

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange 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

The Exchange has neither solicited nor received written comments on the proposed rule change.

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

The foregoing rule change establishes or changes a due, fee, or other charge and, therefore, has become effective pursuant to Section 19(b)(3)(A) of the Act⁶ and subparagraph (e)(2) of Rule 19b-4 thereunder.⁷

At any time within 60 days of the filing of the 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; including whether the proposed rule change is consistent with the Act. 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 at the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange.

All submissions should refer to File No. SR-PCX-98-34 and should be submitted by September 1, 1998.

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

Jonathan G. Katz,

Secretary.

[FR Doc. 98-21479 Filed 8-10-98; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40304; File No. SR-PTC-98-03]

Self-Regulatory Organizations; Participants Trust Company; Notice of Filing of a Proposed Rule Change Regarding PTC's Pricing and Margining Methodology for Newly Issued Collateralized Mortgage Obligation Securities

August 4, 1998.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 15, 1998, the Participants Trust Company ("PTC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by PTC. The Commission is publishing this notice to solicit comments from interested persons on the proposed rule change.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The proposed rule change will modify PTC's pricing and margining methodology with respect to newly issued collateralized mortgage obligation ("CMO") securities to more accurately reflect the value of CMOs.

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

In its filing with the Commission, PTC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. PTC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

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

In general, PTC values a participant's securities for the purpose of assuring that sufficient collateral will be available for PTC to borrow against or liquidate in the event the participant's debit balance is not satisfied at end of day settlement. Securities in a participant's account are valued by applying a margin to the assigned market value of the securities. The purpose of margin is to limit the risk caused by fluctuations in the market value of the securities.

CMOs that are currently on deposit at PTC are CMO securities issued or guaranteed by the Government National Mortgage Association ("GNMA") and the Department of Veteran's Affairs ("VA") and certain issues guaranteed by the Federal Home Loan Mortgage Association ("FHLMA") and the Federal National Mortgage Association ("FNMA") that are collateralized by GNMA securities.

PTC assigns a market value to a CMO security by selecting the lower of the two prices for the security as supplied by two nationally recognized pricing sources. To establish a margin for a CMO, PTC subjects each CMO tranche to a "stress test" to project the largest percentage price decrease resultant of a 50 basis point upward movement in Treasury yields and a 100 basis point downward movement in Treasury yields.³

CMO tranches for which prices are not available from PTC's pricing vendors are margined at 100% (i.e., are given no value in PTC's system), and the minimum margin for any CMO tranche is 5%. Margins are reevaluated at least quarterly and in response to certain defined market or price shifts. PTC currently prices and margins new issue CMO securities in the same manner in which secondary or seasoned CMO securities are priced and margined (i.e., based upon the lower of two prices received from PTC's two vendors and application of the standard stress test).

In the case of newly issued CMO securities, however, the information on the security that the vendor uses to establish its price is generally not available to the vendor until after issuance. The release of information after issuance does not allow the vendor sufficient time to model and price a new

⁸ 17 CFR 200.30-(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified the text of the summaries prepared by PTC.

³ PTC's current CMO margin and pricing methodology was approved by the Commission on April 30, 1996. Securities Exchange Act Release No. 37152 (April 30, 1996), 61 FR 20304 [File No. SR-PTC-96-02].

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(e)(2).

issue security until several days or weeks after the issuance. As a result of PTC's pricing and margining methodology, new issue CMOs are given a value of zero for this initial period because they are unpriced by PTC's pricing vendors. Although PTC makes every effort to have the underwriters provide PTC's pricing vendors with the prospectus supplements prior to initial settlement, the information is generally not available in sufficient time to permit the vendors to model and price the new issue securities prior to settlement.

PTC proposes to modify its pricing and margining methodology for newly issued CMO securities to more accurately reflect their value for this initial period during which pricing vendors are generally unable to provide prices. Prior to the issuance of a CMO security, PTC will seek to obtain indicative bid side prices for each class of the issue from the deal underwriter prior to the closing. PTC will establish margins on new issue CMO securities (that it has priced by reference to underwriter supplies prices) based on larger interest rate shifts, +100 or -200 basis points, than are applied to vendor priced CMO issues, +50 or -100 basis points. Interest only, principal only, and inverse floater classes will be given no value.

Underwriter supplied values will be used for a maximum of three weeks after the issuance. Any CMO issue not priced by both vendors at three weeks from issuance will be given a value of zero by increasing the margin to 100%, as is currently the case with all CMO issues, and will continue to be the case with respect to all but new CMO issues for this three week period.

PTC believes that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act⁴ and the rules and regulations promulgated thereunder because it facilitates the prompt and accurate clearance and settlement of securities transactions and provides for the safeguarding of securities and funds in PTC's custody or control or for which PTC is responsible.

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

PTC does not believe that the proposed rule change will impose any burden on competition.

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

PTC has discussed the proposed methodology with its Risk Management

Committee, which is comprised of participant representatives that are knowledgeable in this area. PTC has not solicited or received any unsolicited written comments from participants or other interested parties.

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

Within thirty-five days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to ninety 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 PTC 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, including whether the proposed rule change is consistent with the Act. 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 also will be available for inspection and copying at the principal office of PTC. All submissions should refer to File No. SR-PTC-98-03 and should be submitted by September 1, 1998.

For the Commission by the Division of Market Regulations, pursuant to delegated authority.⁵

Jonathan G. Katz,

Secretary.

[FR Doc. 98-21477 Filed 8-10-98; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3104]

State of Florida (Amendment #1)

In accordance with a notice from the Federal Emergency Management Agency dated July 22, 1998, the above-numbered Declaration is hereby amended to establish the incident period for this disaster as beginning on May 25, 1998 and continuing through July 22, 1998.

All other information remains the same, i.e., the deadline for filing applications for physical damage is September 1, 1998 and for economic injury the termination date is April 5, 1999.

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

Dated: July 28, 1998.

Bernard Kulik,

Associate Administrator for Disaster Assistance.

[FR Doc. 98-21469 Filed 8-10-98; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

Declaration of Disaster #3117; State of Indiana

Howard and Marion Counties and the contiguous counties of Boone, Carroll, Cass, Clinton, Grant, Hamilton, Hancock, Hendricks, Johnson, Miami, Morgan, Shelby, and Tipton in the State of Indiana constitute a disaster area as a result of damages caused by severe storms, tornadoes, and flooding that occurred June 11 through July 7, 1998. Applications for loans for physical damage from this disaster may be filed until the close of business on October 1, 1998 and for economic injury until the close of business on April 30, 1999 at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 2 Office, One Baltimore Place, Suite 300, Atlanta, GA 30308.

The interest rates are:

	Percent
For Physical Damage:	
HOMEOWNERS WITH CREDIT AVAILABLE ELSEWHERE	7.000
HOMEOWNERS WITHOUT CREDIT AVAILABLE ELSEWHERE	3.500
BUSINESSES WITH CREDIT AVAILABLE ELSEWHERE	8.000
BUSINESSES AND NON-PROFIT ORGANIZATIONS WITHOUT CREDIT AVAILABLE ELSEWHERE	4.000

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 17 CFR 200.30-3(a)(12).