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, NW., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the New York Stock Exchange. All submissions should refer to File No. SR–NYSE–95–29 and should be submitted by November 13, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[5]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–26185 Filed 10–20–95; 8:45 am]

BILLING CODE 8010–01–M

[5] 17 CFR 200.30–3(a)(12).

[Release No. 34–36380; File No. SR–PHLX–95–45]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to Industry Index Option Hedge Exemption

October 17, 1995.

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 September 18, 1995, the Philadelphia Stock Exchange, Inc. (''PHLX'' or ''Exchange'') filed with the Securities and Exchange Commission (''SEC'' or ''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 PHLX proposes to amend PHLX Rule 1001A, ''Position Limits,'' to establish a hedge exemption from industry (narrow-based) index option position limits.[1] Specifically, the PHLX proposes to exempt from position limits any position in an industry index option that is hedged by share positions in at least 75% of the number of component stocks of that index or securities convertible into such stock. Under the proposal, no position in an industry index option may exceed three times the narrow-based index option position specified in PHLX Rule 1001A(b)(i)[2] and the value of the index option position may not exceed the value of the underlying hedging portfolio. Exercise limits[3] will continue to correspond to position limits, so that investors may exercise the number of contracts set forth as the position limit, as well as those contracts exempted by the proposal, during five consecutive business days. The proposed exemption will be available to firm and proprietary traders, as well as public customers.

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 self-regulatory organization 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 self-regulatory organization 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 purpose of the proposed industry index option hedge exemption is to establish a provision parallel to the hedge exemptions for equity options and certain broad-based index options to permit certain hedged positions to exceed established position limit levels.[4] In 1989, the Commission approved a hedge exemption for Utility Index options (''UTY'') on a pilot basis.[5] At this time, the PHLX proposes to adopt an industry index hedge exemption applicable to all of the Exchange's industry index options.

Specifically, the PHLX proposes to adopt Commentary .02 to PHLX Rule 1001A to establish a narrow-based index option hedge exemption under which industry index option positions hedged in accordance with the proposal would be entitled to exceed existing narrow-based index option position limits by up to three times the limit.

In order to qualify for the exemption, the industry index option position must be ''hedged'' by share positions in at least 75% of the number of component stocks of the index, or securities convertible into such stock.[6] Under the proposed exemption, position limits for any hedged industry index option may not exceed three times the limits established under PHLX Rule 1001A(b)(i). In addition, the value of the index option position may not exceed the value of the underlying portfolio employed as the hedge. The value of the underlying portfolio is determined as follows: (1) The total market value of the net stock position, less (2) the value of: (a) the notional value[7] of any offsetting

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[1] Position limits impose a ceiling on the number of option contracts which an investor or group of investors acting in concert may hold or write in each class of options on the same side of the market (*i.e.*, aggregating long calls and short puts or long puts and short calls).

[2] PHLX Rule 1001A(b)(i) provides the following position limits for industry index options: 6,000 contracts if any single stock accounted, on average, for 30% or more of the index value during the 30-day period preceding the review; 9,000 contracts if any single stock accounted, on average, for 20% or more of the index value or any five stocks together accounted, on average, for more than 50% of the index value, but no single stock in the group accounted on average, for 30% or more of the index value during the 30-day period preceding the review; or 12,000 contracts if none of the above conditions apply. *See* Securities Exchange Act Release No. 36194 (September 6, 1995), 60 FR 47637 (order approving File No. SR–PHLX–95–16) (increasing position limits for industry index options to 6,000, 9,000, or 12,000 contracts).

[3] Exercise limits prohibit an investor or group of investors acting in concert from exercising more than a specified number of puts or calls in a particular class within five consecutive business days.

[4] *See* PHLX Rule 1001, Commentary .07. *See* Securities Exchange Act Release No. 35738 (May 18, 1995), 60 FR 27573 (May 24, 1995) (File Nos. SR–AMEX–95–13, SR–CBOE–95–13, SR–NYSE–95–04, SR–PSE–95–05, and SR–PHLX–95–10) (permanently approving hedge exemption pilot programs).

[5] *See* Securities Exchange Act Release No. 27486 (November 30, 1989), 54 FR 50675 (December 8, 1989) (order approving File No. SR–PHLX–89–27). The UTY hedge exemption was approved for a one-year pilot period, which ended on November 30, 1990.

[6] The PHLX permits the use of convertible securities in its equity option hedge exemption. *See* Securities Exchange Act Release No. 32174 (April 20, 1993), 58 FR 25687 (April 27, 1993) (order approving File No. SR–PHLX–92–22). Similarly, other options exchange permit the use of convertible securities in broad-based index hedge exemptions. *See* Securities Exchange Act Release No. 35738, *supra* note 4.

[7] Notional values are determined by adding the number of contracts and multiplying the total by the multiplier, expressing that number in dollar terms.

calls and puts in the respective index option class; and (b) the notional value of any offsetting positions in stock index futures.

The proposed exemption requires that both the options and stock positions be initiated and liquidated in an orderly manner. Specifically, a reduction of the options position must occur at or before the corresponding reduction in the stock portfolio position.

Under the proposal, exercise limits will continue to correspond to position limits; accordingly, investors may exercise during five consecutive business days the number of contracts set forth in the position limit as well as those contracts exempted by the proposal.

The PHLX notes that a broad-based (market) index option hedge exemption is in place on other options exchanges. The Commission recently granted permanent approval to several broad-based index option hedge exemptions.[8] Generally, the broad-based index option hedge exemptions allow public customers to apply for position limit exemptions in broad-based index options that are hedged with exchange-approved qualified stock portfolios. A qualified portfolio is comprised of net long or short positions in common stocks or securities readily convertible into common stocks in at least four industry groups and contains at least 20 stocks, none of which accounts for more than 15% of the value of the portfolio. To remain qualified, a portfolio must meet these standards at all times, regardless of trading activity in the stocks.

The PHLX notes that the Chicago Board Options Exchange's (''CBOE'') broad-based index option hedge exemption, contained in Interpretation and Policy .01 to CBOE Rule 24.4, ''Position Limits for Broad-Based Index Options.'' applies to public customers holding positions in broad-based index options other than a.m.-settled, European-style Standard & Poor's (''S&P'') 500 Index options and Quarterly Index Expirations (''QIXs'') and Capped-Style QIXs (''Q–CAPS'') on the S&P 500 Index. Under Interpretation and Policy .01, exempted positions may not exceed 75,000 same-side of the market options,[9] except as otherwise provided in CBOE Rule 24.4, Interpretation and Policies .02 and .03, and except that exempted combined positions in options on the S&P/Barra Value Index and S&P/Barra Growth Index may not exceed 225,000 same-side of the market option contracts.[10]

In addition, the PHLX notes that Commentary .01 to American Stock Exchange, Inc. (''Amex'') Rule 904C, ''Position Limits,'' provides a broad-based index option position limit exemption for public customers who satisfy the criteria established by the Amex.[11]

In light of the PHLX's experience with the equity option hedge exemption, as well as a review of the rules of the other options exchanges, the PHLX believes that the proposed hedge exemption for industry index options is appropriate. The PHLX also believes that the proposed conditions for granting such an exemption are reasonable and in line with prior Commission-approved provisions. With respect to choosing a minimum number of stocks from the index to qualify the portfolio for the hedge, the PHLX believes that a percentage, as opposed to a fixed number, is necessary in view of the varying numbers of stocks in PHLX-traded industry indexes.[12] Currently, the PHLX trades the following six industry index options: [13]

Index	Symbol	Number	Position limit [14]
KBW/Bank Index	BKX	20 stocks	12,000 contracts.
Gold/Silver Index	XAU	9 stocks	6,000 contracts.
Utility Index	UTY	20 stocks	12,000 contracts.
PNX Index	PNX	8 stocks	6,000 contracts.
Semiconductor	SOX	16 stocks	9,000 contracts.
Airplan Index	PLN	12 stocks	12,000 contracts.

The PHLX realizes that some of the narrow-based index options trade more actively than others and the corresponding need for a position limit exemption is thus more extensive in the more actively traded index options. Nevertheless, in lieu of adopting separate exemption provisions for each index option, the PHLX believes that a uniform provision is less confusing to investors, more easily administered, and more fair to an investing community whose interest in any given index is apt to change from time to time.

According to the PHLX, recent total trading volume for both narrow- and broad-based indexes traded on the PHLX has increased markedly. The PHLX states that in 1994, trading volume increased five-fold over 1993, from 354,614 contracts to 1,957,171 contracts. In 1995, trading volume has remained steady with over 1,000,000 contracts traded from January through May. The PHLX attributes the recent growth in trading and open interest in these products to institutional trading, which, according to the PHLX, is typically hedged by baskets of the underlying stocks.

The PHLX proposes to exempt positions in narrow-based index options up to three times the established position in a manner which balances the hedging needs of index option traders with the Exchange's obligation to

[8] *See* Securities Exchange Act Release No. 35738, *supra* note 4.

[9] Under CBOE Rule 24.4(a), the position limit for broad-based index options, other than Russell 2000 Index options and S&P/Barra Growth Index and S&P/Barra Value Index options, is 25,000 contracts. CBOE Rules 24.4 (b), (c), and (d) contain separate position limit provisions for a.m.-settled, European-style options on the S&P 500 Index (''SPX'') and QIXs and Q–CAPS on the SPX, QIXs and Q–CAPS on the S&P 100 Index (''OEX''), and QIXs on the Russell 2000 Index.

[10] CBOE Rule 24.4, Interpretation and Policy .02 provides a hedge exemption for certain positions in a.m.-settled, European-style S&P 500 Index options and QIXs and Q–CAPS on the S&P 500 Index. Specifically, Interpretation and Policy .02(d) provides that a customer's exempted position may not exceed 150,000 same-side of the market contracts in a.m.-settled S&P 500 index options and QIXs and Q–CAPS on the S&P 500 Index. Interpretation and Policy .02(b) states that a money manger shall not hold in its aggregated accounts more than 250,000 exempted same-side of the market options or, for any single account, more than 135,000 exempted same-side of the market option contracts.

[11] In addition, Amex Rule 904C, Commentary .02 provides a facilitation exemption for Institutional Index and MidCap Index options up to 100,000 and 75,000 contracts, respectively.

[12] In the case of UTY options, the PHLX notes that the proposed 75% figure amounts to 15 stocks, rather than the 10 stocks required under the UTY hedge exemption pilot program. *See* Securities Exchange Act Release No. 27486, *supra* note.

[13] In addition, a proposal to list options on the Forest and Paper Products Index was effective upon filing. *See* Securities Exchange Act Release No. 36193 (September 6, 1995), 60 FR 47635 (September 13, 1995) (File No. SR–PHLX–95–56).

[14] The Commission recently approved a proposal to increase the position and exercise limits for industry index options from 5,500, 7,500, or 10,500 contracts to 6,000, 9,000, or 12,000 contracts. *See* Securities Exchange Act Release No. 36194, *supra* note 2.

maintain a fair and orderly market. The PHLX believes that a hedge exemption up to 31,500 contracts for UTY options would considerably enhance the attractiveness of the product for institutional traders, who would, in turn, trade more of the product in a hedged manner and thereby provide stabilizing liquidity in both the index option and the underlying securities. According to the PHLX, the hedge exemption for OEX options, which permits public customers to hold positions in up to 75,000 contracts (three times the regular position limit),[15] serves as a significant liquidity provider in that product.

Although the UTY hedge exemption pilot program applied only to customers, the PHLX believes that it is appropriate and necessary to expand the availability of the proposed exemption beyond public customers.[16] The PHLX believes that significant increases in the depth and liquidity of the market for these index options could result from permitting firm and proprietary traders to be eligible for the exemption. According to the PHLX, because customers rely, for the most part, on a limited number of proprietary traders to facilitate large-sized orders, not including such traders in the exemption effectively reduces the benefit of the exemption to customers. While large-sized positions in industry index options are most commonly initiated by institutional traders hedging stock portfolios on behalf of public customers, the PHLX believes that proprietary traders should be afforded the same exemptions so that they may fulfill their role as facilitators.

The PHLX believes that the hedge exemption provision is necessary to better meet the needs of investors who would use PHLX industry index options for investment and hedging purposes. For example, with the current position limit at 6,000 contracts and the Gold/Silver Index at 120, this position would have an index value of $72,000,000. However, the PHLX states that many institutional traders and portfolio managers deal in dollar amounts much greater than permissible under current position limit levels and have expressed that Exchange position limits hamper their ability to fully utilize Exchange index options. As a result, the PHLX believes that many index options are ineffective for such traders, who often turn to futures instruments where ample relief is readily available.[17] Thus, the PHLX believes that the proposed hedge exemption should alleviate the situation where investors with substantial hedging needs are discouraged currently from participation in the options markets by existing position limits.

The PHLX believes that the proposed narrow-based index option hedge exemption should not increase the potential for disruption or manipulation in the markets for the stocks underlying each index. The PHLX notes that the position limits for industry index options, even tripled, are far less than the position limits for most broad-based index options.[18] In this regard, the proposal incorporates several surveillance safeguards, which the PHLX will employ to monitor the use of this exemption. Specifically, the Exchange will require that a form be filed by member firms and their customers who seek hedge exemptions, in lieu of granting an automatic exemption. The Exchange's Market Surveillance Department will monitor trading activity in PHLX-traded index options and the stocks underlying those indexes to detect potential front running and manipulation abuses, as well as review to ensure that closing positions subject to an exemption is conducted in a fair and orderly manner.

And lastly, the PHLX notes that the provision itself contains several built-in safeguards. First, the hedge must consist of a position in at least 75% of the stocks underlying the index. Thus, the ''basket'' of stocks constituting the hedge resembles the underlying index.[19] Secondly, position limits under the proposal may not exceed three times the limits established under PHLX Rule 1001A(b)(i). This places a ceiling on the maximum size of the option position. The PHLX notes that an exemption of up to three times the limit is similar to that of the CBOE for OEX options.[20] Third, both the options and stock positions must be initiated and liquidated in an orderly manner, meaning that a reduction of the options position must occur at or before the corresponding reduction in the stock portfolio position. Lastly, the value of the industry index option position cannot exceed the dollar value of the underlying portfolio. The purpose of this requirement is to further ensure that stock transactions are not used to manipulate the market in a manner benefiting the option position. In addition, these safeguards prevent the increased positions from being used in a leveraged manner.

For the above reasons, the PHLX believes that the proposed industry index hedge exemption should increase the depth and liquidity of the markets for narrow-based index options and allow more effective hedging with underlying stock portfolios without increasing the potential for market manipulation or disruption, consistent with the purposes of position limits. For the same reasons, the Exchange believes that exercise limits should correspond to the position limit exemption granted by this proposal. The Exchange notes that the rules of other options exchanges provide a hedge exemption from exercise limits as well.[21]

Accordingly, the Exchange believes that the proposal 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 and to protect investors and the public interest.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The PHLX does not believe that the proposed rule change will impose any inappropriate burden on competition.

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

No written comments were either received or requested.

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

Within 35 days of the date of 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

[15] *See* CBOE Rule 24.4(a) and Interpretation and Policy .01.

[16] The Commission notes that the current hedge exemptions for broad-based index options apply solely to public customers.

[17] The Commission has noted that under the rules promulgated by the Commodity Futures Trading Commission, futures positions that are deemed to be bona fide hedging transactions (as defined) are exempted from position limit rules. *See* Securities Exchange Act Release No. 25739 (May 24, 1988), 53 FR 20204 (June 2, 1988) (order approving File No. SR–CBOE–87–25).

[18] The position limit for the PHLX-traded Value Line Composite Index options is 25,000 contracts. *See* PHLX Rule 1001A(a). The position limit for Major Market Index options is 34,000 contracts. *See* Amex Rule 904C(b). The position limit for OEX options is 25,000 contracts, and the position limit for SPX options is 45,000 contracts. *See* CBOE Rule 24.4 (a) and (b).

[19] To determine the share amount of each component required to hedge an index option position: index value × index multiplier × component's weighing = dollar amount of component. That amount divided by price = number of shares of component. Conversely, to determine how many options can be purchased based on a certain portfolio, divide the dollar amount of the basket by the index value × index multiplier.

[20] *See* CBOE Rule 24.4(a).

[21] *See* Securities Exchange Act Release No. 35738, *supra* note 4.

longer period to be appropriate and publishes its reason for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(a) By order approve such 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, 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 at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC. Copies of such filing will also be available for inspection and copying at the principal office of the above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by November 13, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[22]

Margaret M. McFarland,

Deputy Secretary.

[FR Doc. 95–26186 Filed 10–20–95; 8:45 am]

BILLING CODE 8010–01–M

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster Loan Area #2816]

California; Declaration of Disaster Loan Area

Marin County and the contiguous Counties of Contra Costa, San Francisco, and Sonoma in the State of California constitute a disaster area as a result of damages caused by a Wildfire near the Town of Inverness which occurred from October 3 through October 9, 1995. Applications for loans for physical damages as a result of this disaster may be filed until the close of business on December 18, 1995 and for economic injury until the close of business on July 17, 1996 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.

The interest rates are:

	Percent
For physical damage:	
Homeowners with credit available elsewhere	8.000
Homeowners without credit available elsewhere	4.000
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 281605 and for economic injury the number is 867100.

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

Dated: October 17, 1995.

Philip Lader,

Administrator.

[FR Doc. 95–26169 Filed 10–20–95; 8:45 am]

BILLING CODE 8025–01–P

[Application No. 99000182]

Penny Lane Partners, L.P.; Notice of Filing of an Application for a License To Operate as a Small Business Investment Company

Notice is hereby given of the filing of an application with the Small Business Administration (SBA) pursuant to Section 107.102 of the Regulations governing small business investment companies (13 CFR 107.102 (1995)) by Penny Lane Partners, L.P., One Palmer Square, Suite 510, Princeton, New Jersey, for a license to operate as a small business investment company (SBIC) under the Small Business Investment Act of 1958, as amended (15 U.S.C. Subsection 661 *et seq.*), and the Rules and Regulations promulgated thereunder.

Penny Lane Partners, L.P. is a limited partnership formed under Delaware state law. The applicant will be managed by Penny Lane Advisors, (the "Management Company"). William R. Denslow, Jr., Robert J. Kramer, Stephen H. Shaffer, and Gregory O. Trautman are the principals of the Management Company. No individual or entity owns more than 10 percent of the proposed SBIC.

The applicant will begin operations with capitalization in excess of $10 million and will be a source of equity financings for qualified small business concerns. The applicant will focus its investments in the Northeastern United States.

Matters involved in SBA's consideration of the application include the general business reputation and character of the proposed owners and management, and the probability of successful operations of the new company under their management, including profitability and financial soundness in accordance with the Act and Regulations.

Notice is hereby given that any person may, not later than 15 days from the date of publication of this Notice, submit written comments on the proposed SBIC to the Associate Administrator for Investment, Small Business Administration, 409 3rd Street SW., Washington, DC 20416.

A copy of this Notice will be published in a newspaper of general circulation in Princeton, New Jersey.

(Catalog of Federal Domestic Assistance Programs No. 59.011, Small Business Investment Companies)

Dated: October 17, 1995.

Don A. Christensen,

Associate Administrator for Investment.

[FR Doc. 95–26171 Filed 10–20–95; 8:45 am]

BILLING CODE 8025–01–P

[License No. 02/72–0561]

Prospect Street NYC Discovery Fund, L.P.; Notice of Request for Exemption

On September 25, 1995, Prospect Street NYC Discovery Fund, L.P.(Prospect), a Delaware limited partnership and SBIC Licensee number 02/72–0561 filed a request to the SBA pursuant to Section 107.903(b) of the Regulations governing small business investment companies (13 C.F.R. 107.903(b)(1995)) for an exemption allowing the Licensee to invest in BondNet, of Greenwich, Connecticut. BondNet received prior financial assistance from an Associate (as defined by Section 107.3 of the SBA Regulations) of Prospect, and has itself become an Associate of the Licensee. BondNet is currently in need of additional capital, and Prospect can only offer this assistance to BondNet upon receipt of a prior written exemption from SBA. This exemption is the basis for this notice.

[22] 17 CFR 200.30–3(a)(12) (1994).