

the choice of calculating the settlement value for 3-D options itself rather than employing a designated market information vendor as an agent of the Exchange for that purpose. The Exchange will use the same methodology for calculating the settlement value for 3-D options as described in Phlx Rule 1057.

The Phlx believes that by calculating its own settlement value for 3-D options, the Exchange will be able to exert more control over the calculation of those values. The Exchange also believes that the proposed rule change will reduce the response time in the event there is a problem in the calculation or dissemination of the 3-D options settlement values.

Secondly, the Exchange proposes to amend Phlx Rule 1057 by including a "limitation of liability" clause similar to the one contained in Phlx Rule 1102A that limits the Exchange's liability in the calculation and dissemination of index values. The limitation of liability clause provides added protection to the Exchange and alleviates the threat of potential liability in calculating the 3-D settlement values. If further serves as a more explicit extension of the limitation of liability contained in the Exchange's By-Laws.<sup>4</sup>

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with Section 6(b)<sup>5</sup> of the Act in general and furthers the objectives of Section 6(b)(5)<sup>6</sup> in particular in that it is designed to facilitate transactions in securities, to remove impediments to and perfect the mechanism of a free and open market.

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

The Exchange believes the proposed rule change will impose no burden on competition.

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

The Exchange has neither solicited nor received written comments.

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

Within 35 days of the 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 the 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 at the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Also, copies of such filing will be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-96-11 and should be submitted by July 16, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Margaret H. McFarland,  
Deputy Secretary.

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[Release No. 34-37319; File No. SR-Phlx-96-17]

## **Self-Regulatory Organization; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. – To Reduce the Value of the Super Cap Index**

June 18, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on May 24, 1996, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the

Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. 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 Exchange proposes to reduce the value of its Super Cap Index ("Index") option ("HFX") to one-third its present value by tripling the divisor used in calculating the Index. The Index is comprised of the top five options-eligible common stocks of U.S. companies traded on the New York Stock Exchange, as measured by capitalization. The other contract specifications for the HFX will remain unchanged.

The text of the proposed rule change is available at the Office of the Secretary, Phlx and at the Commission.

### **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 Phlx 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 text of these statements may be examined at the places specified in Item IV below. The Phlx 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**

The Exchange began trading the HFX in November, 1995.<sup>1</sup> The Index value was created with a value of 350 on its base date of May 31, 1995 which rose to 430 on April 12, 1996. Thus, the value of the Index has increased 23% in less than one year. Consequently, the premium for HFX options has also risen.

As a result, the Exchange proposed to conduct a "three-for-one split" of the Index, such that the value would be reduced to one-third of its present value. In order to account for the split, the number of HFX contracts will be tripled, such that for each HFX contract currently held, the holder would receive three contracts at the reduced value, with a strike price one-third of the

<sup>4</sup> See Phlx By-Laws, art. XII, § 12-11 (stating that the Phlx is not liable for any damages incurred by a member or member organization utilizing the Exchange's facilities to conduct its business).

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

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> 17 C.F.R. 200.30-3(a)(12).

<sup>1</sup> See Securities Exchange Act Release No. 36369 (October 13, 1995), 60 FR 54274 (October 20, 1995).

original strike price. For instance, the holder of a HFX 420 call will receive three HFX 140 calls. In addition to the strike price being reduced by one-third, the position and exercise limits applicable to the HFX will be tripled, from 5500 contracts<sup>2</sup> to 16,500 contracts, for a six month period after the split is effectuated. The procedure is similar to the one employed respecting equity options where the underlying security is subject to a two-for-one stock split, as well as previous reductions in the value of other Phlx indexes.<sup>3</sup> The trading symbol will remain HFX.

In conjunction with the split, the Exchange will list strike prices surrounding the new, lower index value, pursuant to Phlx Rule 1101A.<sup>4</sup> The Exchange will announce the effective date by way of an Exchange memorandum to the membership, also serving as notice of the strike price and position limit changes.

The purpose of the proposal is to attract additional liquidity to the product in those series that public customers are most interested in trading. For examples, a near-term, at-the-money call option series currently trades at approximately \$1,150 per contract. The Exchange believes that certain investors and traders currently may be impeded from trading at such levels. With the Index split, that same option series (once adjusted), with all else remaining equal, could trade at approximately \$300 per contract. The Phlx believes that a reduced premium value should encourage additional investor interest.

The Exchange believes that Super Cap Index options provide an important opportunity for investors to hedge and speculate upon the market risk associated with the underlying stocks. By reducing the value of the Index, such investors will be able to utilize this trading vehicle, while extending a smaller outlay of capital. This, in turn, should attract additional investors and create a more active and liquid trading environment.

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act in general, and in particular, with Section 6(b)(5), in that it is designed to promote just and

equitable principles of trade, as well as to protect investors and the public interest, by establishing a lower index value, which should, in turn, facilitate trading in Super Cap Index options. The Exchange believes that reducing the value of the Index does not raise manipulation concerns and would not cause adverse market impact, because the Exchange will continue to employ its surveillance procedures and has proposed an orderly procedure to achieve the index split.

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

The Exchange believes the proposed rule change will impose no inappropriate burden on competition.

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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

Within 35 days of the 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 the proposed rule change, or

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#### *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 at the Commission's Public Reference Section, 450 Fifth Street, N.W.,

Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR-Phlx-96-17 and should be submitted by July 16, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

Margaret H. McFarland,  
Deputy Secretary.

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## **SMALL BUSINESS ADMINISTRATION**

### **[Declaration of Disaster Loan Area #2864]**

#### **Alaska; Declaration of Disaster Loan Area**

As a result of the President's major disaster declaration on June 7, 1996, I find that Matanuska Susitna Borough and the City of Houston in the State of Alaska constitute a disaster area due to damages caused by Wildland Fires beginning on June 2, 1996 and continuing. Applications for loans for physical damages resulting from this disaster may be filed until the close of business on August 6, 1996, and for loans for economic injury until the close of business on March 6, 1997 at the address listed below: U.S. Small Business Administration, Disaster Area 4 Office, P. O. Box 13795, Sacramento, CA 95853-4795 or other locally announced locations. In addition, applications for economic injury loans from small businesses located in the following contiguous areas may be filed until the specified date at the above location: Denali Borough, Kenai Peninsula Borough, Regional Education Attendance Area of Iditarod Area, Regional Education Attendance Area of Delta/Greely, Regional Education Attendance Area of Cooper River, and Regional Attendance Area of Chugach. Interest rates are:

	Percent
For Physical Damage:	
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

<sup>5</sup> 17 CFR 200.30-3(a)(12).

<sup>2</sup> See Phlx Rule 1001A(c).

<sup>3</sup> See Securities Exchange Act Release Nos. 36577 (December 12, 1995), 60 FR 65705 (December 20, 1995) (reducing the value of the Phlx National Over-the-Counter Index); and 35999 (July 20, 1995), 60 FR 38387 (July 26, 1995) (reducing the value of the Phlx Semiconductor Index).

<sup>4</sup> Specifically, because the Index value would be less than 500, the applicable strike price interval would be \$5 in the first four months and \$25 in the fifth month and the long-term options. See Rule 1101A(a).