

completion of full legal deposit processing and before a participant credits its customer's account.

Philadep believes that the proposed rule change is consistent with the requirements of Section 17A of the Act<sup>7</sup> because it fosters cooperation and coordination with persons engaged in the clearance and settlement of securities transactions and assures the safeguarding of securities which are in the custody and control of Philadep or for which it is responsible.

*(B) Self-Regulatory Organization's Statement on Burden on Competition*

Philadep believes the proposed rule change will not impose a burden on competition.

*(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others*

Written comments were neither solicited nor received with respect to the proposed rule change. However, several participants have requested that Philadep enhance Philanet as described in this proposed rule change.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)<sup>8</sup> of the Act and pursuant to Rule 19b-4(e)(4)<sup>9</sup> promulgated thereunder because the proposal effects a change in an existing service of a registered clearing agency that (i) does not adversely affect the safeguarding of securities or funds in the custody or control of the clearing agency or for which it is responsible and (ii) does not significantly affect the respective rights or obligations of the clearing agency or persons using the service. At any time within sixty days of the filing of such 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, 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. 20549. Copies of such filing will also be available for inspection and copying at the principal office of Philadep. All submissions should refer to File No. SR-PHILADEP-96-12 and should be submitted by September 11, 1996.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 96-21325 Filed 8-20-96; 8:45 am]

BILLING CODE 8010-01-M

**[Release No. 34-37575; File No. SR-Phlx-96-18]**

**Self-Regulatory Organizations; Philadelphia Stock Exchange, Inc.; Order Granting Approval to Proposed Rule Change to Trade a European-style National Over-the-Counter Index Option**

August 15, 1996.

On May 28, 1996, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to change the execution style of the National Over-the-Counter Index ("Index") option, from American-style to European-style.

The proposed rule change was published for comment in Securities Exchange Act Release No. 37355 (June 24, 1996), 61 FR 33790 (June 28, 1996). No comments were received on the proposal.

The Exchange began trading the Index in 1985. The Index is a capitalization-weighted market (broad-based) index composed of the 100 largest capitalized stocks trading over-the-counter. The

Phlx proposes to change the exercise style of the Index option from American-style to European-style. Under the Exchange's rules, an American-style option is an option contract that may be exercised at any time from the opening of the position until its expiration, whereas a European-style option is an option contract that can be exercised only on the day it expires.<sup>3</sup>

The Exchange stated that it received requests to change the expiration style of the Index from many investors who prefer to trade index options that cannot be exercised except on the day they expire. The Exchange notes that European-style index options have certain advantages, including the elimination of the risk of early exercise. According to the Exchange, investors holding spread positions in European-style index options do not have to be concerned that one leg of a short position will be exercised prior to expiration. Moreover, the Exchange believes that sellers generally will benefit from the European-style exercise feature, because absent concerns about early exercise, they will be free to engage in long-range planning and strategies.

The Exchange has proposed to convert the Index from American-style to European-style exercise on a prospective basis. After Commission approval of the Phlx proposal, the Exchange will add expiration series with European-style exercise following the next expiration date of the Index option. The Exchange will continue trading the American-style option until the listed series expire or no longer have open interest. Except during this wind-down period, the Exchange does not intend to continue trading American-style options side-by-side with European options on the Index.

The Exchange stated that it will provide adequate notice of the new European-style option by way of memoranda to the Phlx membership.<sup>4</sup> In addition, the Exchange intends to preserve the investment community's familiarity with the symbol XOC, which the option has been trading under since its introduction, by retaining the use of this symbol for the new European-style options on the Index and trading the

<sup>3</sup> See Phlx Rules 1000(b)(34) and (35).

<sup>4</sup> The Exchange already has begun the process of informing its membership of the impending change in the exercise style of the Index option. See Phlx Market Surveillance Release No. 249-96, dated July 1, 1996.

<sup>7</sup> 15 U.S.C. § 78q-1 (1988).

<sup>8</sup> 15 U.S.C. § 78s(b)(3)(A)(iii) (1988).

<sup>9</sup> 17 CFR 240.19b-4(e)(4) (1996).

<sup>10</sup> 17 CFR 200.30-3(a)(12) (1995).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

existing American-style options on the Index under the symbol XOY.<sup>5</sup>

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 Section 6(b).<sup>6</sup> In particular, the Commission believes the proposal is consistent with the Section 6(b)(5) requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, and, in general, to protect investors and the public.

As the Commission has stated previously,<sup>7</sup> European-style options, which can be exercised only during a specified period prior to expiration, should facilitate transactions in index options through lower premiums and providing certainty to market participants. Premiums on an index option reflect the risk that a long option holder will exercise before expiration and the option writer will be assigned. Because this risk is not present with European-style index options, premiums on these options may be lower, therefore making them more attractive to investors. Moreover, European-style index options provide the certainty that allows market participants (particularly hedgers, spreaders, and options writers) to engage in long-range planning and strategies. This certainty also should promote trading in index options. By facilitating transactions in Index options in these ways, the Commission believes that the proposal should help to increase the depth and liquidity of the Exchange's stock index option markets.

In addition, the Commission believes that the Exchange has established reasonable procedures designed to change Index options from American-style to European-style exercise without causing undue investor confusion. Specifically, the Phlx plans to implement the change in exercise style on a prospective basis by adding expiration series with European-style exercise following the next expiration date of the Index option. The outstanding American-style series will remain outstanding until their expirations or no open interest in these

series exists. As noted above, the Phlx has already advised its membership of the impending change to the European-style expiration feature for Index options upon Commission approval of this proposal, including the phase-in procedures, by means of a memorandum to members.<sup>8</sup> The Phlx, upon issuance of this approval order, will notify its members of the change with the exact date when European-style Index options will be introduced.<sup>9</sup> In addition, the Phlx already has changed the symbol for American-style Index options from XOC to XOY to avoid any confusion.<sup>10</sup>

In sum, the Phlx's procedures are comparable to those approved previously by the Commission in connection with other exchanges' modification of the exercise feature of index options<sup>11</sup> and should, as noted above, provide benefits to investors.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>12</sup> that the proposed rule change (SR-Phlx-96-18) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>13</sup>

Margaret H. McFarland,  
Deputy Secretary.

[FR Doc. 96-21327 Filed 8-20-96; 8:45 am]

BILLING CODE 8010-01-M

## SMALL BUSINESS ADMINISTRATION

### [Declaration of Disaster Loan Area #2886]

#### Kentucky (and Contiguous Counties in Ohio and West Virginia); Declaration of Disaster Loan Area

Boyd County and the contiguous counties of Carter, Greenup, and Lawrence in the Commonwealth of Kentucky; Lawrence County, Ohio; and Wayne County, West Virginia constitute a disaster area as a result of damages caused by severe storms and flooding which occurred on July 31, 1996. Applications for loans for physical damage may be filed until the close of business on October 11, 1996 and for

<sup>8</sup> See *supra* note 4.

<sup>9</sup> Telephone conversation between Edith Hallahan, Special Counsel, Phlx, and Sharon Lawson, Senior Special Counsel, SEC, dated August 15, 1996.

<sup>10</sup> See *supra* note 4.

<sup>11</sup> See, e.g., Securities Exchange Act Release Nos. 31831 (February 5, 1993), 58 FR 8436 (February 12, 1993) (order approving change in exercise style of NYSE Composite Index options from American-style to European-style); 26199 (October 19, 1988), 53 FR 43060 (October 25, 1988) (order approving change in exercise style of Amex Major Market Index options from American-style to European-style).

<sup>12</sup> 15 U.S.C. 78s(b)(2).

<sup>13</sup> 17 CFR 200.30-3(a)(12).

economic injury until the close of business on May 12, 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 .....	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 .....	7.125
For Economic Injury:	
Businesses and Small Agricultural Cooperatives Without Credit Available Elsewhere .....	4.000

The numbers assigned to this disaster for physical damage are 288606 for Kentucky; 288706 for Ohio; and 288806 for West Virginia. For economic injury the numbers are 898900 for Kentucky; 899000 for Ohio; and 899100 for West Virginia.

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

Dated: August 12, 1996.

Philip Lader,

Administrator.

[FR Doc. 96-21301 Filed 8-20-96; 8:45 am]

BILLING CODE 8025-01-P

#### Boston District Advisory Council Meeting; Public Meeting

The U.S. Small Business Administration, Boston District Advisory Council will hold a public meeting on Thursday, September 12, 1996 at 9:30 a.m. at the SBA, 10 Causeway Street, Room 265, Boston, Massachusetts 02222, to discuss matters as may be presented by members, staff of the U.S. Small Business Administration, or others present.

For further information, write or call Ms. Mary E. McAleney, District Director, U.S. Small Business Administration, 10 Causeway Street, Room 265, Boston, Massachusetts 02222-1093, (617) 565-5560.

Dated: August 19, 1996.

Michael P. Novelli,

Director, Office of Advisory Council.

[FR Doc. 96-21299 Filed 8-20-96; 8:45 am]

BILLING CODE 8025-01-P

<sup>5</sup> The symbol for the American-style Index option was converted from XOC to XOY effective July 8, 1996. See *supra* note 4.

<sup>6</sup> 15 U.S.C. 78f(b).

<sup>7</sup> See, e.g., Securities Exchange Act Release Nos. 31831 (February 5, 1993), 58 FR 8436 (February 12, 1993) (order approving change in exercise style of NYSE Composite Index options from American-style to European-style).