

increased risk of transacting with more informed traders.

The experimental results suggest that the introduction of a limit order facility narrows the displayed spread and increases order placements. Under the uninformed dealer scenario, the displayed spread narrows by about 25 percent. Under the informed dealer scenario, the displayed spread narrows by about 50 percent. The addition of a limit order facility increased limit order placement to about 50 percent of all orders and reduced market order placement to about 50 percent of all orders. Limit orders were executed 45 percent of the time under the uninformed dealer scenario and about 50 percent of the time under the informed dealer scenario. The addition of a limit order facility increased overall orders placed by about 18 percent but decreased overall orders executed by about 5 percent.

The experimental results also suggest that the introduction of a limit order facility is particularly important to investors in stocks when spreads are greater than $\frac{1}{4}$. There is some evidence, although not consistent over all categories, that the greater the size of the displayed spread, the greater the use of limit orders. For three out of four categories, a larger percentage of limit orders were placed when displayed spreads were $\frac{3}{8}$ and $\frac{1}{2}$ than when displayed spreads were $\frac{1}{8}$ and $\frac{1}{4}$.

The simulation also measured dealer profitability. The results on dealer profitability changes after the introduction of a limit order facility were mixed. The marginal rate of dealer profits in basis points decreased under the uninformed dealer scenario but increased under the informed dealer scenario.

The results are taken from a small sample of 24 experimental subjects. Since subjects had a limited amount of training in the simulated trading environment, better trained subjects may have led to different results. The simulation model makes simplifying assumptions about order flow characteristics, dealer quote setting behavior, and price movements in the Nasdaq market. For instance, the exact structure of NAqcess was not completely determined when the experiments were conducted. Thus, the limit order book structure tested is not identical to the structure ultimately proposed. If any assumptions made by the model are not valid, then the results may not be representative of the impact of NAqcess on the Nasdaq market.

IV. Conclusion: NAqcess Should Benefit Investors

NAqcess represents a major development for the Nasdaq Stock Market. Its key feature is a central limit order file with broad access to market participants. Investors will have the opportunity to place limit orders directly into the file, and execute trades against orders in the file in an automated fashion. This central order file will replace the current SelectNet facility. The automated execution system, fully consistent with the firm quote rule, will allow investors to execute market orders without need of explicit market maker interaction. This system will replace the current SOES facility.

Nasdaq staff believe that NAqcess will represent a significant benefit for investors, as enhanced capabilities for a limit order-oriented market modality are created. This determination is amply supported by the global experience of equity trading, by economic theory and evidence, by the current experience within the Nasdaq market, and by research conducted by and for the NASD's Department of Economic Research.

As has been the experience with the Paris Bourse, however, the dealer-oriented market modality has distinct advantages of its own. NAqcess is in no way intended to replace the dealer market. It can be expected that some issues will tend to be traded within NAqcess more than others, and that some types of trades will be more likely to be placed on NAqcess than others. The forces of competition will ultimately determine the usage of the various modalities offered within the Nasdaq Stock Market.

[FR Doc. 96-15448 Filed 6-19-96; 8:45 am]

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[Release No. 34-37310; File No. SR-NASD-96-15]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Granting Approval to Proposed Rule Change Relating to Schedule A to the By-Laws to Amend the Allowable Exclusions and Deductions from the Definition of Gross Revenue for Member Assessment Purposes

June 13, 1996.

On April 4, 1996, the National Association of Securities Dealers, Inc. ("NASD" or "Association") 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 the allowable exclusions and deductions from the definition of gross revenue for member assessment purposes.

The proposed rule change was published for comment in Securities Exchange Act Release No. 37169 (May 6, 1996), 61 FR 21517 (May 10, 1996). No comments were received on the proposal. This order approves the proposed rule change.

I. Background

Gross revenue is defined for member assessment purposes under Section 5 of Schedule A of the NASD By-Laws ("Section 5") as total income reported on FOCUS form Part II or IIA, with certain limited exclusions and deductions.³ Currently, Section 5 provides that revenue derived from interest and dividends⁴ may be excluded by a member from gross revenue for assessment purposes.

II. Description of Proposal

The Association's proposal amends Section 5 to remove interest and dividends as an allowable exclusion for assessment purposes. The proposal, however, adds a new provision to allow a member to deduct from gross revenue for assessment purposes either: (i) its interest and dividend expenses, but not in excess of related interest and dividend revenue; or, alternatively, (ii) 40% of interest earned by the member on customer securities accounts. The proposal also allows a member to deduct from its gross revenue an additional \$50,000 of net interest and dividend revenue. Lastly, the proposal amends Section 5 to provide alphabetical references to its two primary subsections and to replace all bullets referencing its secondary subsections with numerical references.

The proposed rule will take effect for the 1996 assessment based on revenues generated in calendar year 1995. Based on its data, the NASD estimates that the proposed rule, if it had been adopted for 1995, would have generated assessment revenue of \$3 million based on the budgeted level of assessment revenue of \$39 million for that year. Therefore, the NASD believes that the rule proposal

¹ 15 U.S.C. § 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ Securities Exchange Act Release No. 35074 (Dec. 9, 1994), 59 FR 64827 (Dec. 15, 1994) (order approving File No. SR-NASD-94-58).

⁴ The term "interest and dividends" includes interest from a member's customer margin accounts and interest and dividends from a member's trading and investment positions, such as from repurchase and reverse repurchase agreements and stock loan and borrow transactions.

will raise the requisite funds to finance its operating costs.

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 the Association, and, in particular, with the requirements of Section 15A(b)(5).⁵ Section 15A(b)(5) requires that the rules of the Association provide for the equitable allocation of reasonable dues, fees, and other charges among members.

The Commission believes that using a member's gross revenue for assessment purposes provides for the equitable allocation of reasonable assessments among members. The Commission notes that the rule proposal recognizes interest and dividend revenue as part of a member's gross revenue for assessment purposes, while recognizing that expenses incurred in connection with such interest and dividend revenue should be allowed to be deducted from such revenue. Moreover, the rule proposal allows, alternatively, members whose business incurs less direct expense in connection with interest and dividend revenue to deduct 40% of interest earned by the member on customer securities accounts. This alternative deduction is intended to eliminate the potential for inequitable allocation of assessments on those members whose interest and dividend revenue is obtained without significant expenses related to trading strategies, such as a member that derives interest revenue primarily from margin accounts financed by its own capital. The purposed rule also allows a member to deduct from its gross revenue an additional \$50,000 of net interest and dividend revenue to encourage the accumulation of net capital.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁶ that the proposed rule change (SR-NASD-96-15) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority, 17 CFR 200.30-3(a)(12).

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96-15660 Filed 6-19-96; 8:45 am]

BILLING CODE 8010-01-M

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster Loan Area #2865]

Texas; Declaration of Disaster Loan Area

Irion County and the contiguous counties of Crockett, Reagan, Schleicher, and Tom Green constitute a disaster area as a result of damages caused by severe thunderstorms and hail that occurred on May 29, 1996. Applications for loans for physical damage as a result of this disaster may be filed until the close of business on August 9, 1996 and for economic injury until the close of business on March 10, 1997 at the address listed below:

U.S. Small Business Administration,
Disaster Area 3 Office, 4400 Amon
Carter Blvd., Suite 102, Fort Worth,
Texas 76155

or other locally announced locations.

The interest rates are:

For Physical Damage:	Percent
Homeowners with credit available elsewhere	7.625
Homeowners without credit available elsewhere	3.875
Businesses with credit available elsewhere	8.000
Businesses and non-profit organizations without credit available elsewhere	4.000
Others (including non-profit organizations) with credit available elsewhere	7.125
For Economic Injury:	
Businesses and small agricultural cooperatives without credit available elsewhere	4.000

The number assigned to this disaster for physical damage is 286511. For economic injury the number is 894500.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

Dated: June 10, 1996.

John T. Spotila,

Acting Administrator.

[FR Doc. 96-15721 Filed 6-19-96; 8:45 am]

BILLING CODE 8025-01-P

[Declaration of Disaster Loan Area #2866]

Texas; Declaration of Disaster Loan Area

Howard County and the contiguous counties of Borden, Dawson, Glasscock, Martin, Mitchell, Scurry, and Sterling constitute a disaster area as a result of damages caused by severe thunderstorms and hail that occurred May 10 through 13, 1996. Applications for loans for physical damage may be filed until the close of business on August 9, 1996 and for economic injury

until the close of business on March 10, 1997 at the address listed below:

U.S. Small Business Administration,
Disaster Area 3 Office, 4400 Amon
Carter Blvd., Suite 102, Fort Worth,
Texas 76155

or other locally announced locations.

The interest rates are:

For Physical Damage:	Percent
Homeowners with credit available elsewhere	7.625
Homeowners without credit available elsewhere	3.875
Businesses with credit available elsewhere	8.000
Businesses and non-profit organizations without credit available elsewhere	4.000
Others (including non-profit organizations) with credit available elsewhere	7.125
For Economic Injury:	
Businesses and small agricultural cooperatives without credit available elsewhere	4.000

The number assigned to this disaster for physical damage is 286611. For economic injury the number is 894600.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

Dated: June 10, 1996.

John T. Spotila,

Acting Administrator.

[FR Doc. 96-15722 Filed 6-19-96; 8:45 am]

BILLING CODE 8025-01-P

Revocation of License of Small Business Investment Company

Pursuant to the authority granted to the United States Small Business Administration by the Order of the United States District Court for the Southern District of Texas, dated December 15, 1995, the United States Small Business Administration hereby revokes the license of First City Capital Corporation, a Texas corporation, to function as a small business investment company under the Small Business Investment Company License No. 06/10-0022 issued to First City Capital Corporation on August 26, 1960 and said license is hereby declared null and void as of March 28, 1996.

Dated: June 14, 1996.

United States Small Business Administration.

Don A. Christensen,

Associate Administrator for Investment.

[FR Doc. 96-15786 Filed 6-22-96; 8:45 am]

BILLING CODE 1555-07-P

⁵ 15 U.S.C. § 78o-3(b)(5).

⁶ 15 U.S.C. § 78s(b)(2) (1988).