The subject matter of the open meeting scheduled for Wednesday, October 14, 1998, at 10 a.m., will be:

(1) Consideration of whether to propose new rules and amendments to modernize and clarify the structure of the regulatory system for offerings under the Securities Act of 1933. **FOR FURTHER INFORMATION CONTACT:** Anita Klein at (202) 942–2980 or Julie Hoffman at (202) 942–1817.

(2) Consideration of whether to propose new rules and amendments intended to update, harmonize and simplify the regulation of tender offers, mergers, and similar extraordinary transactions. **FOR FURTHER INFORMATION CONTACT:** James J. Moloney at (202) 942–2920 or P.J. Himelfarb at (202) 942–1888.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact:

The Office of the Secretary at (202) 942–7070.

Dated: October 5, 1998.

Jonathan G. Katz,

Secretary.

[FR Doc. 98–27062 Filed 10–5–98; 3:48 pm]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–40515; File No. SR–OCC–98–07]

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving Proposed Rule Change Regarding the Short Option Adjustment As Applied to Non-Equity Options

September 30, 1998.

On July 10, 1998, The Options Clearing Corporation (''OCC'') filed with the Securities and Exchange Commission (''Commission'') a proposed rule change (File No. SR–OCC–98–07) 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 August 17, 1998.[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 OCC Rule 602 to modify the ''short option adjustment'' as it applies to non-equity options. The short option adjustment is a component of the additional margin calculation in OCC's margin system, the ''theoretical intermarket margin system'' (''TIMS or NEO TIMS''), that imposes a minimum margin amount on deep out of the money short options.[3]

A. Additional Margin Calculation

OCC requires its clearing members to adjust their margin deposits with OCC in the morning of every business day based on OCC's overnight calculations. OCC imposes a margin requirement on short positions and gives margin credit for unsegregated long positions.[4] Under TIMS, margin for positions in a class group are based on premium levels at the close of trading on the preceding day and are increased or decreased by the additional margin amount for that class group.[5]

TIMS calculates additional margin amounts using options price theory. TIMS first calculates the theoretical liquidating value for the positions in each class group by assuming either an increase or decrease in the market value of the underlying asset in an amount equal to the applicable margin interval. The margin interval is the maximum one day price movement in the value of the underlying asset that OCC wants to protect against.[6] Margin intervals are determined separately for each underlying interest to reflect the volatility in the price of the underlying interest.

TIMS then selects the theoretical liquidating value that represents the greatest decrease (where the actual liquidating value is positive) or increase (where the actual liquidating value is negative) in liquidating value compared with the actual liquidating value based on the premium levels at the close of trading on the preceding day. The difference between that theoretical liquidating value and the actual liquidating value is the additional margin amount for that class group unless the class group is subject to the short option adjustment.

B. Short Option Adjustment

For net short positions in deep out of the money options, little or no change in value would be predicted given a change in value of the underlying interest equal to the applicable margin interval.[7] As a result, TIMS would calculate additional margin amounts of zero or close to zero for deep out of the money options. However, volatile markets could cause such positions to become near to or in the money and thereby could create increased risk to OCC. OCC protects against this risk with an adjustment to the additional margin calculation known as the short option adjustment.[8]

Originally, the short option adjustment calculated a minimum additional margin amount for all net short positions in an options series for which the ordinary calculation of the additional margin requirement was less than twenty-five percent of the applicable margin interval. The original methodology applied the short option adjustment to all such short option positions and did not attempt to match or pair net short positions with net long positions which could have reduced the risk of such net short positions.

In 1992, OCC modified the short option adjustment so that it applied only to unpaired net short positions in deep out of the money options.[9] Currently, the term *unpaired* is defined to mean that a net short position is not offset by a net long position on the same underlying interest.[10] However, Interpretation .06 to OCC Rule 602 provides that a net short position is unpaired unless the position is offset by

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

[2] Securities Exchange Act Release No. 40317 (August 11, 1998), 63 FR 43980.

[3] *TIMS* refers to OCC's margin system as it applies to stock options and *NEO TIMS* refers to OCC's margin system as it applies to non-equity options. For a detailed description of NE TIMS, refer to Securities Exchange Act Release No. 23167 (April 30, 1986), 51 FR 16127 [File No. SR–OCC–85–21] (order approving proposed rule change).

[4] A long position is unsegregated for OCC's purposes if OCC has a lien on the position (*i.e.*, it has recourse to the value of the position in the event that the clearing member does not perform an obligation to OCC). Long positions in firm accounts and market-maker accounts are unsegregated. Long positions in the clearing member's customers' accounts are unsegregated only if the clearing member submits instructions to that effect in accordance with Rule 611.

[5] For purposes of NEO TIMS, a class group consists of all put and call options, certain market baskets, and commodity options and futures covering the same underlying asset that are subject to margin at OCC because of a cross-margining program with a commodity clearing organization. A class group may also contain stock loan baskets and stock borrow baskets.

[6] Some combinations of positions can present a greater net theoretical liquidating value at an intermediate value than at either of the endpoint values. As a result, TIMS also calculates the theoretical liquidating value for the positions in each class group assuming intermediate market values of the underlying asset.

[7] A net position in an option series in an account is the position resulting from offsetting the gross unsegregated long position in that series against the gross short position in that series. After netting, an account will reflect a net short position or a net long position for each series of options held in the account.

[8] The short option adjustment for non-equity options is described in OCC Rule 602(c)(1)(ii)(C)(1).

[9] Securities Exchange Act Release No. 31682 (December 31, 1992) 58 FR 3318 [File No. SR–OCC–91–12].

[10] The term unpaired is defined in Interpretation .04 to Rule 601 for equity options and Interpretation .06 to Rule 602 for non-equity options.

a net long position in the same class group (*i.e.*, the net short and long positions have the same underlying interest). Therefore, Interpretation .06 currently treats a net short position as unpaired even if the net short position is offset by a net long position in a highly correlated class group. For example, Interpretation .06 treats a net short position in an index option that is offset by a net long position in a highly correlated but different index option as unpaired for purposes of the short option adjustment.

The rule change modifies the short option adjustment logic of NEO TIMS so that it recognizes spreads between net long and short positions on underlying interests that exhibit price correlation of seventy percent or greater in addition to spreads between net long and short positions on the same underlying interests. The rule change amends Rule 602 to provide that NEO TIMS (1) will continue to pair all net short contracts on a particular underlying interest against all net long contracts on the same underlying interest and (2) will then pair any remaining net short positions against any net long positions that remain in other class groups that exhibit seventy percent or greater price correlation.[11] Any short contracts remaining unpaired after this pairing process will be subject to the short option adjustment.[12]

Interpretation .06 currently states that those short contracts having the lowest premium margin values will be deemed to be unpaired. Premium margin value is an important criterion used by OCC to identify those excess short contracts which it will deem unpaired, but it is not the only criterion. Other criterion may include identifying contracts that are farthest from expiration, that have the highest exercise price (in the case of calls) or the lowest exercise price (in the case of puts), or that have been assigned the largest margin interval. The rule change amends Interpretation .06 to provide that OCC will identify which of the excess short contracts will be deemed unpaired and therefore will be subject to margin requirements using the short option adjustment.

[11] The class groups in OCC's stock index and currency option produce groups satisfy the requirement for seventy percent or greater price correlation.

[12] Commodity options and futures held in cross-margin accounts, market baskets, and stock loan and borrow baskets also will be included in the pairing process. Long calls, futures, commodity calls, market baskets, and stock loan baskets will be netted against short calls and commodity calls. Long puts, commodity puts, short futures, market baskets, and stock borrow baskets will be netted against short puts and commodity puts.

II. Discussion

Section 17A(b)(3)(F) of the Act[13] requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible. The Commission believes that the rule change is consistent with OCC's obligation under Section 17A(b)(3)(F) because it should reduce overcollateralization of OCC's clearing members' positions without impairing OCC's overall protection against member default.

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[14] 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–OCC–98–07) be and hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–26864 Filed 10–6–98; 8:45 am]

BILLING CODE 8010–01–M

[13] 15 U.S.C. 78q–1(b)(3)(F).

[14] 15 U.S.C. 78q–1.

[15] 17 CFR 200.30–3(a)(12).

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3134]

Commonwealth of Puerto Rico

As a result of the President's major disaster declaration on September 24, 1998, I find that all 78 Municipalities in the Commonwealth of Puerto Rico constitute a disaster area due to damages caused by Hurricane Georges that occurred on September 20–22, 1998. Applications for loans for physical damage as a result of this disaster may be filed until the close of business on November 23, 1998, and for loans for economic injury until the close of business on June 24, 1999 at the address listed below or other locally announced locations: Small Business Administration, Disaster Area 1 Office, 360 Rainbow Blvd. South, 3rd Floor, Niagara Falls, NY 14303.

The interest rates are:

	Percent
Physical Damage:	
Homeowners with credit available elsewhere	6.875
Homeowners without credit available elsewhere	3.437
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 313408, and for economic injury the number is 9A1600.

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

Dated: September 28, 1998.

Bernard Kulik,

Associate Administrator for Disaster Assistance.

[FR Doc. 98–26848 Filed 10–6–98; 8:45 am]

BILLING CODE 8025–01–P

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

1998–99 Allocation of the Tariff-Rate Quota for Raw Cane Sugar, Allocation of 27,954 Metric Tons of Refined Sugar to Mexico, Allocation of 10,330 Metric Tons of Refined Sugar and 59,250 Metric Tons of Sugar Containing Products to Canada and Globalization of the Remaining Refined Sugar TRQ

AGENCY: Office of the United States Trade Representative.

ACTION: Notice.

SUMMARY: The Office of the United States Trade Representative (USTR) is providing notice of the country-by-country allocation of the in-quota quantity of the tariff-rate quota for imported raw cane sugar, and allocation of 27,954 metric tons refined sugar to Mexico, of which 25,000 may be raw or refined sugar, and allocation of 10,300 metric tons refined sugar and 59,250 metric tons of sugar containing products to Canada and globalization of the remaining refined sugar tariff-rate quota (which includes specialty sugars) for the period that begins October 1, 1998 and ends September 30, 1999.

EFFECTIVE DATE: October 1, 1998.

ADDRESSES: Inquiries may be mailed or delivered to Elizabeth Jones, Agricultural Economist, Office of Agricultural Affairs (Room 421), Office