Official determined that sufficient liquidity existed among Equity FLEX Qualified Market Makers. The CBOE believes that by allowing for the extension of the maturity of FLEX equity options to five years in situations where there is demand for a longer term expiration and where there is sufficient liquidity among Exchange qualified market-makers to support the request, the proposed rule change will better serve the needs of CBOE's customers and the Exchange members who make a market for such customers.

III. Discussion

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, with the requirements of Section 6(b) of the Act.[7] Specifically, the Commission believes the proposal is consistent with the Section 6(b)(5)[8] requirement that the rules of an exchange be designed 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 to protect investors and the public interest.[9]

The Commission believes it is appropriate to extend the maximum permissible maturity term of FLEX equity options to five years for several reasons. First, FLEX equity options with a maturity term of up to five years should benefit investors by allowing them to hedge positions 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. In this regard, the Commission notes that the FLEX equity options market is characterized by large, sophisticated institutional investors (or extremely high net worth individuals) who have the experience, ability and, in many cases, need to engage in negotiated, customized transactions.[10] The longer-term FLEX equity options will allow investors to customize their portfolios further over an extended period of time. Second, the extension of the permissible maturity term for FLEX equity options to five years potentially could expand the depth and liquidity of the FLEX equity market without significantly increasing concerns regarding intermarket manipulations or disruptions of the options or the underlying securities.[11] Third, under the rule, FLEX equity options with maturity terms between three and five years could only be issued if a FLEX Post Official determines that there is sufficient liquidity among Equity FLEX Qualified Market Makers. This will help to ensure that there is not a proliferation of longer term FLEX equity options series where no interest in trading such options exist. Finally, as with all exhange-traded options, the Options Clearing Corporation will act as the counter-party guarantor, thereby ensuring that obligations will be met over the long-term.[12]

For the foregoing reasons, the Commission finds that CBOE's proposal to extend the permissible maturity term of certain FLEX equity options, as described above, 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,[13] that the proposed rule change (SR–CBOE–97–57) is approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–1180 Filed 1–16–98; 8:45 am]

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[7] 15 U.S.C. 78f(b).

[8] 15 U.S.C. 78f(b)(5).

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

[10] For example, with a required minimum size of 250 contracts to open a transaction in a new series, FLEX equity options are designed to appeal to institutional investors. *See* Exchange Act Release No. 36841 (February 14, 1996), 61 FR 6666, 6669 (February 21, 1996); *see also* Exchange Act Release No. 37336 (June 19, 1996), 61 FR 33558, 33560, (June 27, 1996).

[11] Position and exercise limits for FLEX equity options have recently been eliminated. *See* Exchange Act Release No. 39032 (Sept. 9, 1997), 62 FR 48683 (Sept. 16, 1997). In eliminating these limits, the Exchange adopted several important safeguards to monitor large positions in order to identify instances of potential risk and to assess additional margin and/or capital charges, if necessary. These safeguards also continue to apply to large positions in FLEX equity options regardless of the term of the option.

[12] As to any future proposal to permit options instruments with terms longer than five years, the Commission would need to re-evaluate several issues including margin requirements, disclosure, sales practices, and other legal and regulatory issues.

[13] 15 U.S.C. 78s(b)(2).

[14] 17 CFR 200.30–3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–39541; File No. SR–MSRB–98–1]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Interpretation of Rule G–38 on Consultants

January 12, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4, thereunder,[2] notice is hereby given that on January 9, 1998,[3] the Municipal Securities Rulemaking Board (''Board'' or ''MSRB'') filed with the Securities and Exchange Commission (''Commission'' or ''SEC'') the proposed rule change, (File No. SR–MSRB–98–1), as described in Items I, II, and III below, which Items have been prepared by the Board. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Board is filing herewith a notice of interpretation concerning Rule G–38 on consultants (hereafter referred to as ''the proposed rule change''). The proposed rule change is as follows:

Rule G–38 Questions and Answer Bank Affiliates and Definition of Payment

Q: A bank and its employees communicate with an issuer on behalf of an affiliated dealer to obtain municipal securities business for that dealer. In return, the bank and its employees receive certain ''credits'' from the dealer. These credits, which do not involve any direct or indirect cash payments from the dealer to the bank or its employees, are used for internal purposes to identify the source of business referrals. Are the credits considered a ''payment'' under rule G–38 thereby requiring the dealer to designate the bank or its employees as consultant and comply with the requirements of rule G–38?

A: Rule G–38 defines a consultant as any person used by a dealer to obtain or retain

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] On November 13, 1997, the Board filed the same proposal under Section 19(b)(3)(A) of the Act, which renders the proposal effective upon receipt of filing by the Commission. *See* Securities Exchange Act Release No. 39391 (December 3, 1997), 62 FR 65114 (December 10, 1997). The Commission received four comment letters on the filing. *See infra* note 12. In order to provide additional time to fully air the concerns of commenters, the Board agreed to withdraw this filing and resubmit it, pursuant to Section 19(b)(2). *See* letter from Diane G. Klinke, General Counsel, Municipal Securities Rulemaking Board, to Katherine A. England, Assistant Director, Division of Market Regulation, dated January 9, 1998.

municipal securities business through direct or indirect communication by such person with an issuer on behalf of the dealer where the communication is undertaken by the person in exchange for, or with the understanding of receiving, **payment** from the dealer or any other person.[4] The term payment, as used in rule G–38, means any gift, subscription, loan, advance, or deposit of money or **anything of value.** The absence of an immediate transfer of funds or anything of value to an affiliate or individual employed by the affiliate would not exclude the credits from the definition of payment if such credits eventually (*e.g.*, at the end of the fiscal year) result in compensation to the affiliate or individual employed by the affiliate for referring municipal securities business to the dealer. In this regard, the compensation may be in the form of cash (*e.g.*, a bonus) or non-cash. In either case, if the dealer or any other person [5] eventually gives anything of value (*i.e.*, makes a ''payment'') to the affiliate or individual based, even in part, on the referral, then the affiliate or individual is a consultant for purposes of rule G–38 and the dealer must comply with the various requirements of the rule. For additional guidance in this area, you may wish to review Q&A numbers 6 and 7 (dated February 28, 1996) in the MSRB Manual following Rule G–38, as well as Q&A number 4 (dated December 7, 1994) in the MSRB Manual following Rule G–37.

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II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Board included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The texts of these statements may be examined at the places specified in Item IV below. The Board has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

On January 17, 1996, the Commission approved Board Rule G–38 on consultants.[6] The Board adopted the rule because it was concerned about dealers' increasing use of consultants to obtain or retain municipal securities business, notwithstanding the requirements of Rule G–37 [7] on political contributions and prohibitions on municipal securities business, Rule G–20 [8] on gifts and gratuities, and Rule G–17 [9] on fair dealing. Rule G–38 requires dealers to disclose information about their consultant arrangements to issuers and the public. Recently, the Board has received inquiries from market participants concerning the definition of payment, as used in Rule G–38, and whether bank affiliates and their employees may, under certain circumstances, be deemed consultants for purposes of the rule. In order to assist the municipal securities industry and, in particular, brokers, dealers and municipal securities dealers in understanding and complying with Rule G–38, the Board has determined to publish this third notice of interpretation which sets forth, in question-and-answer format, general guidance on Rule G–38.[10] The Board will continue to monitor the application of Rule G–38, and, from time to time, will publish additional notices of interpretations, as necessary.

The Board believes the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act.[11]

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

The Board does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, because it would apply equally to all brokers, dealers and municipal securities dealers.

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

The Commission received four comment letters from banking industry participants, opposing this interpretation of Rule G–38.[12] As a result of these comments, the Board resubmitted the proposed rule change pursuant to Section 19(b)(2).[13]

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

A. By order approve such proposed rule change, or

B. Institute proceedings to determine whether the proposed rule change should be disapproved.

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 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of the filing will also be available for inspection and copying at

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[4] Municipal finance professionals and any person whose sole basis of compensation is the actual provision of legal, accounting or engineering advice, services or assistance are excepted from the definition of consultant.

[5] The Securities Exchange Act of 1934 (the ''Act'') defines the term ''person'' as a ''natural person, company, government, or political subdivision, agency, or instrumentality of a government.'' Board rule D–1 provides that unless the context otherwise specifically requires, the terms used in Board rules shall have the same meanings as set forth in the Act.

[6] Securities Exchange Act Release No. 36727 (Jan. 17, 1996); 61 FR 1955 (Jan. 24, 1996). The rule became effective on March 18, 1996. *See also MSRB Manual*, General Rules, Rule G–38 (CCH) ¶3686.

[7] *MSRB Manual*, General Rules, Rule G–37 (CCH) ¶3681.

[8] *MSRB Manual*, General Rules, Rule G–20 (CCH) ¶3596.

[9] *MSRB Manual*, General Rules, Rule G–17 (CCH) ¶3581.

[10] *See* Securities Exchange Act Release No. 36950 (March 11, 1996); 61 FR 10828 (March 15, 1996) and Securities Exchange Act Release No. 37997 (Nov. 29, 1996); 61 FR 64781 (Dec. 6, 1996). *See also* MSRB Reports Vol. 16, No. 2 (June 1996) at 3–5; and Vol. 17, No. 1 (Jan. 1997) at 15.

[11] Section 15B(b)(2)(C) states in pertinent part that the rules of the Board ''shall be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest.''

[12] *See* letter from Sarah A. Miller, Senior Government Relations Counsel, Trust and Securities, American Bankers Association, to Jonathan G. Katz, Secretary, SEC, dated December 30, 1997; letter from Alan R. Leach, Senior Vice President and Manager, Dealer Bank Department, Deposit Guaranty National Bank, to Jonathan G. Katz, Secretary, SEC, dated January 5, 1998; letter from Robert J. Nagy, Senior Counsel, NationsBank, to Jonathan G. Katz, Secretary, SEC, dated December 31, 1997; and letter from Victor M. DiBattista, Chief Regional Counsel, PNC Bank, N.A., to Jonathan G. Katz, Secretary, SEC, dated January 2, 1998.

[13] *See supra* note 3.

the Board's principal offices. All submissions should refer to File No. SR–MSRB–98–1 and should be submitted by February 10, 1998.

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

Margaret J. McFarland,

Deputy Secretary.

[FR Doc. 98–1181 Filed 1–16–98; 8:45 am]

BILLING CODE 8010–01–M

SMALL BUSINESS ADMINISTRATION

[License No. 02/72–0578]

Hudson Venture Partners, L.P.; Notice of Issuance of a Small Business Investment Company License

On June 4, 1997, an application was filed by Hudson Venture Partners, L.P., at 660 Madison Avenue, 14th Floor, New York, New York 10022, with the Small Business Administration (SBA) pursuant to Section 107.300 of the Regulations governing small business investment companies (13 CFR 107.300 (1996)) 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. 02/72–0578 on December 31, 1997, to Hudson Venture Partners, L.P. to operate as a small business investment company.

(Catalog of Federal Domestic Assistance Program No. 59.011, Small Business Investment Companies)

Dated: January 9, 1998.

Don A. Christensen,

Associate Administrator for Investment.

[FR Doc. 98–1178 Filed 1–16–98; 8:45 am]

BILLING CODE 8025–01–P

SOCIAL SECURITY ADMINISTRATION

Privacy Act of 1974, as Amended; Computer Matching Program SSA/Office of Personnel Management (OPM)—SSA Consolidated Match Numbers 1005, 1019, 1020, 1021

AGENCY: Social Security Administration.

ACTION: Notice of Computer Matching Program.

SUMMARY: In accordance with the provisions of the Privacy Act, as amended, this notice announces a computer matching program that SSA plans to conduct with OPM.

[14] 17 CFR 200.30–3(a)(12).

DATES: SSA will file a report of the subject matching program with the Committee on Governmental Affairs of the Senate, the Committee on Government Reform and Oversight of the House of Representatives and the Office of Information and Regulatory Affairs, Office of Management and Budget (OMB). The matching program will be effective as indicated below.

ADDRESSES: Interested parties may comment on this notice by either telefax to (410) 966–2935 or writing to the Associate Commissioner for Program Support, 4400 West High Rise Building, 6401 Security Boulevard, Baltimore, MD 21235. All comments received will be available for public inspection at this address.

FOR FURTHER INFORMATION CONTACT: The Associate Commissioner for Program Support at the address shown above.

SUPPLEMENTARY INFORMATION:

A. General

The Computer Matching and Privacy Protection Act of 1988 (Public Law (Pub. L.) 100–503), amended the Privacy Act (5 U.S.C. 552a) by establishing the conditions under which computer matching involving the Federal government could be performed and adding certain protections for individuals applying for and receiving Federal benefits. Section 7201 of the Omnibus Budget Reconciliation Act of 1990 (Pub. L. 101–508) further amended the Privacy Act regarding protections for such individuals.

The Privacy Act, as amended, regulates the use of computer matching by Federal agencies when records in a system of records are matched with other Federal, State, or local government records. Among other things, it requires Federal agencies involved in computer matching programs to:

(1) Negotiate written agreements with the other agency or agencies participating in the matching programs;

(2) Obtain the approval of the match agreement by the Data Integrity Boards (DIB) of the participating Federal Agencies;

(3) Furnish detailed reports about matching programs to Congress and OMB;

(4) Notify applicants and beneficiaries that their records are subject to matching; and

(5) Verify match findings before reducing, suspending, terminating or denying an individual's benefits or payments.

B. SSA Computer Matches Subject to the Privacy Act

We have taken action to ensure that all of SSA's computer matching programs comply with the requirements of the Privacy Act, as amended.

Dated: December 19, 1997.

Kenneth S. Apfel,

Commissioner of Social Security.

Notice of Computer Matching Program, Social Security Administration (SSA) With the Office of Personnel Management (OPM)

A. Participating Agencies

SSA and OPM.

B. Purpose of the Matching Program

This matching program will have four separate components. The purposes of each of these parts are as follows.

SSA Match 1021: SSA will match OPM's civil service benefit and payment data with SSA's records of beneficiaries receiving Social Security spouse's benefits which are subject to reduction under the Social Security Act when the beneficiary is also receiving a government pension based on employment not covered under that Act. SSA will match the OPM data to verify information provided (or identify information that should have been provided) by the SSA beneficiary at the time of initially applying for Social Security benefits and on a continuing basis to ensure that any reduction in Social Security benefits is based on the current pension amount.

SSA Match 1020: OPM records will be used in a matching program wherein SSA will match OPM's benefit data with SSA's records for disabled and retired annuitants. These annuitants may be subject to the use of a modified benefit computation formula used by SSA under the Social Security Act for certain persons who receive both a civil service benefit and a Social Security retirement or disability benefit. SSA will use the OPM data to verify the pension or annuity information provided (or to identify such information that should have been provided) directly to SSA by the retirees/annuitants.

SSA Match 1005: OPM records will be used in a matching program where SSA will match OPM's data with SSA's records to verify the accuracy of information furnished by applicants and recipients concerning eligibility factors for the SSI program as authorized by section 1631(e)(1)(B) and (f) of the Social Security Act (42 U.S.C. 1383(e)(1)(B) and (f)). The SSI program provides payments to individuals who have income and resources below levels established by law and regulations.