

as if a market disruption occurred due to a natural disaster or a foreign holiday.

The Commission believes that Amendment Nos. 1, 2, and 3, as described herein, clarify and strengthen the Exchange's proposal by, among other things, providing the specific continued listing standards that will apply, which should help ensure a minimal level of depth and liquidity for continued trading of the product on Amex, identifying which trading rules will apply to the trading of the Index Notes, and adopting a heightened suitability standard for recommendations covering the Index Notes. Amendment Nos. 1 and 2 also refine the original proposal by specifying in further detail how the Exchange will be responsible for determining any changes in the sub-indices due to a significant event, and Amendment No. 1 clarifies the terms of the Information Circular. Additionally, the Exchange's proposal to list and trade the proposed Index Notes was noticed for the full comment period and no comment letters were received. Accordingly, the Commission believes that it is consistent with Section 6(b)(5) of the Act to approve Amendment Nos. 1, 2, and 3 to the proposal on an accelerated basis.

Interested persons are invited to submit written data, views, and arguments concerning Amendment Nos. 1, 2, and 3 to the rule proposal. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-Amex-97-20 and should be submitted by September 12, 1997.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,³³ that the proposed rule change (SR-Amex-97-

20), including Amendment Nos. 1, 2, and 3 is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.³⁴

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38939; File No. SR-CBOE-97-16]

Self-Regulatory Organizations; Chicago Board Options Exchange, Inc.; Order Approving Proposed Rule Change, and Amendment No. 1 Thereto, Relating to the Trading of FLEX Index Options

August 15, 1997.

On March 13, 1997, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to amend its rules governing the trading of FLEX Index options. On May 13, 1997, the CBOE submitted an amendment to the Commission regarding the proposal.³ Notice of the proposed rule change, and Amendment No. 1 thereto, appeared in the **Federal Register** on May 22, 1997.⁴ No comments were received on the proposal. This order approves the proposal, as amended.

I. Description of the Proposal

The purpose of the proposed rule change is to make certain changes to the Exchange's rules governing the trading of FLEX Index options. Specifically, those changes involve a reduction in the percentage of a trade to which a Submitting Member indicating an intent to cross is entitled, and the establishment of bid-offer spreads for certain FLEX Index trades.

Since their inception,⁵ FLEX Index options have relied on Appointed Market-Makers ("AMMs") to provide liquidity for FLEX requests for quotes

("RFQs"). AMMs are required, pursuant to CBOE Rule 24A.9(b), to enter a FLEX Quote in response to any RFQ on any FLEX option of the class to which the AMM is appointed.

As an inducement to attract volume that would otherwise be transacted in the over-the-counter market, the Exchange established percentage entitlements for the Exchange member that initiates FLEX bidding and offering by submitting a RFQ ("Submitting Member") where the Submitting Member has indicated an intention to cross or to act as principal on the trade and has matched or improved the best bid or offer ("BBO"). Generally, with some qualifications, pursuant to CBOE Rule 24A.5, the Submitting Member in a FLEX Index option is entitled to 50% (1/2) of the trade in the case where the Submitting Member matches the BBO and 66.67% (2/3) of the trade where the Submitting Member improves the BBO.

To the extent Submitting Members accept their entire entitlement on a FLEX Index option trade, half of the trade or less would remain for the other market-makers to share. The Exchange believes, however, that these entitlements have discouraged participation by market-makers in the FLEX Index product. Accordingly, the Exchange has proposed to amend its rules so that the entitlement for Submitting Members would be reduced to the greater of 25% or a proportional share of the trade.⁶ This means, for example, that if there are four market-makers participating on the trade in addition to the Submitting Member, then the Submitting Member would be entitled to 25% of the trade because it is greater than the proportional share (1/5) of the trade. However, if there were two market-makers participating on a trade along with a Submitting Member, the Submitting Member would be entitled to a proportional share of the trade, or 1/3. This is different from the current entitlement for Submitting Members in Flex Equity options, under CBOE Rule 24A.5, who are entitled only to 25% of the trade regardless of the number of participants to the trade.⁷

⁶ The rule currently provides that the Submitting Member is entitled to the largest of the percentage of the trade (1/2 or 2/3), \$1 million Underlying Equivalent Value, or the remaining Underlying Equivalent Value on a closing transaction valued at less than \$1 million. These qualifications (\$1 million Underlying Equivalent Value or the remaining Underlying Equivalent Value) remain in the proposed rule.

⁷ Because the percentage entitlements for Submitting Members for both FLEX Equity and FLEX Index options are currently contained in one paragraph in CBOE Rule 24A.5, the Exchange's proposal will separate the treatment of Flex Equity and Flex Index options into different paragraphs.

³⁴ 17 CFR 200.30.3(a)12.

¹ 15 U.S.C. 78s(b)(1) (1988 & Supp. V 1993).

² 17 CFR 240.19b-4.

³ See letter from Timothy H. Thompson, Senior Attorney, CBOE, to Steve Youhn, Division of Market Regulation, Commission, dated May 13, 1997 ("Amendment No. 1").

⁴ See Securities Exchange Act Release No. 38637 (May 14, 1997), 62 FR 28084 (May 22, 1997).

⁵ See Securities Exchange Act Release No. 31920 (February 24, 1993), 58 FR 12280 (March 3, 1993).

³³ 15 U.S.C. 78s(b)2.

The proposed rule change also amends the language of sub-paragraphs (e)(iii) (A) and (B) of CBOE Rule 24A.5 to state that a submitting member "will have priority to execute" the specified share of a trade that is the subject of a RFQ, instead of the term "be permitted to execute." The Exchange initially adopted this rule language in Securities Exchange Act Release No. 37337 in order to clarify that a member may cross more than the designated share as to which he has priority if no one else is willing to trade at the same or a better price.⁸ The current filing inadvertently utilized the old rule language. Amendment No. 1 to the filing clarifies that the original rule language will remain unchanged.

The Exchange is also proposing to impose maximum bid-offer spreads on certain FLEX Index options. Currently, under CBOE Rule 24A.9 (d), market-makers are not required to quote a minimum bid-offer spread in FLEX options because of the unique nature of the product in which new series are established periodically by the submission of a RFQ. Based on experience over the last four years, however, the Exchange has determined that it is appropriate to establish maximum bid-offer spreads for Index FLEX AMMs when quoting European-exercise FLEX options overlying the S&P 100 Index ("OEX") or the S&P 500 Index ("SPX") with a time to expiration of more than two weeks and less than two years.⁹ The Exchange expects that the establishment of these spreads will increase customer confidence in the CBOE markets for these products. The CBOE also believes that the establishment of these maximum bid-offer spreads will ensure tight markets for the majority of the Index FLEX RFQs submitted to the CBOE floor; the proposed spreads would have applied to 77% of the RFQs submitted in 1996. The Exchange also believes that if, as expected, the reduction in the entitlement of a trade to a Submitting Member encourages more active participation by market-makers in the quoting process, then bid-offer spreads, through competition, should decrease in any event.

<i>Where Bid Is</i>	<i>Maximum Bid/Ask Spread Is</i>
Less than \$5	3/4 of \$1
At least \$5, but not more than \$10.	\$1
At least \$10, but not more than \$20.	\$1.50
At least \$20	\$2

⁸ See Securities Exchange Act Release No. 37337 (June 19, 1996), 61 FR 33561 (June 27, 1996).

⁹ Options with a time to expiration greater than two weeks and less than or equal to one year shall have the following bid/ask spreads:

<i>Where Bid Is</i>	<i>Maximum Bid/Ask Spread Is</i>
Options with a time to expiration greater than one year and less than two years shall have the following maximum bid/ask spreads:	
Less than \$10	\$1.50
At least \$10, but not more than \$20.	\$2
At least \$20, but not more than \$40.	\$3
At least \$40	\$4

Compare CBOE Rule 8.7 regarding maximum bid/ask spreads for non-Flex options.

Because the proposed rules should encourage more active participation of market-makers in the establishment of bid-ask spreads as well as require the quoting of spreads on FLEX Index options within a certain range, CBOE believes that the proposed rules are consistent with and further the objectives of Section 6(b)(5) of the Act in that they are designed to improve communications to and from the Exchange's trading floor in a manner that promotes just and equitable principles of trade, prevents fraudulent and manipulative acts and practices, and maintains fair and orderly markets.

II. Findings and Conclusions

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5).¹⁰ The Commission finds that CBOE's proposal to reduce the Submitting Member's entitlement rate to the greater of 25% or a proportional share of the trade should serve to encourage more active participation by market-makers in FLEX Index options. Specifically, because participating market-makers will be entitled to a greater share of the FLEX trade, they should have more incentive to make markets in FLEX Index options. More active participation should, in turn, result in increased liquidity for the product, which would serve to enhance the market for FLEX Index options.¹¹ Accordingly, the Commission believes that this portion of the CBOE filing is consistent with the Act in that it should facilitate transactions in securities consistent with investor protection and in furtherance of the public interest.¹²

The Commission also believes that CBOE's proposal to impose maximum

¹⁰ 15 U.S.C. 78f(b)(5) (1988).

¹¹ The Commission notes that the current entitlement for Submitting Members in FLEX Equity options will remain unchanged at 25% of the trade regardless of the number of participants to the trade.

¹² The Commission also believes that the proposed rule change will not result in any injury to public customers as customer orders on parity will not receive a smaller participation than any other crowd participant.

bid-offer spreads for Index FLEX AMMs when quoting European-style FLEX options overlying the OEX or the SPX should serve to potentially tighten spreads as well as to ensure that the spreads are no larger than the predetermined range. The Commission believes that the potential for tighter markets in FLEX OEX and SPX contracts as a result of the adoption of maximum bid-ask spreads should serve to increase investors' confidence that the quoted market for these options represents fair and indicative prices. In this regard, the CBOE may wish to adopt maximum bid-ask spreads for other FLEX options. Accordingly, the Commission believes the Exchange's proposal to impose maximum bid-offer spreads for certain FLEX Index options is consistent with the Act in that it should facilitate trading in securities.

It therefore is ordered, pursuant to Section 19(b)(2) of the Act,¹³ that the proposed rule change (SR-CBOE-97-16), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-22293 Filed 8-21-97; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

[License No. 07/07-0099]

**Civic Ventures Investment Fund, L.P.,
Notice of Issuance of a Small Business
Investment Company License**

On March 18, 1996, an application was filed by Civic Ventures Investment Fund, L.P., at One Metropolitan Square, 211 North Broadway, Suite 2380, St. Louis, Missouri 63102 with the Small Business Administration (SBA) pursuant to Section 107.300 of the Regulations governing small business investment companies (13 C.F.R. 107.300 (1997)) for a license to operate as a small business investment company.

Notice is hereby given that, pursuant to Section 301(c) of the Small Business Investment Act of 1958, as amended, after having considered the application and all other pertinent information, SBA issued License No. 07/07-0099 on August 1, 1997, to Civic Ventures Investment Fund, L.P. to operate as a small business investment company. (Catalog of Federal Domestic Assistance Program No. 59.011, Small Business Investment Companies)

¹³ 15 U.S.C. 78s(b)(2) (1988).

¹⁴ 17 CFR 200.30-3(a)(12).