

(3) failure to comply with certain procedures under NYSE Rule 127 for execution of block cross transactions at a price that is outside the NYSE best bid or offer.

Specifically, the Exchange is seeking to add to the 476A List misstatements or omissions of fact on applications for membership approval, financial statements, reports or other submissions filed with the Exchange in violation of NYSE Rule 476(a)(10). The Commission believes that violations of NYSE Rule 476(a)(10) are relatively objective and thus adding this rule to the MRVP is consistent with the Act. The Commission, however, is concerned about situations where false or misleading statements and omissions of material facts are willfully made that could cause an individual or entity to be subject to a statutory disqualification as defined in Section 3(a)(39)(F) of the Act. In such situations, procedures under Rule 476A would not be appropriate to address the conduct, and the Exchange should bring a full disciplinary proceeding for any such violation and notify the Commission immediately of any final action on the matter. In this regard, the Exchange has represented that it would be careful to distinguish misstatements or omissions of facts from willfully made false or misleading statements and omissions of material fact. Moreover, the Exchange has stated that in appropriate circumstances (*i.e.*, findings of a pattern of misstatements or omissions), the Exchange would not use the procedures under Rule 476A to address the conduct.

The Exchange also proposes to amend the Rule 476A List by adding NYSE Rule 95, which generally prohibits transactions that involve discretion as to (1) choice of security, (2) total amount of security to be bought or sold, or (3) whether a transaction is to be a purchase or sale. The Exchange is also seeking to add to the 476A List the failure to identify appropriately a liquidating order pursuant to NYSE Rule 95(c) (all liquidating orders effected pursuant to Rule 95(c) must be marked on the Floor as "BC" in the case of an order covering a short position or "SLQ" in the case of the sell order liquidating a long position). The Commission believes that violations of NYSE Rule 95 in these circumstances are relatively objective and thus adding these violations to the MRVP is consistent with the Act.

Finally, the Exchange is presently seeking approval to add to the 476A List the failure by members or member organizations to adhere to certain procedures under NYSE Rule 127 for execution of block cross transactions at

a price that is outside of the NYSE best bid or offer. Specifically, the failure to fulfill the requirement to satisfy public limit order at the clean up price when a position is established or increased for a member's or member organization's proprietary account would be considered a violation for which a fine pursuant to Rule 476A might be imposed.⁸ Moreover, the failure to utilize the procedures of NYSE Rule 127 to satisfy all better-priced limit orders when effecting block crosses outside the currently quoted market would also be considered a violation for which a fine pursuant to Rule 476A might be imposed. These specific violations of NYSE Rule 127 can be objectively determined and therefore the Commission believes that it is consistent with the Act to add these violations of NYSE Rule 127 to the 476A List and MRVP.

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, with the requirements of sections 6(b)(1), 6(b)(6), 6(b)(7), 6(d)(1) and 19(d) of the Act.⁹ The proposal is consistent with the Section 6(b)(6) requirement that the rules of an exchange provide that its members and persons associated with its members shall be disciplined appropriately for violations of rules of the exchange. The proposal provides an efficient procedure for appropriate disciplining of members for rule violations that are objective and technical in nature. Moreover, because NYSE Rule 476A provides procedural rights to the person fined and permits a disciplined person to request a full hearing on the matter, the proposal provides a fair procedure for the disciplining of members and persons associated with members, consistent with Section 6(b)(7) and 6(d)(1) of the Act.

The Commission also believes that the proposal provides an alternate means by which to deter violations of the NYSE rules included in the MRVP, thus furthering the purposes of Section 6(b)(1) of the Act. An exchange's ability to enforce effectively compliance by its members and member organizations with Commission and Exchange rules is central to its self-regulatory functions. Inclusion of a rule in an exchange's minor rule violation plan should not be

⁸ The Exchange has represented that it would not seek to review a member's initial determination as to whether the member would incur excessive stock loss by satisfying all orders at the clean-up price.

⁹ See 15 U.S.C. §§ 78f(b)(1), (6), (7), and (d)(1) and § 78s(d).

interpreted to mean it is an unimportant rule. On the contrary, the Commission recognizes that inclusion of rules under a minor rule violation plan may not only reduce reporting burdens on an SRO but also may make its disciplinary system more efficient in prosecuting violations of these rules.

Moreover, because the NYSE retains the discretion to bring a full disciplinary proceeding for any violation included on the 476A List, the Commission believes that adding the NYSE rules outlined above will enhance, rather than reduce, the NYSE's enforcement capabilities of these Exchange requirements. In this regard, the Commission expects the Exchange to bring full disciplinary proceedings if it determines that a violation otherwise covered by the MRVP is not minor in nature, in the event of repeated violations of a particular rule, or in any other appropriate circumstance. Finally, the Commission believes that subjecting violations of the above specified NYSE rules to Rule 476A procedures will prove to be an effective response when the initiation of a full disciplinary proceeding is unsuitable because such a proceeding may be more costly and time-consuming in view of the minor nature of the particular violation. By including these rules in the 476A List, the Exchange can quickly respond to violations, thereby immediately deterring similar infractions.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-NYSE-95-45) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-5784 Filed 3-11-96; 8:45 am]

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[Release No. 34-36917; File No. SR-PSE-95-29]

Self-Regulatory Organizations; Pacific Stock Exchange, Inc.; Order Approving Proposed Rule Change Relating to the Composition and Duties of the Options Allocation Committee

March 4, 1996.

I. Introduction

On November 15, 1995, the Pacific Stock Exchange, Inc. ("PSE" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).

19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposal to amend its rules relating to the composition and duties of the Options Allocation Committee ("OAC"). The proposed rule change was published for comment in the Federal Register on December 21, 1995.³ No comments were received on the proposed rule change.

II. Description of the Proposal

PSE Rule 11.10(c) describes the duties and composition of the OAC. The Exchange proposes to make five changes to Rule 11.10(c). First, the current Rule 11.10(c) requirement that the OAC consist of Floor Brokers and Market Makers is amended to provide that the OAC shall consist of Market Makers, Lead Market Makers, Floor Brokers, and/or persons associated with floor members, office members or office allied members.⁴

Second, Commentary .01 to Rule 11.10(c) currently provides that the OAC shall be comprised of (i) two Floor Brokers from either the Options Floor Trading Committee or the Options Listing Committee; (ii) two Market Makers or Lead Market Makers from either the Options Floor Trading Committee or the Options Listing Committee; (iii) three at-large Floor Brokers; and (iv) three at-large Market Makers or Lead Market Makers. The proposal amends this provision to provide that attempts shall be made for the OAC to have a composition that includes: Floor Brokers from either the Options Floor Trading Committee or the Options Listing Committee; Market Makers or Lead Market Makers from either the Options Floor Trading Committee or the Options Listing Committee; at-large Floor Brokers; and at-large Market Makers or Lead Market Makers.

Third, the proposal eliminates the Commentary .01 limitation that the OAC include no more than three members of the Options Floor Trading Committee and no more than three members of the Options Listing Committee.

Fourth, Rule 11.10(c) currently provides that it shall be the duty of the OAC to allocate, reallocate and evaluate options issues. The proposal changes this provision to provide that the OAC shall allocate and reallocate option issues.

Finally, the current Rule 11.10(c) provision that the OAC is responsible for monitoring the performances of trading crowds and Lead Market Makers is changed to provide that the OAC shall be responsible for evaluating and monitoring the performances of Market Makers, trading crowds and Lead Market Makers.⁵

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, with Section 6(b)(3) of the Act, in that the proposal provides for a fair representation of the Exchange's members in the administration of its affairs, and also with Section 6(b)(5) of the Act, in that the proposal is designed to protect investors and the public interest.

The Commission believes that the Exchange's proposal regarding the composition of the OAC should serve to allow greater flexibility in the committee selection process while maintaining a committee structure that broadly represents the Exchange's membership. Thus the proposal removes specific numerical requirements for the composition of the OAC while requiring that attempts be made to have a broadly representative committee. Similarly, removing the restrictions on the number of OAC members who may belong to certain other committees should serve to enhance the process of replacing committee members who resign or change their status relating to floor membership or service on other committees of the Exchange.

The Commission believes that the provisions of the proposal relating to the duties of the OAC clarify the existing rules and do not otherwise change the way business is conducted on the Exchange. Specifically, the proposal makes clear that it is the duty of the OAC to allocate and reallocate option issues, not to evaluate them. The latter is the duty of the Options Listing Committee.⁶ Similarly, the proposal

makes the OAC responsible for evaluating, as well as monitoring, Market Makers, trading crowds, and Lead Market Makers (and in so doing adds an explicit reference to Market Makers).

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b) (2) of the Act,⁷ that the proposed rule change (SR-PSE-95-29) 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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U.S. SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster Loan Area #2842]

Idaho; Declaration of Disaster Loan Area

Benewah County and the contiguous counties of Kootenai, Latah, and Shoshone in the State of Idaho and Whitman and Spokane Counties in the State of Washington constitute a disaster area as a result of damages caused by a fire which occurred on January 30, 1996. Applications for loans for physical damages as a result of this disaster may be filed until the close of business on May 6, 1996 and for economic injury until the close of business on December 5, 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:

For Physical Damage:	Percent
Homeowners With Credit Available Elsewhere	7.250
Homeowners Without Credit Available Elsewhere	3.625
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

Committee to recommend to the Board of Governors options for listing and delisting on the Exchange.

⁷ 15 U.S.C. 78s(b)(2) (1988).

⁸ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

³ See Securities Exchange Act Release No. 36592 (December 14, 1995), 60 FR 66333.

⁴ Cf. PSE Const., Art. IV, § 5(a) (analogous provision for Equity Allocation Committee). The Exchange interprets the term "office member" to include any member who is not a floor member. Thus, the term "office member" denotes those members who work in an office, or "upstairs," rather than working on a trading floor as a market maker, floor broker, or specialist. Letter from Michael D. Pierson, Senior Attorney, Market Regulation, PSE, to Francois Mazur, Attorney, Office of Market Supervision, Division of Market Regulation, Commission, dated February 29, 1996.

⁵ The OAC currently evaluates Market Makers and Lead Market Makers pursuant to Options Floor Procedure Advice B-13.

⁶ PSE Const. Art. IV, § 7(b) and Rule 11.10(d) both provide that it is the duty of the Options Listing