

or more option contracts of the put class and the call class on the same side of the market covering the same underlying security.¹² Finally, the Commission believes that approval of the NASD's Hedge Exemption on a permanent basis is appropriate in order to achieve parity with the exchange-trade options markets.¹³

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁴ that the proposed rule change (SR-NASD-98-78) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-34253 Filed 12-24-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40816; File No. SR-NASD-98-81]

Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Granting Approval to Proposed Rule Change Relating to Application of the Corporate Financing Rule to Certain Offerings by Charitable Organizations

December 21, 1998.

I. Introduction

On October 29, 1998, the National Association of Securities Dealers, Inc. ("NASD"), through its wholly-owned subsidiary NASD Regulation, Inc. ("NASD Regulation"), submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² proposed rule change to amend NASD Rule 2710 ("Corporate Financing Rule") to exempt certain offerings by charitable organizations from the pre-offering filing requirements. The Commission published the proposed rule change for comment in the **Federal Register** on November 19, 1998.³ No comments

were received. This order approves the proposal.

II. Description of the Proposal

Rule 2710 currently subjects "church bond" offerings to a filing requirement with the Corporate Financing Department of NASD Regulation ("Department") so that the Department has an opportunity to determine whether compensation terms and arrangements are fair and reasonable for purposes of the rule. According to NASD Regulation, the aggregate underwriting compensation received by church bond broker/dealers has been significantly below the maximum amount of underwriting compensation that is permitted under Rule 2710.

Under the proposal, offerings of securities by a church or other charitable institution that are exempt from SEC registration pursuant to Section 3(a)(4) of the Securities Act of 1933 ("Securities Act")⁴ would be exempt from the filing requirements, but not the substantive requirements, of the Corporate Financing Rule. NASD Regulation proposes to implement the proposed rule change on the date of SEC approval.

III. Discussion

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of Section 15A(b) of the Act and the rules and regulations thereunder applicable to a national securities association in general and, in particular, the requirements of Section 15A(b)(6) of the Act.⁵ Section 15A(b)(6) requires, among other things, that the Association's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.⁶

The Commission believes that it is reasonable to eliminate the filing requirement in Rule 2710 for certain church bond offerings to allow NASD Regulation to better allocate its staff resources. The Commission notes that NASD Regulation has not recently identified any problems with these offerings and that the proposed exemption relates only to the filing

requirements, but not the substantive requirements, of Rule 2710. The Commission also notes that only the offerings that are exempt under Section 3(a)(4) of the Securities Act would be covered under the proposed exemption.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁷ that the proposed rule change (SR-NASD-98-81) be, and hereby is, approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-34254 Filed 12-24-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40813; File No. SR-OCC-98-06]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Granting Approval of a Proposed Rule Change Relating to Market Coordination in the Application of Circuit Breakers

December 21, 1998.

On June 9, 1998, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") and on July 23, 1998 and October 27, 1998, amended the proposed rule change (File No. SR-OCC-98-06) 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 November 5, 1998.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

On April 9, 1998, the Commission approved amendments to the "circuit breaker" provisions of Rule 80B of the New York Stock Exchange ("NYSE").³ Under the amended Rule 80B, the securities markets could reopen after a trading halt and continue to trade in the range of 20 to 30 percent down while the rules of the Chicago Mercantile Exchange would not permit index

¹² See Rule 2860(b)(5).

¹³ See, e.g., American Stock Exchange Rule 904; Chicago Board Options Exchange Rule 4.11.

¹⁴ 15 U.S.C. 78s(b)(2).

¹⁵ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 40676 (November 12, 1998), 63 FR 64303.

⁴ 15 U.S.C. 77c(a)(4). The Commission emphasizes that in order for the proposed exemption to apply the offering must qualify under Section 3(a)(4) of the Securities Act, which requires that the offering not be for pecuniary profit, and no part of the net earnings can inure to the benefit of any person, private stockholder, or individual.

⁵ 15 U.S.C. 78o-3(b)(6).

⁶ In approving this proposed rule change, the Commission notes that it has also considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78s(b)(2).

⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s (b) (1).

² Securities Exchange Act Release No. 40624 (October 30, 1998) 63 FR 59834.

³ Securities Exchange Act Release No. 39846 (April 9, 1998) 63 FR 18477. OCC submitted a comment letter in response to the notice of the proposed rule change. Letter from Wayne P. Luthringshausen, Chairman, OCC (March 23, 1998).

futures contracts to trade below twenty percent down. As a result, it is possible that the closing prices used by the future markets to determine variation margin on index futures and the closing prices of future options could lose their theoretical relationship to the closing prices of related index option contracts. In such circumstances, OCC margin calculations for cross-margined accounts might incorrectly estimate the actual risk of the cross-margined positions.

The rule change permits OCC to adjust margin requirements for cross-margined accounts in the event of an asynchronized application of circuit breakers by the securities and futures exchanges. Specifically, the rule change gives OCC plenary authority to take whatever actions that it deems appropriate to adjust margins with respect to cross-margined accounts when futures and options market have become delinked.

II. Discussion

Section 17A(b)(3)(F) of the Act⁴ requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody and control of the clearing agency or for which it is responsible. Section 17A(a)(2)(A)(ii) of the Act⁵ directs the Commission to use its authority under the Act to facilitate the establishment of linked or coordinated facilities for the clearance and settlement of transactions in securities, securities options, contracts of sale for future delivery and options thereon, and commodity options. The Commission believes that the proposed rule change is consistent with these requirements under the Act.

The Commission views the use of cross-margining arrangements as a significant risk reduction method because it provides a means whereby individual clearing organizations do not have to independently manage the risk associated with some components (*i.e.*, the futures or options component) of a clearing member's total portfolio. Therefore, cross-margining programs serve to help OCC assure the safeguarding of securities and funds and to facilitate the establishment of linked or coordinated facilities for the clearance and settlement of futures and options, transactions in securities. However, if the securities and futures markets became delinked because of an asynchronized application of circuit breakers it is possible that OCC's margin system might not accurately estimate

the risk associated with positions in a cross-margined account. The Commission believes that the rule change should ensure the continuous accuracy of OCC's margin calculations for cross-margined accounts.

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 with 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. OCC-98-06) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-34252 Filed 12-24-98; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

Small Business Administration; Interest Rates

The Small Business Administration publishes an interest rate called the optional "peg" rate (13 CFR 120.214) on a quarterly basis. This rate is a weighted average cost of money to the government for maturities similar to the average SBA direct loan. This rate may be used as a base rate for guaranteed fluctuating interest rate SBA loans. This rate will be 5 percent for the October-December quarter of FY 99.

Pursuant to 13 CFR 120.921(b), the maximum legal interest rate for a commercial loan which funds any portion of the cost of a project (see 13 CFR 120.801) shall be the greater of 6% over the New York prime rate or the limitation established by the constitution or laws of a given State. The initial rate for a fixed rate loan shall be the legal rate for the term of the loan.

Jane Palsgrove Butler,

Associate Administrator for Financial Assistance.

[FR Doc. 98-34189 Filed 12-24-98; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Coast Guard

[USCG 1998-4919]

Chemical Transportation Advisory Committee, Subcommittee on Proper Cargo Names

AGENCY: Coast Guard, DOT.

ACTION: Notice of meeting.

SUMMARY: The Chemical Transportation Advisory Committee's (CTAC) Subcommittee on Proper Cargo Names (PCN) will meet to discuss various issues relating to use of proper cargo names for the marine transportation of hazardous materials in bulk. The meeting will be open to the public.

DATES: The PCN Subcommittee will meet on Tuesday, January 12, 1999, from 9 a.m. to 4 p.m. The meeting may close early if all business is finished. Written material and requests to make oral presentations should reach the U.S. Coast Guard on or before January 4, 1999. Requests to have a copy of your material distributed to each member of the CTAC Subcommittee should reach the U.S. Coast Guard on or before January 4, 1999.

ADDRESSES: The Subcommittee will meet at the American Bureau of Shipping (ABS), ABS Plaza, 16855 Northchase Drive, Houston, TX 77060-6008. Point of contact: Mr. Philip G. Rynn; tel.: 281-877-6415; fax.: 281-877-6795. Send written material and requests to make oral presentations to Mr. Curtis Payne, Commandant (G-MSO-3), U.S. Coast Guard Headquarters, 2100 Second Street, SW, Washington, DC 20593-0001. This notice is available on the Internet at <http://dms.dot.gov>.

FOR FURTHER INFORMATION CONTACT: For questions on this notice, contact Mr. Curtis Payne, telephone 202-267-1577, fax 202-267-4570. For questions on viewing, or submitting material to, the docket, contact Ms. Dorothy Walker, Chief, Dockets, Department of Transportation, telephone 202-366-9329.

SUPPLEMENTARY INFORMATION: Notice of this meeting is given under the Federal Advisory Committee Act, 5 U.S.C. App. 2.

Meeting Agenda

The agenda for this meeting will be to develop recommendations which address deficiencies previously identified by the Subcommittee with respect to the following issues:

1. Differences in regulatory requirements for the classification, shipping and transportation of bulk

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 15 U.S.C. 78q-1(a)(2)(A)(ii).

⁶ 17 CFR 200.30-3 (a) (12).