

interest. Specifically the Exchange believes that the proposal provides investors with a choice that allows the investor to choose the exercise style most suitable to their investment needs. In addition, the Exchange believes that the proposal will not create investor confusion regarding the two indices because of the difference in the symbols representing the two index options.

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

PHLX believes that the proposal does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Comments were neither solicited nor received.

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

The foregoing rule change shall become operative 30 days after the date of filing the amended proposal,<sup>11</sup> or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest pursuant to section 19(b)(3) of the Securities Exchange Act of 1934 and subparagraph (e) of Securities Exchange Act Rule 19b-4. 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 the 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 Securities Exchange Act of 1934.

#### 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, NW., Washington, DC 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 Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of PHLX. All submissions should refer to File No. SR-PHLX-96-46 and should be submitted by February 7, 1997.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>12</sup>

Margaret H. McFarland,

*Deputy Secretary.*

[FR Doc. 97-1217 Filed 1-16-97; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-38154; File No. SR-PHLX-96-40]

#### **Self-Regulatory Organizations; Philadelphia Stock Exchange, Incorporated; Order Approving of Proposed Rule Change Relating to Equity Margin Rules**

January 10, 1997.

#### I. Introduction

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on November 1, 1996, the Philadelphia Stock Exchange, Inc. ("PHLX" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change relating to its equity margin rules. The proposal was published for comment in the Federal Register on November 25, 1996.<sup>2</sup> No comments were received on the proposed rule change. This order approves the Exchange's proposal.

#### II. Description of the Proposal

The PHLX has proposed to amend Rules 721, 722, and 723 in order to harmonize the PHLX's margin rules with those of the other self-regulatory organizations ("SROs").

Amended Rule 721 will now provide for initial customer margin requirements that will be identical to the initial customer equity margin requirements of the New York Stock Exchange ("NYSE"), the American Stock Exchange ("AMEX") and the Pacific Stock Exchange ("PSE").<sup>3</sup> Specifically, a customer must deposit at least the greater of the amount specified by

Regulation T or \$2,000 equity, except that cash need not be deposited in excess of any security purchased.

The PHLX has proposed to amend Rule 722 to provide for good faith margin in instances where a member organization carries the proprietary account of another broker-dealer in compliance with the requirements of Regulation T. The rule will further provide that the member organization may not carry the account in a deficit position and must deduct from its own net capital the difference between the margin required by other sections of this rule and the equity on deposit. The PHLX proposed adding these provisions so as to parallel its margin rule with that of the NYSE.<sup>4</sup>

The PHLX has proposed to completely restate Rule 723. The pre-amended version of Rule 723 applied to member and member firm trading which is now governed by PHLX Rules 722 and 703.<sup>5</sup> Exchange research identified that the current text of Rule 723 has not been amended since at least 1937.<sup>6</sup> Accordingly, the arcane text predates all modern margin and capital rules of the PHLX. In lieu of the outdated provisions of Rule 723, the Exchange proposes replacing such text with the current customer day-trading provisions and the prohibition against free-riding which have been promulgated by the other major SROs.<sup>7</sup>

This rule will require a customer to have sufficient equity to meet the margin required on either the long or short transaction, whichever occurred first on an intra-day basis. For purposes of this rule, the term "customer" will be defined, as it is in Rule 722(e)(2), to not include "a broker or dealer from whom a security has been purchased or to whom a security has been sold for the account of a member organization or its customers."

In addition, a prohibition against free riding in a customer's cash account has been included in order to preclude a customer from making a practice of paying for a security by selling the same security on an intra-day basis.

Other major SROs do not have any intra-day margin requirements

<sup>4</sup> See NYSE Rule 431(e)(6).

<sup>5</sup> Rule 722 concerns margin accounts, and Rule 703 concerns financial responsibility and reporting.

<sup>6</sup> In researching the history of Rule 723 the PHLX reviewed Exchange guides from as far back as the 1930s, wherein, the rule appeared exactly as it now reads. Furthermore, Rule 723 itself makes no reference to ever having been amended. See PHLX Rule 723.

<sup>7</sup> The PHLX proposes adopting the language promulgated by the New York Stock Exchange. See NYSE Rule 431(f)(8)(B)-(C) and (f)(9).

<sup>11</sup> PHLX submitted the last amendment on January 6, 1997 and therefore the 30 days will be calculated from this date.

<sup>12</sup> 17 CFR 200.30-3(a)(12) (1996).

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

<sup>2</sup> Securities Exchange Act Release No. 37962 (November 19, 1996), 61 FR 59919.

<sup>3</sup> See NYSE Rule 431(b); AMEX Rule 462; PSE Rules 2.15(e), 2.16(a).

governing member trading.<sup>8</sup> The "daylight" trading requirements of the PHLX serve no current purposes other than to force PHLX members to meet intra-day trading requirements on transactions which were not specifically exempted by the obsolete rule. In addition, because other major exchanges do not have these intra-day requirements, the PHLX has been placed at a competitive disadvantage. Members are forced to actively manage non-exempted transactions on an intra-day basis in order to maintain compliance with the rule, while other exchanges' margining and capital requirements are only imposed at the end of the business day. Furthermore, the proposed day trading and free riding provisions provide additional protection in the market where it is most needed. Accordingly, the PHLX rules should be brought into harmony with the other exchanges so as to relieve these competitive disadvantages.

### 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, the requirements of Section 6(b)(5).<sup>9</sup> The proposed rule change is designed to remove impediments to and perfect the mechanism of a national market system and to protect investors and the public interest. The Commission believes that the proposed amendments to the equity margin rules will result in the harmonization of the PHLX's equity margin rules with those of other SROs.

Specifically, the Commission finds appropriate the proposal to amend Rule 721 to provide for initial customer margin requirements that are identical to the initial customer equity margin requirements of the NYSE, the AMEX, and the PSE. The rule will require that a customer must deposit at least the greater of the amount specified by Regulation T or \$2,000 equity, except that cash need not be deposited in excess of any security purchased.

The Commission also finds appropriate the PHLX proposal to amend Rule 722 to parallel the NYSE margin rule, to provide for good faith margin in instances where a member organization carries the proprietary account of another broker-dealer in compliance with the requirements of Regulation T. The PHLX rule will

further provide that the member organization may not carry the account in a deficit position and must deduct from its own net capital the difference between the margin required by other sections of this rule and the equity on deposit.

Rule 723 will be restated to require a customer to have sufficient equity to meet the margin required on either the long or short transaction, whichever occurred first on an intra-day basis. In addition, a prohibition against free riding in a customer's cash account has been included in order to preclude a customer from making a practice of paying for a security by selling the same security on an intra-day basis. The Commission finds these proposals appropriate in light of their consistency with the rules of other SROs.<sup>10</sup> The Commission believes that it is appropriate for the PHLX to completely restate Rule 723 to eliminate intra-day margin requirements governing member trading, consistent with the requirements of other SROs. The restatement of the rule also is appropriate in light of the fact that other provisions of the pre-amendment version of Rule 723 are now governed by other PHLX rules.<sup>11</sup>

The Commission finds that these amendments will enhance financial protections and, as a result, enhance the integrity of the Exchange's markets by ensuring that members and customers maintain adequate margin reserves. Because the amendments result in PHLX equity margin rules that are identical to those of other SROs, they do not raise new regulatory concerns.

### IV. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the proposed rule change (File No. SR-PHLX-96-40) is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 97-1219 Filed 1-16-97; 8:45 am]

BILLING CODE 8010-01-M

## SMALL BUSINESS ADMINISTRATION

### Data Collection Available for Public Comments and Recommendations

**ACTION:** Notice and request for comments.

<sup>10</sup> *Surpa* note 7.

<sup>11</sup> *Surpa* note 5 and accompanying text.

<sup>12</sup> 15 U.S.C. 78s(b)(2).

<sup>13</sup> 17 CFR 200.30-3(a)(12).

**SUMMARY:** In accordance with the Paperwork Reduction Act of 1995, this notice announces the Small Business Administration's intentions to request approval on a new, and/or currently approved information collection.

**DATES:** Comments should be submitted on or before March 18, 1997.

**FOR FURTHER INFORMATION CONTACT:** Curtis B. Rich, Management Analyst, Small Business Administration, 409 3rd Street, S. W., Suite 5000, Washington, D.C. 20416. Phone Number: 202-205-6629.

### SUPPLEMENTARY INFORMATION:

*Title:* "Small Business and Agriculture Regulatory Enforcement Ombudsman".

*Type of Request:* New.

*Form No:* SBA Form 1993.

*Description of Respondents:* Small Business Owners and Farmers.

*Annual Responses:* 1000.

*Annual Burden:* 500.

*Comments:* Send all comments regarding this information collection to Dorothy Overal, Office of Field Operations, Small Business Administration, 409 3rd Street, S. W., Suite 7125 Washington, D.C. 20416. Phone No.: 202-205-6808.

Send comments regarding whether this information collection is necessary for the proper performance of the function of the agency, accuracy of burden estimate, in addition to ways to minimize this estimate, and ways to enhance the quality.

Jacqueline White,  
Chief, Administrative Information Branch.  
[FR Doc. 97-1196 Filed 1-16-97; 8:45 am]

BILLING CODE 8025-01-P

### [Declaration of Disaster Loan Area #2926]

#### California; Declaration of Disaster Loan Area

Humboldt County and the contiguous counties of Del Norte, Mendocino, Siskiyou, and Trinity in the State of California constitute a disaster area as a result of damages caused by severe storms and flooding which occurred December 7-9, 1996. Applications for loans for physical damage as a result of this disaster may be filed until the close of business on March 14, 1997 and for economic injury until the close of business on October 14, 1997 at the address listed below: U.S. Small Business Administration, Disaster Area 4 Office, 1825 Bell Street, Suite 208, Sacramento, CA 95825, or other locally announced locations.

The interest rates are:

<sup>8</sup> The NYSE, AMEX and the PSE do not have intra-day margining requirements for members. The NYSE does however, have intra-day margining requirements for customers.

<sup>9</sup> 15 U.S.C. § 78f(b)(5).