearing agency.
5. For each participant who withdrew voluntarily or suspended its activities through your clearing agency during October, or for whom your clearing agency ceased to act, please provide the following October daily reports:
 - a. final settlement statements
 - b. CNS accounting summaries;
6. For each participant that withdrew voluntarily or for whom you ceased to act (generally or with respect to specific transactions) during October, please provide the following information:
 - a. a summary of securities positions closed out or bought in (please describe briefly how those transactions were executed, and anything unusual that occurred in connection with those transactions). Please provide, in summary form, the dollar values and dates of execution for any securities positions that accounted

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for more than 15% of the clearing agency's losses.

- b. all securities deliveries reversed and related payment debit or credit adjustments;
- c. list the dollar value of money credits or debits reversed or adjusted by the clearing agency (unrelated to specific securities deliveries).
- d. required clearing fund contribution and actual deposit;
- e. form of clearing fund contribution deposit (i.e., cash, government securities, letter of credit);
- f. amount of clearing fund contribution applied against participant obligations or clearing agency losses.
- g. loss on liquidation, if any, to date.
- h. expected recoveries, if any.

B. Litigation

- 1. Please describe any litigation in which your clearing agency was named as a party or, in connection with litigation among or against any of your participants, you were served with any subpoenas, orders or other process.
- 2. Please provide a copy of all such documents and any response filed on your behalf.

C. Further Assurances and Member Financial Responsibility.

- 1. At any time from October 6 through November 6th, did you seek from (a) all members; or (b) specific members (please identify):
 - a. additional clearing fund deposits

b. additional mark-to-the-market payments

2. If so, please provide date requested, date paid, dollar amounts requested and dollar amounts collected.
3. For the period October 16th to October 23rd, please list daily aggregate clearing fund contributions calculated under your new clearing fund formula and old clearing fund formula. Also provide the aggregate clearing fund requirements for the month of October 1987 under your new clearing fund formula and old clearing fund formula.
4. Please list the approximate total amount of letters of credit held by you during October 1987, the five largest issuers and the total amount issued by each of those banks.

D. Correspondent Accounts at Members

1. Please provide the following information with respect to clearing members that clear for other broker-dealers (specifically, Bear Stearns, Merrill Lynch/Broadcourt, Pershing, Spear Leeds, Lawco Securities):
 - a. if possible, the type of correspondents (e.g., specialists, marketmakers, municipal securities dealers, etc.);
 - b. net settlement debits or credits for those members for each day during the period October 14 to October 30th.

III. Statistics

Please provide the following data with respect to each business day, October 14, 1987 - November 6, 1987.

N.B.: Based on data from your organization and other SRO's we have compiled the attached chart. We would

appreciate your reviewing the chart and correcting any information that appears to be erroneous.

Continuous Net Settlement System:

Dollar value of debits, credits and net money settlement.

Dollar value of Fails -- Long

Dollar value of Fails -- Short

No. of Items -- Long

No. of Items -- Short

Average Dollar Value/Item -- Long

Average Dollar Value/Item -- Short

Regional Interface Operation:

Number of trade sides processed

Number of trades rejected

Dollar value of daily debits and credits

Number of fails--long

Number of fails--short

Number of breaks or items suspended

Envelope Deliveries:

No. of Items

Dollar value of debit and credits

Money Payments among participants:

No. of Payments processed

Total Dollar value

Balance Orders:

No. of Deliver Tickets issued

No. of Receive Tickets issued

Total Dollar Value

Automated Customer Account Transfers:

No. of Transfer Initiation Forms

("TIFs") Received

No. of TIFs Rejected

No. of Assets Processed

Fund Serv:

No. of Transactions received from brokers for transmission to funds

-- purchases

-- liquidations

No. of Transactions received from funds
-- purchases
-- liquidations

No. of As of Transactions received from
funds, brokers

Fund Agent Settlements:
Total debits
Total credits

Broker-Dealer Settlements:
Total debits
Total credits

* * * *

Again, thank you for your cooperation.

Sincerely,

Richard G. Ketchum / *RGK*
Richard G. Ketchum
Director

Appendix A - Expanded Clearing Agency Guarantees

As you know, clearing corporations are moving to earlier trade guarantees, e.g. from T+4 to the date of comparison. As part of its study of the October 1987 market break, the Division is assessing the exposure to clearing corporations from earlier trade guarantees coupled with extreme price volatility and the ways clearing corporations guard against that exposure. The following questions concern that assessment.

(1) When do you currently assess mark-to-the-market payments, i.e. on what day after trade date are marks collected and paid?

(2) When do you now, and when do you plan in the future to, guarantee member trades by reference to the date and hour after trade date?

(3) What specific safeguards do you use now, or do you plan to use with an earlier guarantee, to guard against the increased exposure between the date of guarantee and the date of mark-to-the-market payments?

(4) For trade dates October 15, 16, 19, 1987, please estimate what your members mark-to-the-market debits would have been if marks were collected from the date of trade guarantee. Please provide a sample group of members and the specific debits they would have paid. Please provide the clearing fund deposits you held for these members at that time and those members net settlement obligations from October 19 to 23.

(5) Please contact Jerry Greiner at 202/272-7470 to discuss the manner in which you intend to respond to the above questions.

1. Share Volume - Lines 1-4 list share volume in each market and total share volume for all 3 markets. Peak volume for those markets occurred on October 20 at approximately 280% of normal levels.

NYSE share volume peaked on October 20 at nearly 340% of normal levels. For 12 consecutive trading days (October 15-30) NYSE volume exceeded significantly normal levels.

AMEX share volume exceeded normal levels more than other markets peaking on October 20 at 410% of normal volume.

OTC share volume peaked on October 21 at approximately 200% normal volume.

2. Transaction Volume - Lines 5-7 list transaction volume in each market by referral to trade "sides" reported to NSCC for trade date compared sides and T+1 compared sides. Trade date compared sides refer to transactions executed in automated execution systems, which generally are reported to NSCC by the markets as "locked-in" and do not require input by brokers to NSCC. T+1 compared sides reflect two-sided input by trading parties that is matched by NSCC.

Transaction volume peaked on October 14 at approximately 320% normal levels. Approximately that level was sustained for the three trading days of October 19, 20, 21.

NYSE transaction volume peaked on October 19 at nearly 340% of normal volume. Locked-in trades accounted for approximately _____% of transaction volume.

AMEX transaction volume peaked on October 20 at 337% of normal volume.

OTC transaction volume, like share volume, peaked on October 21 at approximately 240% of normal levels.

3. Uncompared trades - Lines 13-16 list uncompared trade sides as of T+1. Although generally there are 2 sides to each transaction, the total uncompared trade sides do not necessarily enable calculations of the actual number of unresolved transactions. The number of uncompared trade sides peaked for trade date October 19 at approximately 600% of normal rates. For total two-sided input, the number of uncompared trade sides was approximately 12.5% of total two-sided input versus normal levels of approximately 7%.

- 2 -

NYSE uncomparad trade sides peaked for trade date October 19 at approximately 700% of normal levels. For NYSE two-sided input, the T+1 uncomparad trade sides percentage was approximately 12.5% of NYSE two-sided input.

AMEX uncomparad trade sides peaked on October 20 at 780% of normal levels. The T+1 percentage of uncomparad trade sides was approximately 13% of AMEX two-sided input.

OTC uncomparad trade sides peaked on October 19 at approximately 450% of normal levels. The T+1 percentage of uncomparad trades was approximately 12.3% of OTC two-sided input.

Trading Bot	Annual															
	00 Sample	OCT. 12	OCT. 13	OCT. 14	OCT. 15	OCT. 16	OCT. 19	OCT. 20	OCT. 21	OCT. 22	OCT. 23	OCT. 25	OCT. 27	OCT. 28	OCT. 29	OCT. 30
Share Volume																
1-BYSE	100.5	143.9	132.9	207.4	243.2	230.5	401.1	400.1	619.0	397.2	245.6	300.0	300.2	779.6	250.1	302.4
1-MEX	10.5	0.5	10.9	9.0	12.0	10.5	35.4	43.4	34.5	36.1	10.7	22.9	21.5	20.3	16.0	22.5
3-BIC	145.5	117.0	131.1	105.6	159.0	175.9	222.9	204.1	200.1	249.0	131.0	190.5	202.3	202.2	201.0	200.4
4-101AL	330.5	268.2	435.5	362.0	428.0	512.9	062.6	935.6	712.0	068.6	061.3	321.7	409.0	501.0	000.0	530.1
Transaction Volume (Index)																
BYSE (Trade Size)																
5- (Compared Sides)	215,000	295,182	290,952	512,954	466,500	670,421	1,231,000	990,010	1,175,400	001,232	479,102	642,001	502,472	503,020	452,122	501,302
6- (1st Compared Sides)	165,000	136,112	167,000	160,042	206,050	262,954	194,114	425,050	367,360	335,050	695,650	349,545	225,420	130,706	292,166	231,166
002 (Trade Size)																
7- (Compared Sides)	22,000	10,210	20,164	21,120	23,160	34,560	72,002	02,097	05,506	61,124	35,114	01,500	05,222	36,520	35,250	20,100
8- (1st Compared Sides)	10,000	15,735	16,255	10,000	20,035	30,025	50,005	51,990	00,550	00,003	25,011	00,003	34,100	32,317	26,502	20,100
07C (Trade Size)																
10- (Compared Sides)	00,000	12,540	10,064	14,776	16,256	21,302	72,214	22,252	25,902	21,070	20,006	21,064	21,590	20,132	10,000	22,304
11- (1st Compared Sides)	15,000	00,450	00,026	00,002	106,114	155,276	196,576	202,120	222,266	200,100	625,022	125,296	161,900	166,262	130,300	165,126
12- 101AL	625,000	562,251	576,595	695,604	000,112	1,116,540	1,009,551	1,702,226	1,926,122	1,552,235	001,153	1,170,200	1,020,000	060,301	062,965	069,140
13-1st Compared Sides																
14-BYSE	0,000	3010	6290	0012	11,010	20,090	56,476	09,011	32,251	26,922	14,322	14,500	14,351	11,929	11,320	12,091
15-BYSE	1,000	914	006	900	6,950	2,325	4,713	2,290	5,915	4,510	2,520	2935	2065	1301	1290	2054
16-BYSE	0,200	5020	5000	4550	6001	11,022	21,405	22,020	26,266	22,407		12,100	10,000	0049	0005	0000
17-BYSE (Advisories Returned)	1,000	997	071	1159	2554	2011	5001	5491	3076	3505	1,429	1271	6399	1514	1120	1065
18- (Ratio of Processed) (12,5,465)	0,300	5541	0790	2351	9047	14,002	07,422	62,564	34,102	21,000	12,320	13,622	13,000	0900		
19-BYSE (Advisories Returned)	200	202	191	122	219	255	604	1184	070	205	507	650	000	000	231	220
20- (Ratio of Processed) (12,5,465)	000	204	205	001	091	1164	2452	4400	3210	2056	1192	1202	0163	1051		
21-BIC (1st Advisories Returned)	2,000	3049	2642	2122	2540	0149	10,291	0025	2344	2006	3445	0665	0232	2903	3425	2590
22- (1st Advisories Returned)	1,200					2201	0055	0161	0250	0226	5160	0009	2502	2210	0005	0000

E-94
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



DIVISION OF
MARKET REGULATION

Richard T. Chase
Executive Vice President
Philadelphia Securities Depository Trust Company
Stock Clearing Corporation at Philadelphia
1900 Market Street
Philadelphia, Pennsylvania 19103

RE: October Market Break

Dear Richard:

As you may be aware, the Division is conducting a comprehensive review of market activity during the record volume and market decline in October 1987. We would appreciate having your office coordinate the responses to the following items. Your staff has provided us with considerable data during the last month and we appreciate their responsiveness and cooperation. If information is available in a readily available, but different format, we are prepared to accept that data in that format. We request that this information be submitted to us no later than December 10, 1987. If you have any questions please contact Jonathan Kallman or Jerry Grainer at 202/272-2402 or 202/272-2775.

I. Operations

- A. Please describe all system down time, if any, during October 1987, and provide the following related information:
1. types of system and related functions or services;
 2. date and time of occurrence;
 3. the length of the downtime;
 4. consequences for participant services, such as delayed report distribution; and
 5. cause or estimated cause of the downtime.
- B. Please provide the following information concerning system and service capacity for trade comparison (please identify types of trades for which you perform the comparison function, if any, and please provide data separately for OTC and ITS activity, if possible):



1. average processing time for loading, editing, and processing trade comparison reports;
2. actual processing time daily from October 14 through October 26;
3. peak number of trade sides the system is designed to process;
4. number of trade sides processed daily from October 16 through October 26; and
5. peak number of trade sides processed (and date).

C. Trade Data Input (Please provide data separately for each system)

1. Did you experience delays in receiving trade data input from any of the following sources?
 - a. member firms (including clearing members)
 - b. service bureaus
 - c. other clearing agencies
2. Did any such delay impede or delay orderly processing of transactions? If so, please identify the responsible entity, the date and time the delay occurred, the reason for such delay.
3. Do your rules authorize disciplinary action for such a delay?

D. Participant Services

1. Did you expand the time periods during which certain services are provided?
2. If so, what services were involved, what time frames normally apply and what were the expanded time frames?

E. Clearing Agency Interfaces

1. Did you experience any delays or problems with the Regional Interface operation or the Depository Interfaces?

2. Please describe any such problems, delays or unusual events.

II. Financial Risk Management and Member Monitoring

A. Member settlement defaults:^{1/}

1. For each business day in October 1987, please provide a list of all accounts with settlement debits that were suspended overnight.
2. Please list all accounts with suspended settlement debits that exceeded the member's clearing fund deposit, the dollar value of debits, and the dollar value of the clearing fund deposit.
3. Please indicate when those suspended items were paid.
4. If not paid, please indicate when a decision was made to cease to act for that participant (generally or with respect to specific transactions), or when the participant announced its intention to withdraw from membership or to cease business through your clearing agency.
5. For each participant who withdrew voluntarily or suspended its activities through your clearing agency during October, or for whom your clearing agency ceased to act, please provide the following October daily reports:
 - a. preliminary/final settlement statements;
 - b. projected CNS' reports; and
 - c. copies of all position and account adjustments.

^{1/} If data requested in items 1, 2, or 3 are included on a summary report for management, please provide a copy of all such reports.

6. For each participant that withdrew voluntarily or for whom you ceased to act (generally or with respect to specific transactions) during October, please provide the following information:
 - a. a summary of securities positions closed-out or bought-in (please describe briefly how those transactions were executed, and anything unusual that occurred in connection with those transactions). Please provide, in summary form, the dollar values and dates of execution for any securities position that accounted for more than 15% of the clearing agency's losses.
 - b. all securities deliveries reversed and related payment debit or credit adjustments.
 - c. list the dollar value of money credits or debits reversed or adjusted by the clearing agency (unrelated to specific securities deliveries).
 - d. required clearing fund contribution and actual deposit.
 - e. form of clearing fund contribution deposit (i.e., cash, government securities, letter of credit).
 - f. amount of clearing fund contribution applied against participant obligations or clearing agency losses.
 - g. loss on liquidation, if any, to date.
 - h. expected recoveries, if any.
- B. Litigation
 1. Please describe any litigation in which your clearing agency was named as a party or, in connection with litigation among or against

any of your participants, you were served with any subpoenas, orders or other process.

2. Please provide a copy of all such documents and any response filed on your behalf.

C. Further Assurances and Member Financial Responsibility.

1. At any time from October 6 through November 6, did you seek from (a) all members; or (b) specific members (please identify):
 - a. additional clearing fund deposits;
 - b. additional mark-to-the-market payments;
 - c. deposits in the nature of further assurances; and
 - d. additional margin deposits.
2. If so, please provide date requested, date paid, dollar amounts requested and dollar amounts collected.

III. Statistics

Please provide the following data with respect to each business day, October 14, 1987 - November 6, 1987.

Continuous Net Settlement System:

Dollar value of debits, credits and net money settlement.

Dollar value of Fails -- Long

Dollar value of Fails -- Short

No. of Shares -- Long

No. of Shares -- Short

Regional Interface Operation:

Number of trade sides processed
 Number of trades rejected
 Dollar value of daily debits and credits

Marks-to-the Market collected or paid
 (and manner of payment)
 Number of fails—long
 Number of fails—short
 Number of breaks or items suspended

Balance Orders:

No. of Deliver Tickets issued
 No. of Receive Tickets issued
 Total Dollar Value

Automated Customer Account Transfers:

No. of Instructions Received
 No. of Instructions Rejected
 No. of Instructions Processed

Money Payments among participants:

No. of Payments processed
 Total Dollar value

Depository Deliveries:

Total number of book-entry deliveries
 total number of reclaims

Institutional Delivery System

No. of confirms processed
 No. of affirms processed

Depository Custodial Services:

No. of Deposits
 No. of Withdrawals
 — COD
 — Withdrawal by Transfer
 (including direct mail)

Interface Deliveries

Number of Third Party Deliveries
Number of Dual Participant Deliveries
Number of Fourth Party deliveries
Number of breaks in interface accounts
Dollar value of interface deliveries
Number of interface reclams/rejects

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Again, thank you for your cooperation.

Sincerely,



Richard B. Ketchum
Director



E-101
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
MARKET REGULATION

November 30, 1987

Mr. Fred D. Casey
President
Options Clearing Corporation
200 South Wacker Drive
Chicago, IL 60606

Dear Fred:

As you know, the Division of Market Regulation is conducting a comprehensive review of market activity during the record volume and market decline in October 1987. Your staff has provided us with considerable data during the last month which may address many of the specific areas below, and we appreciate their responsiveness and cooperation. We would appreciate having your office coordinate responses to the following additional items. If information is available in a readily available, but slightly different format, we are prepared to accept the data in that format. We request that this information be submitted to us no later than December 14, 1987. If you have any questions regarding these requests, please contact Jonathan Kallman or Jerry Greiner at (202) 272-2402 or (202) 272-7470.

A. Member Services

1. During October 1987, did you expand the time periods during which certain services are provided?
2. If so, what services were involved, what time frames normally apply and what were the expanded time frames?
3. Were reports to members delayed? If so, what reports were involved, when are those reports normally delivered, and when were delayed reports delivered?

B. Trade Input from Exchanges

1. Did you experience delays or other operational problems in receiving reports from options exchanges during October 1987 (e.g., reports of exchange transactions or price information)? If so, please identify the reports, exchanges, reasons for delay, and effects on your processing.



Mr. Fred D. Casey
Page Two

C. Pricing Information

1. Please identify what types of pricing information are necessary for OCC processing and who provides that information to OCC.
2. During October 1987, was pricing information supplied to OCC delayed or inaccurate? If so, identify the type of information, the provider of that information, and the effects of delays or inaccuracies on OCC processing (e.g., margin calculations).
3. What steps have been taken to correct any problems which were encountered?

D. Member Monitoring

1. How does OCC monitor the financial capacity of its clearing members on a day-to-day basis?
2. How does OCC interact with other clearing agencies to monitor joint members? Specifically, please list all clearing corporations (both securities and commodities) with whom OCC interacts on a routine basis concerning the financial responsibility of its members.

E. Member Settlement Defaults

1. For each business day in October 1987, please provide a list of all accounts with settlement debits that were not paid on that day.
2. Please list all accounts identified in item 1 above with settlement debits that exceeded the member's margin and clearing fund deposits, the dollar value of debits, and the dollar value of the margin and clearing fund deposits.
3. Please indicate when those items were paid.
4. If not paid, please indicate when a decision was made to cease to act for that member (generally or with respect to specific transactions), or when the member announced its intention to withdraw from membership or to cease doing business through your clearing agency.

Mr. Fred D. Casey
Page Three

5. For each member who withdrew voluntarily or suspended its activities through your clearing agency during October 1987, or for whom your clearing agency ceased to act, please provide summary position reports for each business day during October 1987.
 6. Please provide a narrative description of how those members were handled under your contingency system, including contingency system reports.
 7. Please identify any losses on liquidations of those members and any expected recoveries.
 8. Please describe any litigation your clearing agency is involved in that was initiated since October 1, 1987.
- F. First Options of Chicago Incorporated, Fossett Corporation, Timber Hill Inc.,
1. Please provide the following information for accounts maintained by the above firms during October 1987:
 - a. number and identity of separate market-maker's or specialist's accounts;
 - b. number of combined market-makers' or specialists' accounts and the number of market-makers or specialists using those accounts;
 - c. number of registered trader's accounts and number of combined registered traders' accounts (including number of registered traders serviced by those accounts); and
 - d. number and identity of stock market-maker's or stock specialist's accounts.
 2.
 - a. Please provide for each day during the month of October the total amount and composition of margin and clearing fund deposits attributable to those firms.
 - b. For intra-day margin calls on October 19, 20, 21, 1987, please indicate the number and amount of variation margin calls applicable to those firms and the portion of each call

Mr. Fred D. Casey
Page Four

attributable to the accounts above. Also, please indicate when those calls were paid and whether and how any calls were reduced, revised, or forgiven. To the extent possible, please provide information concerning variation margin attributable to specific NEO options (e.g., by reference to class or product groups).

3. During the month of October 1987, with respect to those firms, what information was exchanged and what reports were shared between clearing corporations, including commodity clearing corporations?
4. Please provide any information you have concerning the failure of specific market-makers, specialists, registered traders, and stock market-makers or specialists to meet their obligations to those firms and the approximate dollar values of those failures.
5. Please indicate any limitations placed on those firms during October 1987. In particular, please provide a complete chronology of all formal and informal actions, including any transfer or non-routine closing of positions, taken with respect to those firms.
6. We understand that OCC calculates on a daily basis potential losses on liquidation of member positions. Please provide any estimates you have concerning those probable losses on liquidation of those firms' positions as of specific dates during October 1987 that you have examined. Please indicate whether those probable losses include application of margin and clearing fund deposits of those firms. We also understand that because of market activity and position size some positions posed unique potential problems for OCC. Please provide a narrative of OCC's specific concerns with respect to such positions for those firms.

G. Correspondent Accounts at Members

1. Please list the five largest clearing members that clear for other broker-dealers (specifically, broker-dealers that act as market-makers or

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specialists) by reference to the approximate number of correspondents each of those clears for. Also, provide the following information about those members:

- a. type of correspondents (e.g., options specialists, market-makers, registered traders, stock specialists, etc.);
- b. net settlement debits or credits for those members for each day during October 1987.

H. Pledge Program Activity

1. To the extent available, please provide daily summary data for equity and NEO options pledged within OCC's pledge program during October 1987 (e.g., total options pledged, options pledgers and pledgees with significant activity, etc.).

I. Margin

1. Please provide a narrative description of how the daily margin intervals are calculated for NEO options and whether any modifications to those calculations were made during October 1987.
2. For each business day during the month of October 1987, please provide the margin interval used for each index option series for the five index options with the largest open interest and the premium margin, additional margin, and total margin requirement per unpaired short put and call contract.
3. For each business day during the month of October 1987, please provide for unpaired or uncovered short equity options series the daily marking price, multiplication factor and total margin requirement per short put and call contract for a sample of 10 of the most volatile equity options during October 1987.
4. Please provide a narrative description of how OCC determines when to make intra-day variation margin calls (e.g., by reference to movements of prices in underlying markets) and how much additional margin to require for individual unpaired or uncovered index options and equity options used in paragraphs (2) and (3) above.

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5. For October 16, 19, 20, 21, 26, 1987, please provide the number, amount, and time of intra-day variation margin calls for equity and NEO options. To the extent possible, please provide variation margin amounts attributable to specific NEO options.
6. During October 1987, did you impose special margin requirements or change multiplication factors for equity options? If so, please describe those requirements or changes.
7. Please provide information available to you concerning the amount and composition of margin held by you for a sample or average period during 1987 and for each business day in October 1987 for equity and NEO options. Please list the five largest issuers of letters of credit, total amount issued to you as of November 1, 1987, and the amounts issued by each bank during October 1987.
8. Please provide examples and narrative descriptions of spread margin for index options including puts, calls, longs, shorts, and different classes within product groups.

J. Miscellaneous

1. Please list OCC money settlement figures for each business day during October 1987 (a.g., total debits and credits).
2. Please describe all actions taken by OCC under new OCC Rule 609A, including applicable Rule 609A reports.
3. In general, what aspects of clearing member activity exposed OCC to potential risk during the recent market break, a.g., heavy concentration of clearing members' positions in particular option classes? What devices protect against these risks? Were these devices adequate during the period in question?

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4. In light of recent events in the market does OCC plan any changes/enhancements to its systems, rules or procedures to account for increased volatility?

We sincerely appreciate your cooperation.

Sincerely yours,

Richard G. Ketchum/BB
Richard G. Ketchum
Director

cc: Michael D. Weiner, Esq.

**INFORMATION REQUESTS
TO ISSUERS AND
INSTITUTIONAL INVESTORS**

88-116 P

E-111
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



DIVISION OF
CORPORATION FINANCE

November 19, 1987

Attention: Chief Financial Officer

Dear Sir or Madam:

The Commission's staff is conducting a comprehensive review of the October market break. This review, which must be completed by the end of the year, will encompass a wide range of issues, from the role of certain index-related trading strategies to the impact of recent price volatility on individual and institutional investments in the nation's securities markets.

We note that on or after October 19, 1987, your company commenced a stock repurchase program. To assist us in completing our review of the market break and its impact, we request that you provide us with a listing of the company's daily purchases of its securities from the time of its repurchase program announcement through November 20, 1987. Please send this information to the Division of Corporation Finance (Attention: Herbert Scholl) either by telecopier or overnight mail, no later than December 7, 1987. The Commission's telecopier number is (202) 272-7050 or 7051.

Your assistance in helping us meet the severe time constraints for our market study is greatly appreciated. If you have any questions concerning this request, please call Mr. Scholl at (202) 272-3229.

Sincerely,

Elisse B. Walter
Elisse B. Walter *by HM*
Deputy Director



December 4, 1987

Dear _____:

The Commission's staff is conducting a comprehensive review of the October market break. This review, which must be completed by the end of the year, will encompass a wide range of issues, from the role of certain index-related trading strategies to the impact of recent price volatility on individual and institutional investments in the nation's securities markets.

We note that on or after January 1, 1987, your company announced a stock repurchase program. To assist us in completing our review of the market break and its impact, we request that you provide us with the total number of shares authorized for purchase and a listing of the company's daily purchases of its securities from October 19, 1987 through November 20, 1987 (including the daily high and low per share purchase prices for that period). Please send this information to the Division of Corporation Finance (Attention: Herbert Scholl) either by telecopier or overnight mail, no later than December 18, 1987. The Commission's telecopier number is (202) 272-7050 or 7051.

Your assistance in helping us meet the severe time constraints for our market study is greatly appreciated. If you have any questions concerning this request, please call Mr. Scholl at (202) 272-3229.

Sincerely,

Elisse B. Walter
Deputy Director

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



DIVISION OF
MARKET REGULATION

November 17, 1987

Dear

The Division of Market Regulation is conducting a comprehensive review of the October market break. This review, which must be completed by the end of the year, will encompass a wide range of issues, from the role of certain index-related trading strategies to the impact of recent price volatility on individual and institutional investments in the nation's securities markets. Your perspective, as one of the leading money managers, will be essential to this study. Therefore, we request that your firm complete the following questionnaire, and send this information to the Division of Market Regulation, either by telecopier or overnight mail, no later than December 7, 1987. The Division's telecopier number is (202) 272-7050 or 7051.

Your assistance in helping us meet the severe time constraints for our market study is greatly appreciated. If you have any questions concerning this questionnaire, please call Alton Harvey at (202) 272-2970.

Sincerely,

A handwritten signature in cursive script that reads "Richard G. Ketchum".

Richard G. Ketchum
Director



QUESTIONNAIRE

Please provide the following information to the Division of Market Regulation, either by telecopier or overnight mail no later than December 7, 1987. The Division's telecopier number is (202) 272-7050 or 7051. Your assistance in helping us meet the severe time constraints for our market study is greatly appreciated.

Background Statistics

For each month in 1987 please provide the following aggregate figures for your firm. In addition, please provide average annual figures for these questions for 1983 to 1986.

1. Average daily U.S. Dollar amount ^{1/} of money under management (discretionary and non-discretionary). If a daily average is unavailable, please indicate beginning-of-month ("BOM") or end-of-month ("EOM") amount.
2. Percentage of the above U.S. dollar amount invested in the following types of stock (also, please provide figures in thousands of shares):
 - NYSE-listed Stock
 - Amex-listed Stock
 - National Market System ("NMS") NASDAQ Stock
 - Non-NMS NASDAQ Stock
3. Percentage of the above U.S. dollar amount invested in long-term and short-term debt securities (government, municipal, and corporate).
4. Percentage of the above U.S. dollar amount maintained in cash and cash equivalents.
5. Percentage of the above U.S. dollar amount invested in the following (also, please provide approximate number of contracts for each type of future or option):
 - Equity options
 - Index options
 - Index futures
 - Other financial futures

^{1/} By "U.S. dollar amount" we mean the total amount of managed money, in whatever currency, calculated to the equivalent amount in U.S. dollars.

Portfolio Insurance

Do you employ, or have you in the past employed, "portfolio insurance" or "dynamic hedging" strategies? If you have, please provide:

1. The time periods in which the strategies were employed.
2. Please provide the identity of the vendor(s) and a brief description of the basic strategy:
 - (a) For each month in 1987, please indicate the time frame (e.g., one-year, two-year) for this portfolio protection.
 - (b) Please indicate the particular index's price movements which would "trigger" transactions in index futures or options on the following trade dates: April 1, 1987, September 1, 1987, and October 6, 14, 15, 16, 19, 20, 26.
3. For each month in 1987, please indicate:
 - (a) The percentages of total positions in the index futures or index options (and number of contracts for each type of future or option) employed in those strategies.
 - (b) Percentage of managed money intended to be protected by those strategies.
 - (c) To the extent that it can be quantified, the increase in the percentages of your managed money invested in equities (if any) which can be attributed, at least in part, to your reliance upon the protections provided by portfolio insurance.

October Market Break

1. Please provide the percentages of stock portfolios liquidated (also, in thousands of shares and approximate dollar amount) during the following periods. Please distinguish NYSE-listed, Amex-listed, NMS NASDAQ, and non-NMS NASDAQ stocks.
 - Weeks of October 5 - 9, October 12 - 16, October 19 - 23, and October 26 - 30.

- Trade dates October 6, 14, 15, 16, 19, 20, and 26.
2. Please provide the percentages of your purchase and sell orders (also, in thousands of shares and approximate dollar amount) in NYSE-listed stocks directed to the following markets on October 6, 14, 15, 16, 19, 20, and 26:
- NYSE
 - Other U.S. Exchanges
 - U.S. Third Market
 - Foreign Markets
3. Please provide figures (in number of contracts and approximate dollar amount) for your firm's purchases and sales of index futures and index options for the following periods.
- Weeks of October 5 -9, October 12 - 16, 19 - 23, and October 26 - 30.
 - Trade dates October 6, 14, 15, 16, 19, 20, and 26.
4. If applicable, approximately what percentage of your sales of index futures or index options (also, please provide number of contracts for each type of future or option) would be attributable to the inability to execute stock transactions at acceptable prices on each of the following dates: October 6, 14, 15, 16, 19, 20, and 26?
5. If applicable, approximately what percentage of your sales of NYSE-listed stocks (also, please indicate thousands of shares and approximate dollar amount) would be attributable to an inability to execute futures or options trades in portfolio insurance strategies for each of the following dates: October 6, 14, 15, 16, 19, 20, 26.
6. After contacting your broker to communicate a 10,000 share buy or sell order, approximately how long did it take for you to receive a report of the trade execution on each of the following dates: October 6, 14, 15, 16, 19, 20, 26.
- Approximately how long would it have taken, on average, to receive such reports in September 1987?

7. Please indicate the methods your firm uses to communicate equity buy or sell orders to securities broker-dealers:
- Telephone
 - Direct Lines
 - Commercial Lines
 - Telex
 - Tele floor
 - Broker-Dealer's communication system
 - Computer link (modem)
9. Please indicate whether you experienced any delay in communicating orders on each of the following dates, and indicate the media through which you experienced delays: October 6, 14, 15, 16, 19, 20, 26.
10. Please provide a brief description of how the October Market Break may have changed your investment strategies for your various types of accounts.
- (a) Has it lead to a reduction in the percentage of your portfolios invested in equities?
 - (b) To a shift in investments in certain types of stock (e.g., NYSE-listed versus OTC stock)?
 - (c) To reduced reliance upon stock order executions on particular markets (e.g., NYSE versus Third Market)?
 - (d) To increased or reduced reliance upon, or initiation or termination of portfolio insurance strategies?
 - (e) If you are reducing your equity investment and reliance upon portfolio insurance strategies, are these changes interrelated?

