

manipulative acts and practices, to promote just and equitable principles of trade, to remove impediments to, and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing rule change: (1) Does not significantly affect the protection of investors or the public interest; (2) does not impose any significant burden on competition; (3) does not become operative for 30 days from the date of its filing; and (4) the Exchange provided the Commission with notice of its intent to file the proposed rule change at least five days prior to the filing date, the proposed rule change has become effective pursuant to Section 19(b)(3)(A)⁴ of the Act and Rule 19b-4(e)(6)⁵ thereunder. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing. 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 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filings will also be available for inspection and copying at the principal office of the NYSE. All submissions should refer to the File No. SR-NYSE-97-29 and should be submitted by November 19, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-28570 Filed 10-28-97; 8:45 am]

BILLING CODE 8010-01-M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-39265; File No. SR-PCX-97-22]

Self-Regulatory Organizations; Pacific Exchange, Inc.; Order Granting Approval to Proposed Rule Change Relating to the Trading of FLEX Index Options and LEAPS on the Dow Jones & Co. Taiwan Index

October 22, 1997

I. Introduction

On June 9, 1997, the Pacific Exchange, Inc. ("PCX" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to amend its rules to allow the trading of Flexible Exchange Options ("FLEX Options") and long-term index option series ("LEAPS") on the Dow Jones & Co. Taiwan Index ("Taiwan Index" or "Index").³

The proposed rule change was published for comment in the **Federal Register** on August 18, 1997.⁴ No comments were received on the proposal. This order approves the proposal.

⁶ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Commission previously approved the trading of standardized cash-settled, European-style stock index options on the Taiwan Index on December 23, 1996. See Securities Exchange Act Release No. 38081, 62 FR 138 (January 2, 1997) (order approving File No. SR-PSE-96-40). The Taiwan Index is a broad-based index, comprised of 113 representative stocks traded on the Taiwan Stock Exchange.

⁴ See Securities Exchange Act Release No. 38920 (August 11, 1997), 62 FR 44027.

II. Description of the Proposal

The Commission previously approved the Exchange's proposal to allow trading in FLEX Options on the Wilshire Small Cap and PSE Technology Indexes.⁵ FLEX Options give investors the ability, within specified limits, to designate certain of the terms of the options. In recent years, an over-the-counter ("OTC") market in customized options has developed which permits participants to designate the basis terms of the options, including size, term to expiration, exercise style, exercise price, and exercise settlement value, in order to meet their individual investment needs. Participants in the OTC market are typically institutional investors, who buy and sell options in large-size transactions through a relatively small number of securities dealers. To compete with this growing OTC market in customized options, the PCX permits FLEX index options trading with the Options Clearing Corporation ("OCC") as issuer and guarantor.⁶

The PCX now proposed to amend its Rules 8.100 and 8.1027 to permit the trading of FLEX Options based on the same Dow Jones & Co. Taiwan Index previously approved for standardized non-Flex options trading.⁸ The PCX's proposal will allow FLEX Option market participants to designate the following contract terms for FLEX Options on the Taiwan Index: (1) exercise price; (2) exercise style (*i.e.*, American,⁹ European,¹⁰ or capped¹¹);

⁵ See Securities Act Release No. 34364 (July 13, 1994), 59 FR 36813 (July 19, 1994) (order approving File No. SR-PSE-93-13) ("Wilshire/PSE Technology Order").

⁶ The Commission has previously designated FLEX Index Options as standardized options for the purposes of the options disclosure framework established under Rule 9b-1 of the Act. See Securities Exchange Act Release No. 31910 (February 23, 1993), 58 FR 12056 (March 2, 1993). In addition, the Commission has approved the listing by the PCX of FLEX Index Options on the Wilshire Small Cap and PSE Technology Indexes. See Wilshire/PSE Technology Order, *supra* note 5.

⁷ These rules currently allow the Exchange to trade FLEX Index Options on the Wilshire Small Cap Index and the PSE Technology Index. The PCX has proposed to set position and exercise limits for FLEX options on the Index at 200,000 contracts, as set forth in PCX Rule 8.107. This is the same FLEX position and exercise limits established for the Wilshire Small Cap and PSE Technology Indexes.

⁸ See *supra* note 3.

⁹ An American-style option is one that may be exercised at any time on or before the expiration date.

¹⁰ A European-style option is one that may be exercised only during a limited period of time prior to expiration of the option.

¹¹ A capped-style index option is one that is automatically exercised prior to expiration when the cap index value is less than or equal to the index value for calls or when the cap index value is greater than or equal to the index value for puts.

⁴ 15 U.S.C. 78s(b)(3)(A).

⁵ 17 CFR 240.19b-4(e)(6).

(3) Expiration date;¹² (4) option type (put, call, or spread); and (5) form of settlement (A.M., P.M. or average). These terms are identical to the terms that can be designated for the previously approved PCX FLEX Index Options.¹³

The Exchange also proposes to list and trade full-value LEAPS, pursuant to PCX Rule 6.4(d), on the Index.¹⁴ LEAPS on the Index will allow the PCX to list options series with expirations of up to three years from the date of issuance. For LEAPS, the underlying value would be computed by using the same levels as proposed for the Index options.¹⁵

III. Discussion

After careful review, 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.¹⁶ Specifically, the Commission believes the proposal is consistent with the requirements of Section 6(b)(5) of the Act¹⁷ because trading of FLEX Options and LEAPS on the Taiwan Index will serve to protect investors, promote the public interest, and help to remove impediments to a free and open securities market. The Commission also believes that the trading of FLEX Options and LEAPS on the Index will provide investors with more flexibility in hedging the risks associated with holding some or all of the securities underlying the Index.¹⁸ By broadening the hedging and investment opportunities of investors, the Commission believes that the trading of FLEX Options and LEAPS on the Index will serve to protect investors, promote the public interest, and contribute to the maintenance of fair and orderly markets.

In particular, as noted above, FLEX Options on the Index will allow

investors to customize certain terms, including size, term to expiration, exercise style, exercise price, and exercise settlement value.¹⁹ LEAPS should also benefit investors by allowing them to hedge positions on the Index on a longer term basis through investment in one options series, rather than having to roll shorter term expirations into new series to remain hedged on a longer basis.

The Commission notes that the Taiwan Index was thoroughly reviewed recently in connection with the Exchange's proposal to list and trade standardized, non-FLEX options based on the Index.²⁰ At that time, the Commission found that the Exchange had adequately addressed the Commission's concerns arising from issues relating to the design and structure of the Index, customer protection and surveillance. The Commission's findings relied on several factors, including the large capitalizations, substantial trading volume, wide diversity of the component stocks in the Taiwan Index and the size of the market underlying the Index.²¹

The Commission believes that it is reasonable for the Exchange to allow trading in FLEX Options and LEAPS based on this Index given that, to the Commission's knowledge, there have been no significant, adverse changes to the Index to date that would change the Commission's initial findings approving the trading of options on the Index. For the foregoing reasons, the Commission finds that the PCX's proposal to trade FLEX Options and LEAPS based on the Taiwan index is consistent with the requirements of the Act and the rules and regulations thereunder.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,²² that the proposed rule change (SR-PCX-97-22) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.²³

¹⁹ The Commission believes that the proposal to trade FLEX Options on the Taiwan Index should also encourage fair competition by allowing the Exchange to compete with the growing OTC market in customized index options to address the demands of sophisticated portfolio managers and other institutional investors who are increasingly relying on the OTC market to satisfy their hedging needs.

²⁰ See *supra* note 11.

²¹ *Id.*

²² 15 U.S.C. 78s(b)(2).

²³ 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 97-28568 Filed 10-28-97; 8:45 am]

BILLING CODE 8010-01-M

SMALL BUSINESS ADMINISTRATION

Reporting and Recordkeeping Requirements Under OMB Review

ACTION: Notice of Reporting Requirements Submitted for Review.

SUMMARY: Under the provisions of the Paperwork Reduction Act (44 U.S.C. Chapter 35), agencies are required to submit proposed reporting and recordkeeping requirements to OMB for review and approval, and to publish a notice in the **Federal Register** notifying the public that the agency has made such a submission.

DATES: Comments should be submitted on or before November 28, 1997. If you intend to comment but cannot prepare comments promptly, please advise the OMB Reviewer and the Agency Clearance Officer before the deadline.

COPIES: Request for clearance (OMB 83-1), supporting statement, and other documents submitted to OMB for review may be obtained from the Agency Clearance Officer. Submit comments to the Agency Clearance Officer and the OMB Reviewer.

FOR FURTHER INFORMATION CONTACT:

Agency Clearance Officer: Jacqueline White, Small Business Administration 409 3RD Street, S.W., 5th Floor, Washington, D.C. 20416, Telephone: (202) 205-6629.

OMB Reviewer: Victoria Wassmer, Office of Information and Regulatory, Affairs Office of Management and Budget, New Executive Office Building, Washington, D.C. 20503.

Title: Procurement Automated Source System (PASS).

Form No's: SBA Forms 1062 and 1395.

Frequency: On Occasion.

Description of Respondents: Small Business Interested in Federal Procurement Opportunities.

Annual Responses: 242,000.

Annual Burden: 47,333.

Jacqueline White,

Chief, Administrative Information Branch.

[FR Doc. 97-28677 Filed 10-28-97; 8:45 am]

BILLING CODE 8025-01-P

¹² The expiration date of a FLEX Option may not fall on a day that is on, or within two business days, of the expiration date of a non-FLEX option.

¹³ See *supra* note 5.

¹⁴ The Exchange is not proposing to trade reduced-value LEAPS on the Dow Taiwan Index.

¹⁵ Telephone conversation on October 8, 1997 between Michael Pierson, Senior Attorney, PCX, and Deborah Flynn, Attorney, Division of Market Regulation, Commission.

¹⁶ In approving this rule, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

¹⁷ 15 U.S.C. 78f(b)(5).

¹⁸ Pursuant to Section 6(b)(5) of the Act, the Commission must predicate approval of any new securities product upon a finding that the introduction of such product is in the public interest. Such a finding would be difficult with respect to a product that served no hedging or other economic function, because any benefits that might be derived by market participants likely would be outweighed by the potential for manipulation, diminished public confidence in the integrity of the markets, and other valid regulatory concerns.