A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of the proposed rule change is to amend the second exemption to the Exchange's $1,000 per month examination fee.[3] This fee was initially adopted to recoup the costs of examining firms, for which the Exchange is the Designated Examining Authority (''DEA''), which contribute little if any revenue to the Exchange to offset the expense of conducting such examinations.[4] Because this fee was intended to pertain to a specific group of members and participants, a number of exemptions were carved out for firms which do generate enough revenue to the Exchange to offset examining costs or which are inactive. One of the exemptions, organizations operating from the PHLX trading floor, has proved to be too vague. The Exchange has found that a number of member or participant organizations which operate primarily or exclusively from off the floor, have entered into arrangements whereby they argue that they meet this exemption.[5] Specifically, a floorbroker or Registered Options Trader from another firm which does conduct business on the floor becomes dually affiliated with the off-floor member or participant organization and may or may not ever do any business for that firm on the floor. These firms have argued that this dual affiliation would qualify them as an organization operating from the PHLX trading floor since they now have an affiliated person on the trading floor. Under this arrangement, these off-floor firms may still not generate revenue to offset the costs of examining them. The Exchange believes, however, that the description of the fee's exemption for firms operating from the trading floor may have been unintentionally vague enough to permit this interpretation and thus determined to add an objective measurement.

Under this new test, any organization which can demonstrate that it has derived at least 25% of its revenues in a calendar quarter from floor trading activity, will be deemed to have covered the cost of examining the firm and will then be exempt from the $1,000 per month fee.

The proposed rule change is consistent with Section 6 of the Act in general, and in particular, with Section 6(b)(4), in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities in that it clarifies which firms are deemed to have paid their share of the cost of an examination by setting an objective income test.

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 solicited or received.

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

The foregoing rule change has become effective on February 28, 1997, pursuant to Section 19(b)(3)(A) of the Act[6] and subparagraph (e)(2) of Rule 19b–4 thereunder,[7] because it establishes or changes a due, fee, or other charge. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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 in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office at the PHLX. All submissions should refer to File No. SR–PHLX–97–10 and should be submitted by April 15, 1997.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 97–7391 Filed 3–24–97; 8:45 am]

BILLING CODE 8010–01–M

[3] *See* Securities Exchange Act Release No. 35091 (Dec. 12, 1994), 59 FR 65558 (Dec. 20, 1994).

[4] In the filing submitted by the Exchange to adopt this fee, the Exchange noted that many of these firms are located in other geographic regions, thus requiring increased staff time and travel expenses to conduct examinations. It was further noted, that many of these firms trade products not available on the PHLX, thus requiring additional time and money to train and prepare the examiners who conduct the exams. Securities Exchange Act Release No. 35091 (Dec. 12, 1994), 59 FR 65558 (Dec. 20, 1994).

[5] Currently 13 firms are subject to the examination fee out of approximately 140 firms for which the Exchange is the DEA. Seven of the 13 firms made colorable arguments that they were not subject to the examination fee under the previous interpretation and the Exchange took note of their argument. Therefore, during the time prior to filing this proposed rule change, those firms were not charged the examination fee. Accordingly, this is a new fee to that class of firms that are now subject to the fee by reason of the 25% revenue test. Letter from Michele R. Weisbaum, Vice President and General Counsel, PHLX to Karl Varner, Office of Market Supervision, Division of Market Regulation, SEC, dated March 13, 1997; Letter from Michele R. Weisbaum, Vice President and General Counsel, PHLX to Karl Varner, Office of Market Supervision, Division of Market Regulation, SEC, dated March 17, 1997.

[6] 15 U.S.C. § 78s(b)(3)(A).

[7] 17 CFR 240.19b–4(e).

[8] 17 CFR 200.30–3(a)(12).

[Release No. 34–38415; File No. SR–Phlx–97–05]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 Thereto by the Philadelphia Stock Exchange, Inc. Relating to Reducing the Value of the Super Cap Index

March 18, 1997.

On January 9, 1997, the Philadelphia Stock Exchange, Inc. (''Phlx'' or ''Exchange'') submitted to the Securities and Exchange Commission (''SEC'' or ''Commission''), pursuant to Section 19(b) of the Securities Exchange Act of 1934 (''Act''),[1] and Rule 19b–4 thereunder,[2] a proposed rule change to reduce the value of its Super Cap Index (''Index'') option (''HFX'') to one-half its present value by doubling the divisor used in calculating the Index. The Index is comprised of the top five options-eligible common stocks of U.S. companies traded on the New York Stock Exchange (''NYSE''), as measured by capitalization. The other contract

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

specifications for the HFX will remain unchanged.

Notice of the proposal was published for comment and appeared in the **Federal Register** on February 12, 1997.[3] No comment letters were received on the proposal. On March 18, 1997, the Phlx filed Amendment No. 1 to the proposed rule change.[4] This order approves the Phlx's proposal, as amended.

I. Description of the Proposal

The Exchange began trading the HFX in November, 1995.[5] The Index was created with a value of 350 on its base date of May 31, 1995 which rose to 540 on January 29, 1997. Thus, the value of the Index has increased 54% since inception.[6] Consequently, the premium for HFX options also has risen. In May, 1996, the Exchange filed a proposed rule change to reduce the value of the Index to one-third of its then present value; although this proposal was approved by the Commission, operational limitations prevented its implementation.[7] Thus, the Index has never been split.

As a result, the Exchange proposes to conduct a ''two-for-one split'' of the Index, such that the value would be reduced to one-half of its present value. In order to account for the split, the number of HFX contracts will be doubled, such that for each HFX contract currently held, the holder would receive two contracts at the reduced value, with a strike price one-half of the original strike price. For instance, the holder of a HFX 540 call will receive two HFX 270 calls. The position and exercise limits applicable to the HFX will remain at 5,500 contracts,[8] and the trading symbol will remain HFX.

In conjunction with the split, the Exchange will list strike prices surrounding the new, lower index value, pursuant to Phlx Rule 1101A.[9] The Exchange will announce the effective date of the split by way of an Exchange memorandum to the membership, which will include notice of the strike price changes.[10]

The Phlx states that the purpose of the proposal is to attract additional liquidity to the product in those series that public customers are most interested in trading. For example, a near-term, at-the-money call option series currently trades at approximately $2,125 per contract.[11] The Exchange believes that certain investors and traders currently may be impeded from trading at such levels. With the Index split, that same option series (once adjusted), with all else remaining equal, could trade at approximately $1,062 per contract. The Phlx believes that a reduced premium value should encourage additional investor interest.

In support of its proposal, the Exchange notes that Super Cap Index options provide an important opportunity for investors to hedge and speculate upon the market risk associated with the underlying stocks. By reducing the value of the Index, the Phlx believes such investors will be able to utilize this trading vehicle, while extending a smaller outlay of capital. The Exchange believes that this, in turn, should attract additional investors and create a more active and liquid trading environment.

II. Discussion

The Commission finds that 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, the requirements of Section 6(b)(5) of the Act.[12] Specifically, the Commission believes that reducing the value of the Index will serve to promote the public interest and help remove impediments to a free and open securities market, by providing a broader range of investors with a means of hedging exposure to market risk associated with securities representing the most highly capitalized companies traded on the NYSE. Further, the Commission notes that reducing the value of HFX options should help attract additional investors, thus creating a more active and liquid trading market. The Commission notes that the Phlx will be providing market participants with adequate prior notice of the Index level change in order to avoid investor confusion.[13]

The Commission believes that doubling the Index's divisor will not have an adverse market impact or make trading in HFX options susceptible to manipulation. After the split, the Index will continue to be comprised of the same stocks with the same weightings, will be calculated in the same manner (except for the change in divisor) and will have the same position and exercise limits. Finally, the Phlx's surveillance procedures also will remain the same.

The Commission finds good cause for approving Amendment No. 1 to the proposed rule change prior to the thirtieth day after the date of publication of notice thereof in the **Federal Register**. Amendment No. 1 provides that the position and exercise limits for HFX options will remain at 5,500 contracts, as opposed to being doubled as originally proposed, upon the effective date of the two-for-on split of the Index. The Phlx states that because the Super Cap Index currently maintains low open interest in the non-expiring series, none of which involves customer accounts, the Phlx does not believe a doubling of the position and exercise limits is warranted. The Commission finds that Amendment No. 1 strengthens the proposal by maintaining position and exercise limits at their current levels, which should continue to reduce the likelihood of manipulation. Moreover, the Commission notes that all of the market participants holding existing positions in HFX options will continue to hold positions well within the 5,500 contract limit once the Index is split and their positions are doubled. Accordingly, there is no market need to double position limits, as Phlx originally proposed, to provide investors a period of time in which to reduce their double

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[3] *See* Securities Exchange Act Release No. 38247 (February 5, 1997), 62 FR 6596 (February 12, 1997).

[4] In Amendment No. 1, the Exchange provides that the position and exercise limits for HFX options will remain at 5,500 contracts, as opposed to being doubled as originally proposed, upon the effective date of the two-for-one split of the Index. The Phlx states that because the Super Cap Index currently maintains low open interest in the non-expiring series, non of which involves customer accounts, the Phlx does not believe a doubling of the position and exercise limits is warranted. *See* letter from Theresa McCloskey, Vice President, Regulatory Services, Phlx, to Sharon Lawson, Senior Special Counsel, Office of Market Supervision (''OMS''), Division of Market Regulation (''Divsion''), Commission, dated March 17, 1997 (''Amendment No. 1'').

[5] *See* Securities Exchange Act Release No. 36369 (October 13, 1995), 60 FR 54272 (October 20, 1995).

[6] *See* letter from Theresa A. McCloskey, Vice President, Regulatory Services, Phlx, to James T. McHale, Attorney, OMS, Division, Commission, dated January 31, 1997 (''Phlx letter'').

[7] *See* Securities Exchange Act Release No. 37536 (August 7, 1996) (SR-Phlx-96–17). The Options Clearing Corporation was not able to accept certain strike prices resulting from a three-for-one split, because dividing certain strike prices by three resulted in a strike price with too many decimal places. This operational limitation does not arise in a two-for-one split.

[8] *See* Amendment No. 1, *Supra* note 4.

[9] Specifically, because the Index value would be less than 500, the applicable strike price interval would be $5 in the near term months (the first four consecutive months series) and $25 in the far term. *See* Rule 1101A(a).

[10] *See* note 13, *infra*.

[11] With the Index at 540, a February 540 call on January 29, 1997 was priced at approximately 21¼, multiplied by 100=$2,125. *See* Phlx letter, *supra* note 6.

[12] 15 U.S.C. 78f(b)(5).

[13] The Phlx will be issuing a circular to its membership, within one week of the effective date of the change, which will advise members of the reduction in value of the HFX and specific strike prices for the adjusted HFX options. Telephone Conversation between Edith Hallahan, Special Counsel, Regulatory Services, Phlx, and James T. McHale, Attorney, OMS, Division, Commission, on March 17, 1997.

positions to the lower limit levels. The Commission also notes that no comments were received on the original Phlx proposal, which was subject to the full 21-day comment period. Therefore, the Commission believes that it is consistent with Section 6(b)(5) of the Act to approve Amendment No. 1 to the proposed rule change on an accelerated basis.

Interested persons are invited to submit written data, views and arguments concerning Amendment No. 1 to the proposed rule change. 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 Section, 450 Fifth Street, N.W., Washington, D.C. Copies of such filing will also be available for inspection and copying at the principal office of the Phlx. All submissions should refer to File No. SR–Phlx–97–05 and should be submitted by April 15, 1997.

For the foregoing reasons, the Commission finds that the Phlx's proposal, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,[14] that the amended proposed rule change (SR–Phlx–97–05) is approved.

For the Commission, by the Division of Market Regulations, pursuant to delegated authority.[15]

Jonathan G. Katz,

Secretary.

[FR Doc. 97–7394 Filed 3–24–97; 8:45 am]

BILLING CODE 8010–01–M

SMALL BUSINESS ADMINISTRATION

State of Arkansas; Declaration of Disaster #2932; Amendment #1

In accordance with notices from the Federal Emergency Management Agency, dated March 11 and March 13, 1997, the above-numbered Declaration is hereby amended to include the Counties of Conway, Craighead, Independence, Jefferson, Lawrence, Pope, and Woodruff in the State of Arkansas as a disaster area due to damages caused by severe storms and tornadoes beginning on March 1 and continuing through March 4, 1997.

In addition, applications for economic injury loans from small businesses located in the contiguous counties of Cleveland, Izard, Johnson, Lincoln, Logan, Monroe, Newton, Searcy, Sharp, Stone, Van Buren, and Yell in Arkansas may be filed until the specified date at the previously designated location. Any counties contiguous to the above-named counties and not listed herein have been previously declared.

All other information remains the same, i.e., the termination date for filing applications for physical damage is May 1, 1997, and for loans for economic injury the deadline is December 2, 1997.

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

Dated: March 17, 1997.

Bernard Kulik,

Associate Administrator for Disaster Assistance.

[FR Doc. 97–7511 Filed 3–24–97; 8:45 am]

BILLING CODE 8025–01–P

Commonwealth of Kentucky; Declaration of Disaster #2933; Amendment #1

In accordance with a notice from the Federal Emergency Management Agency, dated March 12, 1997, the above-numbered Declaration is hereby amended to include the Counties of Anderson, Butler, Crittenden, Fayette, Floyd, Jessamine, Larue, Lawrence, Livingston, Mercer, McCracken, Montgomery, Morgan, Pike, Robertson, Rowan, Union, Webster, and Woodford in the Commonwealth of Kentucky a disaster area due to damages caused by severe storms, tornadoes, and flooding beginning on March 1, 1997 and continuing.

In addition, applications for economic injury loans from small businesses located in the following contiguous counties may be filed until the specified date at the previously designated location: Ballard, Carlisle, Edmonson, Garrard, Graves, Green, Johnson, Logan, Knott, Letcher, Madison, Magoffin, Marshall, Martin, Taylor, and Warren in the Commonwealth of Kentucky; Hardin, Massac, Pope, and Pulaski in the State of Illinois; Buchanon, Dickenson, and Wise in the Commonwealth of Virginia; and McDowell in the State of West Virginia. Any counties contiguous to the above-named primary counties and not listed herein have been covered under a separate declaration for the same occurrence.

The numbers assigned to this disaster for economic injury are 943900 for Illinois; 944000 for Virginia; and 944100 for West Virginia.

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

Dated: March 17, 1997.

Bernard Kulik,

Associate Administrator for Disaster Assistance.

[FR Doc. 97–7512 Filed 3–24–97; 8:45 am]

BILLING CODE 8025–01–P

Federated States of Micronesia; Declaration of Disaster #2939

The Island of Yap in the Federated States of Micronesia constitutes a disaster area as a result of damages caused by Typhoon Fern which occurred beginning December 24 and continuing through December 27, 1996. Applications for loans for physical damage as a result of this disaster may be filed until the close of business on May 19, 1997 and for economic injury until the close of business on December 19, 1997 at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 4 Office, 1825 Bell Street, Suite 208, Sacramento, CA 95825.

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	7.250
For Economic Injury:	
Businesses and Small Agricultural Cooperatives Without Credit Available Elsewhere	4.000

The number assigned to this disaster for physical damage is 293906 and for economic injury the number is 944200.

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

[14] 15 U.S.C. 78s(b)(2).

[15] 17 CFR 200.30–3(a)(12).