

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38819; File No. SR-Amex-97-19]

### Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment Nos. 1 and 2 to Proposed Rule Change by the American Stock Exchange, Inc., Relating to the Listing and Trading of Indexed Term Notes

July 7, 1997.

#### I. Introduction

On April 30, 1997, the American Stock Exchange, Inc. ("Amex" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to approve for listing and trading under Section 107A of the Amex *Company Guide* market index target-term securities ("MITTS"),<sup>3</sup> the return of which is based in whole or in part on changes in the value of the Major 8 European Index ("the Major 8 European Index").

The proposed rule change, together with the substance of the proposal, was published for comment in Securities Exchange Act Release No. 38664 (May 21, 1997) 62 FR 28910 (May 28, 1997). No comment letters were received in response to the proposal. The Exchange subsequently filed Amendment Nos. 1 and 2 to the proposed rule change on

June 11, 1997,<sup>4</sup> and June 27, 1997,<sup>5</sup> respectively. This order approves the proposed rule change, as amended.

#### II Background and Description

Under Section 107A of the Amex *Company Guide*, the Exchange may approve for listing and trading securities which cannot be readily categorized under the listing criteria for common and preferred stocks, bonds, debentures, or warrants.<sup>6</sup> The Amex now proposes to list for trading under Section 107A of the *Company Guide* indexed term notes whose value in whole or in part will be

<sup>4</sup> Amendment No. 1 states that the Exchange's equity trading rules will apply to the trading of indexed term notes linked to the Major 8 European Index, including Rule 411, which requires members to use due diligence to learn essential facts relative to every customer and to every order or account accepted, and Rule 462, which requires the application of equity margin rules to the trading of indexed term notes. Amendment No. 1 also states that the continued listing guidelines set forth in Section 1001 through 1003 of the Amex *Company Guide* will apply to the proposed indexed term notes; that the exchange will, prior to trading the proposed indexed term notes, distribute an Information Circular to members providing guidance with regard to member firm compliance responsibilities, including suitability recommendations, when handling transactions in the indexed term notes, and highlighting their special risks and characteristics; that the Exchange will maintain the Index and it will be the Exchange's responsibility to determine, if necessary, whether to replace a sub-index with a substitute or successor index or undertake to publish the sub-index if it ceases to be published. See letter from Claire P. McGrath, Vice-President and Special Counsel, Amex, to Ivette Lopez, Assistant Director, Market Supervision, Commission, dated June 10, 1997 ("Amendment No. 1").

<sup>5</sup> Amendment No. 2 further clarifies Amendment No. 1 by stating that Section 1003(b) of the *Company Guide* in particular will apply to the proposed indexed term notes, and attaches a copy of a draft information circular that Amex will distribute to its members. Amendment No. 2 also states that the shares of a sub-index will remain fixed, except in the case of a significant event, such as a split in the value of the sub-index a change in the method of calculation, or if the sub-index ceases to be published. Amendment No. 2 gives an example of what would happen to the Index calculation if a sub-index were to split in value. Also, if the sub-index ceases to be published, Amex could choose to replace it with a substitute index (another index currently being published that correlates highly with the sub-index being replaced), a successor index (an index intended by the publisher as a replacement to the original sub-index), or undertake to publish the sub-index using the same procedures last used to calculate the sub-index prior to its discontinuance. In addition, Amendment No. 2 states that if the marketplace for the securities underlying any one of the sub-indices that constitute the Major 8 European Index is closed on any given business day, due to natural disaster or holiday observed in the foreign country, Amex will use the previous closing value in the calculation. See letter from Claire P. McGrath, Vice-President and Special Counsel, Derivatives Securities, Amex, to Ivette Lopez, Assistant Director, Market Regulation, Commission, dated June 26, 1997 ("Amendment No. 2").

<sup>6</sup> See Securities Exchange Act Release No. 27753 (March 1, 1990), 55 FR 8626 (March 8, 1990).

based upon an index consisting of the major market indices of eight European countries ("Major 8 European Index Notes" or "Index Notes").<sup>7</sup>

The Index Notes will be non-convertible debt securities and will conform to the initial listing guidelines under Section 107A of the *Company Guide*<sup>8</sup> and the continued listing guidelines under Sections 1001 to 1003 of the *Company Guide*.<sup>9</sup> although a specific maturity date will not be established until the time of the offering, the Index Notes will provide for maturity within a period of not less than one nor more than ten years from the date of issue. Indexed term notes generally provide for payments at maturity based in whole or in part on changes in the value of the index. At maturity, holders of the Major 8 European Index Notes will receive not less than 90% of the initial issue price, plus an amount, called the "Supplemental Redemption Amount," based on the percentage increase, if any, up to a specific amount, over the starting index value in the Major 8

<sup>7</sup> The Commission has previously approved the listing and trading of MITTS or hybrid securities similar to MITTS based upon portfolios or securities. See e.g., Securities Exchange Act Release Nos. 32840 (September 2, 1993), 58 FR 47485 (September 9, 1993); 33368 (December 22, 1993), 58 FR 68975 (December 29, 1993); 33495 (January 19, 1994), 59 FR 3883 (January 27, 1994); 34692 (September 20, 1994), 59 FR 49267 (September 27, 1994); 37533 (August 7, 1996), 61 FR 42075 (August 13, 1996); and 37744 (September 27, 1996), 61 FR 52480 (October 7, 1996) ("Term Notes Approval Orders"). Although certain aspects of the Major 8 European Index Notes are similar to those MITTS previously approved by the Commission, this is the first time the Commission has reviewed a MITTS product that is an index of several indices rather than a portfolio of individual securities.

<sup>8</sup> Specifically, the notes must have: (1) A minimum distribution of one million trading units; (2) a minimum of 400 holders; (3) an aggregate market value of at least \$4 million; and (4) a term of at least one year. Additionally, the issuer of the notes must have assets of at least \$100 million, stockholders' equity of at least \$10 million, and pre-tax income of at least \$750,000 in the last fiscal year or in two of the three prior fiscal years. As an alternative to these financial criteria, the issue must have either: (1) assets in excess of \$200 million and stockholders' equity in excess of \$10 million; or (2) assets in excess of \$100 million and stockholders' equity of at least \$20 million.

<sup>9</sup> The Exchange's continued listing guidelines are set forth in Sections 1001 through 1003 of the Exchange's *Company Guide*. Section 1002(b) states that the Exchange will consider removing from listing any security where, in the opinion of the Exchange, it appears that the extent of public distribution or aggregate market value has become so reduced to make further dealings on the Exchange inadvisable. With respect to the continued listing guidelines for distribution of the indexed term notes on the Major 8 European Index, the Exchange will rely, in part, on the guidelines in Section 1003(b), which discuss suspensions and delistings with respect to limited distribution and reduced market value. See Amendment No. 2, *supra* note 5.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> "MITTS" and "Market Index Target-Term Securities" are service marks of Merrill Lynch & Co., Inc. ("Merrill Lynch").

European Index.<sup>10</sup> The notes will not be callable or redeemable prior to maturity and will be cash settled in U.S. currency.

Consistent with other structured products, the Exchange will distribute a circular to its membership, prior to the commencement of trading, providing guidance with regard to member firm compliance responsibilities, including appropriate suitability criteria and/or guidelines, and highlighting the special risks and characteristics of the proposed Major 8 European Index Notes.<sup>11</sup> The Exchange's equity trading rules will apply to the trading of the indexed term notes linked to the Major 8 European Index, including Rules 411 and 462.<sup>12</sup> Specifically, Rule 411 will impose a duty of due diligence on Amex's members and member firms to learn the essential facts relating to every customer prior to trading Major 8 European Index Notes. In addition, for this particular MITTS product, the Exchange will require members and member firms to make a determination that the proposed index term note is suitable for the customer, and the person making the recommendation should have a reasonable basis for believing at the time of making the recommendation that the customer has the knowledge and experience in financial matters that they may be capable of evaluating the risks and the special characteristics of the recommended transaction, and is financially able to bear the risks of the recommended transaction.<sup>13</sup>

According to Amex, the eight indices ("sub-indices" or individually "sub-index") that form the Major 8 European Index are comprised of a total of 341 of the largest and most liquid securities from each of the eight European markets they represent. Initial weightings will be

assigned to each sub-index at the close of trading on the day immediately prior to the listing of the Index Notes and based upon the index's market capitalization. Based on market data as of April 3, 1997, the UK's Financial Times SE 100 Index ("FT-SE 100") would have an assigned weight of approximately 38.36%; the Deutscher Aktienindex ("DAX") would have an assigned weight of approximately 14.50%; the Compagnie des Agents de Change 40 Index ("CAC 40") would have an assigned weight of approximately 11.82%; the Swiss Market Index ("SMI") would have an assigned weight of approximately 10.28%; the Amsterdam European Options Exchange Index ("AEX") would have an assigned weight of approximately 5.94%; the Milano Italia Borsa 30 Index ("MIB 30") would have an assigned weight of approximately 9.42%; the Stockholm Options Market Index ("OMX") would have an assigned weight of approximately 4.60%; and the IBEX 35 would have an assigned weight of approximately 5.08%.<sup>14</sup> Amex represents that it has in place surveillance sharing agreements with the appropriate regulatory organizations in each country represented in the Major 8 European Index, except Sweden and Switzerland, which together represented 14.88% of the Major 8 European Index as of April 3, 1997.

The Major 8 European Index will be calculated using a "capitalization-weighted" methodology. As noted above, each sub-index will be given its assigned weighting at the close of trading on the day immediately prior to the listing of the Index Note. The number of shares in each sub-index will be fixed on that day and will equal its weighting in the Index times 100 divided by the sub-index level. There will be no periodic rebalancing of the Major 8 European Index to reflect changes in relative market capitalizations among the sub-indices. The initial sub-index value used in the Major 8 European Index calculation will equal the product of the number of shares in the sub-index times its representative sub-index level. The Major 8 European Index will initially be set to provide a benchmark value of 100.00 at the close of trading on the day preceding the listing of the Index Note. The Exchange will calculate the Major 8 European Index and, similar to other stock index values published by the Exchange, the value of the Major 8

European Index will be calculated continuously and disseminated every 15 seconds over the Consolidated Tape Association's Network B each trading day until the last individual sub-index ceases updating in its home market. The Exchange will then disseminate the Major 8 European Index based on the closing values for each sub-index.

Because index term notes are generally meant to be a one time issuance, providing investors with a percentage of the appreciation in the index as measured over a specified period of time, and are essentially a passive investment, the Major 8 European Index will not be actively maintained like other derivatively based index products, except as discussed below. The shares for each sub-index will remain fixed during the life of the note, except in the event of a significant action taken by the publisher of the sub-index such as a split of the value of the sub-index or a change in the method of calculation. For example, if the publisher of one of the sub-indices were to split that index, Amex would double the shares represented by that sub-index in the Major 8 European Index.<sup>15</sup> Further, if a sub-index ceases to be published, the Exchange may determine to replace it with a substitute index (another index currently being published that correlates highly with the sub-index being replaced), a successor index (an index intended by the publisher as a replacement to the original sub-index), or may undertake to publish the sub-index using the same procedures last used to calculate the sub-index prior to its discontinuance.<sup>16</sup> For example, Amex states that if the CAC-40 should cease to be published by SBF-Paris Bourse, Amex may undertake to publish a capitalization-weighted index of 40 of the most liquid and highly capitalized stocks traded on the Paris Bourse.<sup>17</sup> Finally, the Commission notes that Amex has sole authority to determine whether to

<sup>10</sup> See Amendment No. 2, *supra* note 5. In no event will the Supplemental Redemption Amount be less than zero. The Supplemental Redemption Amount will equal:

Principal  $\times$  (Ending Index Value-Starting Index Value)  $\div$  Starting Index Value  $\times$  Participation Rate

The Participation Rate will equal a factor between 110% and 120%. Investors will only be able to participate in appreciation of the indexed term notes up to the established Participation Rate. For example, assuming a 120% Participation Rate, if the Major 8 European Index appreciates 30% over its starting value, investors would only be able to receive at expiration their initial investment plus 20% of the appreciation in the Major 8 European Index value. See Amendment No. 2, *supra* note 5.

<sup>11</sup> See Amendment Nos. 1 and 2, *supra* notes 4 and 5.

<sup>12</sup> Rule 411 requires the Exchange's members to use due diligence to learn the essential facts relative to every customer and to every order or account accepted. Rule 462 requires the application of equity margin rules to the trading of indexed term notes. See Amendment No. 1, *supra* note 4.

<sup>13</sup> See Amendment No. 2, *supra* note 5, attached Draft Information Circular.

<sup>14</sup> A brief description of each of the sub-indices is set forth in detail in the notices release. See Securities Exchange Act Release No. 38664 (May 21, 1997), 62 FR 28910 (May 28, 1997).

<sup>15</sup> See Amendment No. 2, *supra* note 5.

<sup>16</sup> See Amendments Nos. 1 and 2, *supra* notes 4 and 5.

<sup>17</sup> See Amendment No. 2, *supra* note 5. The Commission notes that this replacement process is a slightly different approach than in other MITTS-like products. Generally, when portfolio securities cease to exist during the term of the note due to a merger, acquisition, or similar type corporate transaction, a value equal to the security's final value will be assigned, to the stock. If the issuer of a component stock is in the process of liquidation or subject to a bankruptcy proceeding, insolvency, or other similar adjudication, the security will continue to be included in the index as long as a market price for the security is available. If a market price is no longer available for an index stock due to circumstances including, but not limited to, liquidation, bankruptcy, insolvency, or any other similar proceeding, then the security is assigned a value of zero for index calculation purposes.

replace a sub-index that has ceased to be published and, if so, the choice of replacement. The issuer of the Major 8 European Index Notes has no role in these determinations.

If the marketplace for the securities underlying any of the sub-indices that constitute the major 8 European Index is closed on any given business day in the U.S., such as in the event of a market disruption due to a natural disaster or in the more likely event that the marketplace is closed for a holiday celebrated in the foreign country, Amex will use the previous closing value in the calculation of the Major 8 European Index.<sup>18</sup>

### III. Discussion

The Commission finds that the proposed rule changes are 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)(5).<sup>19</sup> Specifically, the Commission believes providing for exchange-trading of the Major 8 European Index Notes will offer a new and innovative means of participating in the market for foreign securities. In particular, the Commission believes that the proposed Index Notes will permit investors to gain equity exposure in securities trading in eight foreign markets while at the same time limiting the downside risk of the original investment as a result of the principal guarantee. Accordingly, for the reasons discussed below as well as the same reasons as discussed in the Term Notes Approval Orders,<sup>20</sup> the Commission finds that the rule proposal is consistent with the requirements of Section 6(b)(5) of the Act that the rules of an exchange are designed to prevent fraudulent and manipulative acts and practices, to facilitate transactions in securities and to protect investors and the public interest.<sup>21</sup>

The Commission notes that the Major 8 European Index Notes are not leveraged instruments; however, their price will still be derived from and based upon the performance of securities in eight European markets as reflected by the underlying sub-indices. As noted in the Term Notes Approval Orders, the level of risk involved in the purchase and sale of a MITTS is generally similar to the risk involved in the purchase or sale of traditional

common stock, except for the fact that the products are derivatively priced from a portfolio of securities. MITTS on the Major 8 European Index, however, raise an additional level of risk because the final rate of return of the Index Notes is derivatively priced, based upon the performance of a portfolio of eight different sub-indices, whose performance is also derivatively priced based upon the performance of a portfolio of securities trading in each of these eight market centers.<sup>22</sup> Accordingly, the Commission has specific concerns regarding this type of product. For the reasons discussed below, the Commission believes Amex's proposal adequately addresses these concerns.

First, the Commission notes that Amex's rules and procedures addressing the special concerns attendant to the trading of hybrid securities will be applicable to the proposed Index Notes. In particular, by imposing the hybrid listing standards, heightened suitability for recommendations in Index Notes, disclosure, and compliance requirements noted above, the Commission believes that the Exchange has adequately addressed the potential problems that could arise from the hybrid nature of the proposed Index Notes. In addition, Amex will distribute a circular to its membership calling attention to the specific risks associated with the Major 8 European Index Notes.<sup>23</sup>

Second, the Major 8 European Index Notes remain a non-leveraged product with the issuer guaranteeing no less than 90% of principal return. The Commission realizes that the final payout on the Major 8 European Index Notes is dependent in part upon the individual credit of the issuer. To some extent this credit risk is minimized by the Exchange's listing standards in Section 107A of the *Company Guide* which provide that only issuers satisfying substantial asset and equity requirements may issue securities such as MITTS. In addition, the Exchange's hybrid listing standards further require that the proposed indexed term notes have at least \$4 million in market value.<sup>24</sup> In any event, financial information regarding the issuer, in addition to information on the underlying sub-indices, will be publically available to investors.

Third, each of the sub-indices represent securities from eight major

markets. Both the history and performance of these indices, as well as current pricing trends, should be readily available through a variety of public sources. Further, the Commission notes that although the value of each sub-index should be available, Amex has committed to disseminating the value of the Major 8 European Index on a real-time basis at least once every 15 seconds throughout the trading day. As noted above, current values for each individual sub-index, for as long as they are available during Amex's trading hours. The Commission believes that this information will be extremely useful and beneficial for investors in the Index Notes.

Fourth, the Commission also has a systematic concern that a broker-dealer or a subsidiary providing a hedge for the issuer will incur position exposure. As discussed in the Term Notes Approval Orders, the Commission believes this concern is minimal given the size of the proposed Index Notes issuance in relation to the net worth of the issuer.<sup>25</sup>

Finally, the Commission also believes that the listing and trading of the proposed Index Notes should not unduly impact the market for the securities underlying the sub-indices or raise manipulation concerns. The Commission notes that all of the sub-indices that make up the Major 8 European Index are established indices.<sup>26</sup> The Commission has previously reviewed or approved six of the eight sub-indices, representing 83.78% of the value of the Major 8 European Index as of April 3, 1997,<sup>27</sup> in the context of either warrant trading, options trading, or while issuing non-objection letters to the Commodity

<sup>25</sup> See Term Notes Approval Orders, *supra* note 7.

<sup>26</sup> The Commission notes that the Major 8 European Index Notes are not quite equivalent to other MITTS in that the Major 8 European Index is based upon a group of sub-indices, all of which have not been approved by the Commission for trading. The Commission notes that by approving this proposed rule change the Commission is not approving either the Major 8 European Index or the underlying sub-indices for options, warrants, and/or futures trading. The Commission further notes that if the sub-indices that have not been approved were to equal more than 20% of the Major 8 European Index value, the Commission would find it necessary to evaluate those sub-indices like other index products before approving the MITT. The decision to allow a MITTS to be priced partly off of non-approved indices is related to the fact that the Index Notes are a limited issuance, at least 90% principal guaranteed, non-leveraged investment, and that the non-approved indices comprise only 16.22% of the Major 8 European Index value. Any changes in these factors would alter the Commission's determination.

<sup>27</sup> The sub-indices that have been previously reviewed or approved in one of these contexts are the FT-SE 100, DAX, CAC 40, MIB 30, OMX, and the IBEX 35. The other two sub-indices in the Major 8 European Index are SMI and AEX.

<sup>18</sup> See Amendment No. 2, *supra* note 5.

<sup>19</sup> 15 U.S.C. 78f(b)(5).

<sup>20</sup> See Term Notes Approval Orders, *supra* note 7.

<sup>21</sup> 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).

<sup>22</sup> As noted above, *supra* note 7, this is the first time the Commission has reviewed a MITTS product that is an index of several indices.

<sup>23</sup> See Amendment Nos. 1 and 2, *supra* notes 4 and 5.

<sup>24</sup> See Amex Company Guide § 107A.

Futures Trading Commission ("CFTC") regarding offers and sales to U.S. citizens of futures and options on futures on those sub-indices. In these previous reviews, the Commission evaluated each of the individual sub-indices noted above and found that they were broad-based indices comprised of highly capitalized stocks with high trading volumes that were not readily susceptible to manipulation.

Specifically, in the letters to the CFTC, the Commission found that certain of the sub-indices are not readily susceptible to manipulation because of the representative nature of the various industry segments included in the individual index, the relative weighted value of the index's component stocks, and the substantial capitalization and trading volume of the component stocks.<sup>28</sup> In Commission orders previously approving the FT-SE 100 for warrant and reduced-value options trading, the CAC 40 for warrant trading, and the DAX for warrant trading, the Commission made similar findings that the index was a broad-based index of actively traded, well capitalized stocks.<sup>29</sup> Additionally, Amex's surveillance procedures should serve to deter as well as detect any potential manipulation.<sup>30</sup>

The Commission finds good cause to approve Amendment Nos. 1 and 2 to the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. As noted above, Amendment No. 1 states that the Exchange's equity rules, including the equity margin rule and the suitability rule, will apply to the trading of the proposed Index Notes. The Draft Information Circular included in Amendment No. 2 also adopts heightened suitability standards, as described above, for this particular MITTS product. In addition, Amendment No. 1 clarifies that the

Exchange will distribute to its membership, prior to trading the proposed Index Notes, a circular providing guidance with regard to member and member firm compliance responsibilities, including suitability recommendations, when handling transactions in the proposed Index Notes and highlighting their special risks and characteristics.

Amendment No. 1 also states that the continued listing standards set forth in Sections 1001-1003 of the Amex *Company Guide* will apply to the trading of the proposed Index Notes, and Amendment No. 2 further clarifies this by stating that Section 1003(b), in particular, will apply. Finally, Amendment Nos. 1 and 2, collectively, state that the shares for each sub-index will remain fixed, except in the event of a significant action taken by the publisher, such as a split in the sub-index value, a change in the calculation of the sub-index, or if the sub-index ceases to be published. Amendment No. 2 gives an example of how a split in the value of the sub-index would affect the Major 8 European Index, and clarifies the alternatives available to Amex if a sub-index ceased to be published. Amendment No. 2 also states how Amex would calculate the major 8 European Index if the marketplace of a sub-index was closed on any given business day in the U.S., such as if a market disruption occurred due to a natural disaster or a foreign holiday.

The Commission believes that Amendment Nos. 1 and 2, 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 Index Notes, and adopting a heightened suitability standard for recommendations concerning the Index Notes.

Amendments 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 the terms of the Information Circular to members and members, firms. Additionally, the Exchange's proposal to list and trade the proposed indexed term 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 and 2 to the proposal on an accelerated basis.

Interested persons are invited to submit written data, views, and arguments concerning Amendment Nos. 1 and 2 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-97-19 and should be submitted by August 1, 1997.

#### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>31</sup> that the proposed rule change (SR-Amex-97-19), including Amendment Nos. 1 and 2, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>32</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

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#### SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38817; File No. SR-CBOE-97-29]

#### Self-Regulatory Organizations; The Chicago Board Options Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Fee Reduction Program for Market-Maker Transaction Fees, Floor Broke Fees, and Member Dues; and the Customer "Large" Trade Discount Program

July 9, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on June 30, 1997, the Chicago Board Options Exchange ("CBOE" or "Exchange") filed with the Securities and Exchange

<sup>28</sup> The Commission has issued these non-objection letters relating to the offer and sale of futures and/or options on futures on the FT-SE 100, the DAX, the CAC 40, the MIB 30, the OMX, and the IBEX 35.

<sup>29</sup> See Securities Exchange Act Release Nos. 27769 (March 6, 1990), 55 FR 9380 (March 13, 1990) (FT-SE-100 Warrants); 28544 (October 17, 1990), 55 FR 42792 (October 23, 1990) (CAC 40 Warrants); 28587 (October 30, 1990), 55 FR 46595 (November 5, 1990) (CAC 40 Warrants); 29722 (September 23, 1991), 56 FR 49807 (October 1, 1991) (FT-SE 100 Reduced-Value Index Options); and 36070 (August 9, 1995), 60 FR 42205 (August 15, 1995) (DAX Warrants).

<sup>30</sup> As noted above, Amex represents that it has in place surveillance sharing agreements with the appropriate regulatory organizations in each country in the Major 8 European Index, except Sweden and Switzerland. These two countries together represented only 14.88% of the Major 8 European Index as of April 3, 1997.

<sup>31</sup> 15 U.S.C. 78s(b)(2).

<sup>32</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1988).