

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 NASD 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, 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 in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to the file number in the caption above and should be submitted by August 5, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Margaret H. McFarland,
Deputy Secretary.

[FR Doc. 96-17930 Filed 7-12-96; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-37411; File No. SR-PTC-96-01]

Self-Regulatory Organizations; Participants Trust Company; Order Approving a Proposed Rule Change Eliminating the Deduction of Reserve on Gain in the Calculation of Net Free Equity for Proprietary and Agency Accounts of a Receiving Participant in Certain Transactions

July 8, 1996.

On February 5, 1996, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change

(File No. SR-PTC-96-01) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ Notice of the proposal was published in the Federal Register on May 28, 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 amends Article I, Rule 1 of PTC's rules to eliminate the deduction of reserve on gain ("ROG")³ in the calculation of net free equity ("NFE")⁴ for proprietary and agency accounts of a receiving participant in certain transactions. PTC will retain the deduction of ROG as it applies to the calculation of NFE for proprietary and agency accounts of a delivering participant.

NFE measures the value associated with the account of a participant that is available to support transaction processing to or from the participant's account. Under Article II, Rule 9, Section 2 and Article II, Rule 13, PTC will not process an account transfer of securities if as a result of such transfer the account of the delivering participant or receiving participant will have negative NFE.

In any account transfer versus payment from a proprietary or agency account in which the contract value of the securities exceeds the market value, the deliverer's ROG is the difference in those values. The deliverer's ROG is deducted in calculating the NFE of the account of the delivering participant to prevent the gain on the transaction from increasing the delivering participant's NFE (i.e., the amount available to the participant to support other activity in its account). The deduction of the deliverer's ROG creates an NFE

"reserve" to ensure that if necessary sufficient funds exist in the delivering participant's account to permit the debit of the contract value from the cash balance in the account in the event the transaction is reversed (i.e., "DK'ed") by the receiving participant because of error or other circumstances permitted under the guidelines for good delivery. The ROG deduction also prevents a delivering participant, which inputs the terms of the trade on PTC's system, from abusing the system by creating additional NFE through the delivery versus payment of securities at an artificially inflated value.

The receiver's ROG is the difference in value that results when the market value of securities received into a proprietary or agency account versus payment exceeds the contract value of the securities. (I.e., on the receive-side of a transaction, the amount of the potential NFE gain is the excess of market value of the securities over contract value). The rationale for deducting the receiver's ROG is different from that for deducting the deliverer's ROG. Unlike deliver-side ROG, receive-side ROG is not needed to ensure a receiving participant's ability to reverse a securities transaction because the receiving participant initiates the reversal and controls the availability of NFE in its account.

The deduction of ROG in the NFE calculation for an account of a receiving participant was incorporated into PTC's rules in 1989 pursuant to the order granting PTC's registration as a clearing agency. The rule's purpose was to assure sufficient NFE in an account to enable PTC to reverse securities deliveries to achieve settlement in the event of participant default.⁵ The provisions of PTC's rules providing the ability to reverse transactions has been deleted.⁶ Accordingly, deduction of

¹ 15 U.S.C. 78s(b)(1) (1988).

² Securities Exchange Act Release No. 37227 (May 20, 1996), 61 FR 26552.

³ In connection with any account transfer versus payment, ROG is: (i) with respect to a delivering participant, the amount by which the contract value credited to the cash balance of the account of the delivering participant exceeds the market value of the securities delivered or (ii) with respect to a receiving participant, the amount by which the market value of the securities credited to the transfer account associated with the account of the receiving participant exceeds the contract value of the transaction.

⁴ Article II, Rule 9 of PTC's rules provides that NFE for any agency or proprietary account is the sum of (i) the applicable percentage, as defined in Article I, Rule 1 of PTC's rules, of the market value of securities in the account and the associated transfer account, (ii) the cash balance in the account, and (iii) the participant's supplemental processing collateral, as calculated pursuant to the formula set forth in Article I, Rule 1 of PTC's rules, to the extent not required to collateralize an account transfer in any other account, minus the amount, if any, of ROG with respect to the account.

⁵ In 1988, MBS Clearing Corporation ("MBSCC"), PTC's predecessor, proposed a rule change to its Depository Division rules to include ROG in the NFE calculation of a receiving participant's account. Securities Exchange Act Release No. 26101 (September 22, 1988), 53 FR 37895 [File No. SR-MBS-88-14] (notice of filing of proposed rule change relating to Depository Division rules). Subsequently, the order granting PTC's registration as a clearing agency incorporated the proposed rule change stating that PTC's rules were essentially identical to MBSCC's Depository Division rules including the most recently proposed rule changes. Securities Exchange Act Release No. 26671 (March 31, 1989), 54 FR 13266, [File No. 600-25] (order granting registration as a clearing agency and statement of reasons).

⁶ For a more complete discussion of PTC's reasons for removing the reversal capability, refer to Securities Exchange Act Release No. 34701 (September 22, 1994), 59 FR 49730 [File No. SR-PTC-94-03] (order approving proposed rule change eliminating PTC procedures relating to deliverer's

Continued

⁶ 17 CFR 200.30-3(a)(12) (1989).

ROG from the NFE on the receive-side is no longer required.

II. Discussion

Section 17A(b)(3)(F) ⁷ 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 that PTC's proposed rule change is consistent with PTC's obligation under the Section 17A of the Act. Elimination of the NFE deduction for receive-side ROG is consistent with the prior repeal of PTC's authority to reverse transactions. Because PTC no longer can reverse transactions and because the receive-side participant initiates any reversal due to erroneous delivery or other permitted circumstances and thus controls the availability of NFE in its account, the ROG deduction is no longer necessary. As a result, participants with receive-side ROG should benefit from the increased liquidity resulting from the release of NFE previously encumbered by PTC should not incur any additional risks by such release. Moreover, by maintaining the NFE ROG deduction for deliver-side participants, PTC should be able to continue to protect itself from the risks associated with permitted reversals initiated by receive-side participants by ensuring that sufficient NFE exists in delivering participants' accounts. The exclusion of deliver-side ROG from NFE also should continue to dissuade deliver-side participant from taking actions to artificially inflate their NFE.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of 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-PTC-96-01) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁸

security interests). In the notice of proposed rule change pertaining to this order, the Commission erroneously referred to Release No. 27193 (August 29, 1989), 54 FR 37065 [File No. SR-PTC-89-02] (order approving proposed rule change) as the rule change that removed PTC's reversal capability.

⁷ 15 U.S.C. 78q-1(b)(3)(F) (1988).

⁸ 17 CFR 200.30-3(a)(12) (1995).

Margaret H. McFarland,
Deputy Secretary.
[FR Doc. 96-17928 Filed 7-12-96; 8:45 am]
BILLING CODE 8010-01-M

SMALL BUSINESS ADMINISTRATION

[License No. 04/74-0263]

Javelin Capital Fund, L.P.; Notice of Issuance of a Small Business Investment Company License

On Tuesday, June 20, 1995, a notice was published in the Federal Register (Vol. 60, No. 118, FR 32193) stating that an application had been filed by Javelin Capital Fund, L.P., at 1075 13th Street, South, Birmingham, Alabama 35205, with the Small Business Administration (SBA) pursuant to Section 107.300 of the Regulations governing small business investment companies (13 CFR 107.300 (1996)) for a license to operate as a small business investment company.

Interested parties were given until close of business Wednesday, July 5, 1995 to submit their comments to SBA. No comments were received.

Notice is hereby given that, pursuant to Section 301(c) of the Small Business Investment Act of 1958, as amended, after having considered the application and all other pertinent information, SBA issued License No. 04/74-0263 on August 28, 1995, to Javelin Capital Fund, L.P. to operate as a small business investment company.

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

Dated: July 10, 1996.

Don A. Christensen,
Associate Administrator for Investment.
[FR Doc. 96-17949 Filed 7-12-96; 8:45 am]
BILLING CODE 8025-01-P

[Declaration of Disaster Loan Area #2871]

Florida; Declaration of Disaster Loan Area

Manatee County and the contiguous counties of DeSoto, Hardee, Hillsborough, Polk, and Sarasota in the State of Florida constitute a disaster area as a result of damages caused by severe storms and flooding which occurred on June 20, 1996. Applications for loans for physical damage as a result of this disaster may be filed until the close of business on September 3, 1996 and for economic injury until the close of business on April 3, 1997 at the address listed below: U.S. Small Business Administration, Disaster Area 2 Office, One Baltimore Place, Suite 300, Atlanta,

GA 30308 or other locally announced locations.

The 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
For Economic Injury:	
Businesses and Small Agricultural Cooperatives without Credit Available Elsewhere	4.000

The number assigned to this disaster for physical damage is 287106 and for economic injury the number is 895300.

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

Dated: July 3, 1996.

Ginger Lew,

Acting Administrator.

[FR Doc. 96-17947 Filed 7-12-96; 8:45 am]

BILLING CODE 8025-01-P

[Declaration of Disaster Loan Area #2870]

New Jersey; Declaration of Disaster Loan Area

Mercer County and the contiguous counties of Burlington, Hunterdon, Middlesex, Monmouth, and Somerset in the State of New Jersey constitute a disaster area as a result of damages caused by severe storms and flooding which occurred June 12 through June 24, 1996. Applications for loans for physical damage may be filed until the close of business on September 3, 1996 and for economic injury until the close of business on April 2, 1997 at the address listed below: U.S. Small Business Administration, Disaster Area 1 Office, 360 Rainbow Boulevard South, 3rd Floor, Niagara Falls, New York 14303 or other locally announced locations.

The 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