will not be used as a method to avoid standing in the crowd and fulfilling market making duties.

The Commission notes that the policy does differentiate between market makers and customers in that the amended policy will continue to prohibit customers from placing orders with floor brokers over the outside telephone lines. By contrast, customers are permitted direct telephone access to enter orders with floor brokers in the trading crowds of certain CBOE index options.[8] However, the Commission believes that it is not unreasonable for CBOE to prohibit customers from placing orders directly with floor brokers in equity options trading crowds. The CBOE has represented to the Commission that CBOE members may not wish that their customers receive direct phone access to equity crowds because equity options tend to be used more widely by retail customers: direct phone access may inhibit member firms' ability to discharge their customer suitability and margin obligations.[9] Furthermore, member firms do not commonly station a floor-broker in each equity trading crowd on the floor.[10] Floor brokers commonly are responsible for representing orders in multiple crowds, which means that customers are less likely to be able to direct orders to a particular floor broker in a particular crowd.[11]

Furthermore, CBOE offers automated systems that permit member firms to ensure that customer orders are swiftly routed to the floor of the exchange.[12] Approximately 70% of customer orders are routed through CBOE's Order Routing System (''ORS''), which provides an electronic interface between the Exchange's trading systems and the member firms' order transmission systems.[13] In summary, because customer orders can be transmitted quickly to the post through other means, direct customer telephone access may cause compliance problems for members firms while offering uncertain access to the trading crowd and because the Commission has not received any comments about alleged unfair discriminatory effects objecting to the proposed rule change, the Commission believes it is reasonable to conclude that the amended telephone policy is not presently designed to permit unfair discrimination.[14]

The Commission expects the CBOE to maintain surveillance procedures that are adequate to ensure that market makers do not use the amended telephone policy to avoid standing in their respective crowds or to assume de facto an appointment in an option traded at another post. In addition, the Commission believes that the 80% in-person requirement will serve to discourage market makers from utilizing the amended telephone policy to avoid standing in their respective crowds or to assume de facto an appointment in an option traded at another post.

IV. Conclusion

For the reasons discussed above, the Commission finds that the proposal is consistent with the Act, and, in particular, Section 6 of the Act.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[15] that the proposed rule change (File No. SR–CBOE–96–15) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[16]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–28183 Filed 11–1–96; 8:45 am]

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[8] *See* Letter from Mary L. Bender, Senior Vice President, CBOE, to Sharon Lawson, Senior Special Counsel, Division of Market Regulation, Commission, dated October 18, 1996 (available in Commission's Public Reference Room).

[9] *Id.*

[10] *Id.*

[11] *Id.*

[12] *See id.*

[13] *See id.* ORS routes customer orders that qualify for firm quote guarantees to the Retail Automatic Execution System (''RAES''), which automatically and instantaneously executes such orders. According to CBOE, approximately 1 out of 5 customer orders at the CBOE are executed through RAES. ORS routes pre-opening market orders and limit orders, and limit orders at least one price tick away from the same-side market quote to the Exchange's Electronic Book. Finally, ORS routes market orders not eligible for firm quote guarantees and limit orders ''near'' the market quote to the trading crowd. Such orders are delivered either to printers or to Public Automated Routing (''PAR'') System touch screen terminals in the trading pit. According to CBOE, the capabilities of the PAR workstation allows customer orders routed through it to ''enjoy turnaround time second only to RAES.''

[14] *See Timpinaro* v. *SEC,* 2 F.3d 453, 457 (D.C. Cir. 1993) (finding that the Act prohibits only unfair discrimination, not all discrimination).

[15] 15 U.S.C. § 78s(b)(2) (1988).

[16] 17 CFR 200.30–3(a)(12).

[Release No. 34–37881; File No. SR–OCC–96–09]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to the Valuation of Government Securities

October 28, 1996.

On July 18, 1996, The Options Clearing Corporation (''OCC'') filed a proposed rule change (File No. SR–OCC–96–09) with the Securities and Exchange Commission (''Commission'') pursuant to Section 19(b) of the Securities Exchange Act of 1934 (''Act'').[1] On August 22, 1996, OCC filed an amendment to the proposed rule change.[2] Notice of the proposal was published in the Federal Register on September 12, 1996, to solicit comments from interested persons.[3] No comments were received. As discussed below, this order approves the proposed rule change.

I. Description

The proposed rule change modifies the valuation methodology on deposits of government securities for margin and clearing fund purposes and expands the category of government securities eligible for deposit to include maturities greater than ten years. Presently, OCC values government securities at either: (1) the lesser of par value or 100% of the current market value for maturities of less than one year or (2) the lesser of par value of 95% of the current market value for maturities between one and ten years.

Government securities were defined by Section 1 of Article 1 of OCC's By-laws as securities issued or guaranteed by the United States or Canadian government or by any other foreign government acceptable to OCC and maturing within ten years. The amendment deletes the ten year restriction.

The proposed rule change also amends Section 3 of Article VIII of OCC's By-laws and Rule 604 of OCC's Rules to establish a new schedule of haircuts.[4] Pursuant to the amendments, Government securities deposited as either clearing fund or margin will be valued at: (1) 99.5% of the current market value for maturities of less than one year; (2) 98% of the current market value for maturities between one and five years; (3) 96.5% of the current market value for maturities between five and ten years; and (4) 95% of the current market value for maturities in excess of ten years.

II. Discussion

Since the early 1980's, OCC has revalued Government securities on a monthly basis. Because OCC is now

[1] 15 U.S.C. § 78s(b) (1988).

[2] Letter from Michael G. Vitek, OCC, to Jerry Carpenter, Assistant Director, Division of Market Regulation, Commission (August 19, 1996).

[3] Securities Exchange Act Release No. 37645 (September 5, 1996), 61 FR 48194.

[4] Article III, Section 3 sets forth the allowable forms of contributions to the clearing fund. Rule 604 set forth the allowable forms of margin deposits.

ready to revalue Government securities on a daily basis and to include the valuation in its overall daily assessment of clearing member margin and clearing fund deposits, OCC believes the par value methodology and prohibition on deposits of securities with maturities beyond ten years are overly conservative and no longer necessary to protect OCC from risk associated with value changes in margin and clearing fund deposits.

Before setting the haircut levels, OCC reviewed the haircut policies of other derivative clearing houses and analyzed recent historical volatilites of government securities. OCC collected daily data since 1990 on government securities of various maturities across the yield curve and analyzed this historical volatility for the setting of margin intervals within OCC's Theoretical Intermarket Margin System. The proposed haircut levels should adequately cover more than 99% of the movements of all days since 1990.

Section 17A(b)(3)(F) of the Act requires that a clearing agency's rules be designed to ensure the safeguarding of securities and funds in its custody or control or for which it is responsible. [5] Based on the foregoing, the Commission believes that OCC's proposed modifications to its rules governing the acceptance, valuation, and haircutting of Government securities is consistent with OCC's obligation to safeguard securities and funds.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and particularly with Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, [6] that the proposed rule change (File No. SR–OCC–96–09) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority. [7]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–28184 Filed 11–1–96; 8:45 am]

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[5] 15 U.S.C. 78q–1(b)(3)(F) (1988).

[6] 15 U.S.C. 78s(b)(2) (1988).

[7] 17 CFR 200.30(a)(12) (1996).

[Release No. 34–37883; File No. SR–PHILADEP–96–11]

Self-Regulatory Organizations; Philadelphia Depository Trust Company; Order Granting Approval of a Proposed Rule Change Regarding the Destruction of Certain Expired Securities Certificates

October 28, 1996.

On June 28, 1996, the Philadelphia Depository Trust Company (''Philadep'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–PHILADEP–96–11) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'') [1] regarding the destruction of certain expired securities certificates. Notice of the proposal was published in the Federal Register on August 21, 1996.[2] No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change will amend Philadep Rule 31 which governs the orderly destruction of securities certificates relating to expired warrants and rights to permit the destruction of such securities certificates to be carried out under the supervision of Philadep's internal audit department.[3] Section (c) of Rule 31 previously required that all securities to be destroyed pursuant to the rule had to be forwarded to Philadep's internal audit department for destruction.[4] Under the rule change, Philadep is permitted to destroy the certificates in a designated area of Philadep under the supervision of the internal audit department instead of being required to destroy such certificates in the internal audit department itself.

II. Discussion

Section 17A(b)(3)(F) [5] of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. The Commission believes Philadep's proposed rule change is consistent with Philadep's obligations under Section 17A of the Act because the rule change does not significantly alter the procedures previously approved by the Commission by which expired rights and warrants certificates are to be destroyed and thereby should not negatively affect Philadep's ability to safeguard securities or funds.[6]

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–PHILADEP–96–11) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[7]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 96–28231 Filed 11–1–96; 8:45 am]

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[1] 15 U.S.C. § 78s(b)(1) (1988).

[2] Securities Exchange Act Release No. 37570 (August 14, 1996), 61 FR 43287.

[3] The procedures for the destruction of expired securities set forth in Rule 31 require Philadep to (i) contact the transfer agent or the issuer of the expired securities to verify that the respective warrants or rights have expired, (ii) obtain written confirmation from such transfer agent or issuer that the certificates representing such warrants or rights have expired (if there is no transfer agent, Philadep personnel must exercise all reasonable due diligence to confirm the expired nature of the respective certificates including consulting with the Philadep's legal department, internal audit department and senior management), (iii) notify its participants that in the judgment of the transfer agent, or other appropriate parties if a transfer agent does not exist, the securities certificates have expired, (iv) delete such securities positions from its participants' account on or after the thirtieth day following the date of such notice, and (v) appropriately mark the securities certificates and forward them to its internal audit department for destruction.

[4] Securities Exchange Act Release No. 35426 (February 28, 1995) [File No. SR–PHILADEP–94–05] (order approving proposed rule change authorizing Philadep to implement a program for the destruction of securities certificates relating to expired warrants and rights).

[5] 15 U.S.C. § 78q–1(b)(3)(F) (1988).

[6] The Commission previously stated upon establishment of Philadep's expired certificate destruction program for warrants and rights that such program is consistent with Section 17A of the Act because the program should reduce the administrative expenses associated with safekeeping and storage of worthless certificates and that Philadep's procedures were reasonably designed to prevent inadvertent destruction of warrants and rights certificates that have not expired. *Supra* note 4.

[7] 17 CFR 200.30–3(a)(12) (1996).

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster Loan Area #2908]

Declaration of Disaster Loan Area; Florida

Manatee County and the contiguous counties of De Soto, Hardee, Hillsborough, Polk, and Sarasota in the State of Florida constitute a disaster area