

tied to the same type of standard, the underlying equivalent value.⁴

III. Discussion

The Commission believes that the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, with Section 6(b)(5) which requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, to remove impediments to and to perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest.⁵

The Commission believes that changing the requisite minimum value size of opening transactions in FLEX Equity Options to include a minimum dollar amount as an alternative to the existing 250 contract opening size requirement will promote just and equitable principles of trade and facilitate transactions in securities while continuing to foster the public interest and investor protection. In particular, the Commission notes that the minimum size requirement for opening transactions in FLEX equity options was originally designed to ensure that FLEX equity options were primarily used by sophisticated, high net worth individuals rather than retail investors. While it appears that the minimum contract size fulfilled its purpose, the Commission agrees with the CBOE that the result of the existing rule is to require a much greater dollar investment for options on higher priced stocks than for options lower priced stocks. For example, an investor can purchase 250 contracts in a Flex Equity series on low priced stocks (*i.e.*, those worth less than \$40) meeting the minimum requirement without even investing a minimum of \$1 million, while an investor prepared to invest \$1 million may be unable to purchase contracts in a Flex Equity series in higher priced stocks (*i.e.*, those worth more than \$40). An opening transaction in a Flex Equity series on a stock priced at \$40.01 or more would reach this \$1 million limit before it would reach the contract size limit, *i.e.*, 250 contracts times the multiplier (100) times the

⁴ The term "underlying equivalent value" is defined in CBOE Rule 24A.1(r) for FLEX Index options, but it is not a defined term for FLEX Equity options. As noted in CBOE's filing, however, the amount of the "underlying equivalent value" for FLEX equity options is calculated by multiplying the number of contracts times the multiplier (100) times the stock price.

⁵ 15 U.S.C. 78f(b)(5).

stock price (\$40.01) totals \$1,000,250. million in underlying value.

Based on the above, the Commission believes it appropriate to provide, as an alternative to the 250 fixed contract amount, an opening minimum size for FLEX equity options of \$1 million. In approving the dollar value as an alternative to the fixed number of contracts, the Commission recognizes that the investment for FLEX equity options on lower priced stocks may still be considerably low. Nevertheless, the Commission believes the alternative requirements are appropriate because they will provide flexibility to investors and will not unduly restrict access to the FLEX equity options market. In summary, the Commission believes that the proposed rule change could result in improved liquidity for FLEX equity options while preserving the investor protections inherent in CBOE Rule 24A.4.

IV. Conclusion

For the foregoing reasons, the Commission believes that the CBOE's proposal is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange.⁶

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (SR-CBOE-98-21) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret H. McFarland,

Deputy Secretary.

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DEPARTMENT OF STATE

[Public Notice: #2895]

Advisory Committee on Historical Diplomatic Documentation; Notice of Meeting

The Advisory Committee on Historical Diplomatic Documentation will meet in the Department of State, 2201 "C" Street NW., Washington, DC, October 8-9, 1998, in Conference Room 1951. Prior notification and a valid photo are mandatory for entrance into the building. One week before the meeting the public must notify Gloria Walker, Office of Historian (202-663-

⁶ In addition, in approving this rule, the Commission notes that it has also considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78s(b)(2).

⁸ 17 CFR 200.30-3(a)(12).

1124) providing their date of birth, social security number and telephone number.

The Committee will meet in open session from 9:00 a.m. through 12:00 p.m. on the morning of Thursday, October 8, 1998. The remainder of the Committee's sessions from 1:45 p.m. on Thursday, October 8, 1998 until 5:00 p.m. on Friday, October 9, 1998 will be closed in accordance with Section 10(d) of the Federal Advisory Committee Act (P.L. 92-463). The agenda calls for discussions involving consideration of matters not subject to public disclosure under 5 U.S.C. 552b(c)(1), and that the public interest requires that such activities be withheld from disclosure.

Questions concerning the meeting should be directed to William Z. Slany, Executive Secretary, Advisory Committee on Historical Diplomatic Documentation, Department of State, Office of the Historian, Washington, DC, 20520, telephone (202) 663-1123, (e-mail pahistoff@panet.us-state.gov).

Dated: August 28, 1998.

William Z. Slany,
Executive Secretary.

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DEPARTMENT OF STATE

[Public Notice 2896]

Bureau of Oceans and International Environmental and Scientific Affairs (OES); Notice of a Public Meeting Regarding Government Activities on International Harmonization of Chemical Classification and Labeling Systems

SUMMARY: This public meeting will provide an update on current activities related to international harmonization since the previous public meeting, conducted August 5, 1998. (See Department of State Public Notice 2862, on pages 39926-39927 of the **Federal Register** of July 24, 1998). The meeting will also offer interested organizations and individuals the opportunity to provide information and views for consideration in the development of United States Government policy positions. For more complete information on the harmonization process, please refer to State Department Public Notice 2526, pages 15951-15957 of the **Federal Register** of April 3, 1997.

The meeting will take place from 1:30 p.m. until 3:30 p.m. on October 7 in Room N 3437 A&B, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, D.C. Attendees should use the entrance at C and Third Streets NW.