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U.S. House of Representatives
 Committee on Energy and Commerce
 Room 2125, Rayburn House Office Building
 Washington, DC 20515

November 14, 1986

WM MICHAEL RITZMILLER, STAFF DIRECTOR
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CHAIRMAN'S OFFICE
 RECEIVED
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 SEC. & EXCH. COMM.

Honorable John S. R. Shad
 Chairman
 Securities and Exchange Commission
 450 Fifth Street, N. W.
 Washington, D. C. 20549

Dear Chairman Shad:

This is with reference to your letter of August 28, 1986, transmitting a report prepared by the staff of the Commission's Division of Market Regulation concerning a complaint against Shearson American Express and related arbitration proceedings conducted by the Chicago Board Options Exchange.

I am enclosing a subsequent letter from the complainant, Joan Hunt Smith, and detailed response to the SEC staff report, and requesting that you clear up the omissions and inaccuracies pointed out by Ms. Smith.

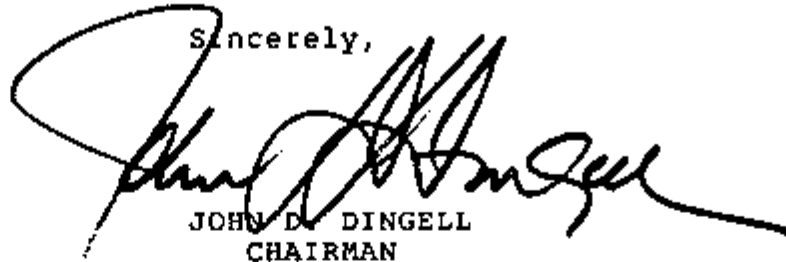
For example, the staff report states that "Smith appeared in that hearing, with counsel . . ." when Ms. Smith advises that she did not appear at that hearing. On what did the SEC staff base its statement? The SEC staff report does not comment on the fraud aspects, e.g., the illegally altered financial statements. Why not? Please comment on them now. The staff requested that the NYSE investigate this matter. It has been over a year since that request (October 31, 1985); please inform the Committee of the NYSE findings. The staff report says that "the staff would not recommend that the Commission take any action against either the CBOE or Shearson . . ." How can such a recommendation be justified in advance of the results of the NYSE findings? What was the basis for the staff recommendation?

Please provide the Committee with your response by the close of business on Monday, December 29, 1986. That report should include an explanation of the extent of the investigation conducted by the staff.

Honorable John S. R. Shad
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Thank you for your attention to this request.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "John D. Dingell". The signature is written over the typed name and title.

JOHN D. DINGELL
CHAIRMAN

cc: Subcommittee on Oversight and Investigations
Ms. Joan Hunt Smith