

Services transfer service.³ The Mutual Fund Services transfer service enables fund members and mutual fund processors to transfer between each other the value of Fund/SERV eligible mutual fund shares or UIT units on an automated basis.

Currently, a delivering fund member that has acknowledged a transfer request must confirm the value of the Fund/SERV eligible mutual fund shares or UIT units to be transferred by submitting a confirmation to NSCC no earlier than two days and no later than sixty business days after the submission of an acknowledgment. The rule change will permit the delivering fund member to submit a confirmation no earlier than one day and, as is the case today, no later than sixty business days after the submission of an acknowledgment. NSCC will notify members by Important Notice of the specific implementation.

II. Discussion

Section 17A(b)(3)(F) of the Act⁴ requires, among other things, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions. The Commission believes that the proposed rule change is consistent with NSCC's obligations under Section 17A(b)(3)(F) because the rule change facilitates faster transfers.

Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act⁵ and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁶ that the proposed rule change (File No. SR-NSCC-98-11) be, and hereby is, approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.⁷

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-41216; File No. SR-Phlx-98-55]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Philadelphia Stock Exchange, Inc. Relating to an Increase in Position and Exercise Limits for Certain Broad-Based Index Options

March 26, 1999.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 21, 1998, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The Phlx proposes to amend Phlx Rule 1001A(a)(i)-(ii) by increasing broad-based ("market") index option position limits on the Value Line Composite Index ("VLE"), the US Top 100 Index ("TPX"), and the National Over-the-Counter Index ("XOC").³ Specifically, the current levels of 25,000 contracts total and 15,000 contracts in the nearest expiration month for the VLE and the TPX, and 25,000 contracts for the XOC, are proposed to be tripled to 75,000 contracts total and 45,000 contracts in the nearest expiration month for VLE and TPX, and 75,000 contracts for XOC.

Exchange exercise limits,⁴ which are expressed in Phlx Rule 1002A, are established by reference to position limits, such that any increase in position limits would also increase exercise limits. Accordingly, the Phlx is proposing to increase its exercise limits

to correspond to the proposed increases in position limits.

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

In its filing with the Commission, the self-regulatory organization 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. The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

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

1. Purpose

The purpose of the proposed rule change is to increase position and exercise limits for the market index options currently traded on the Exchange in order to attract additional trading interest and, thus, promote depth and liquidity in Phlx market index options. The Exchange believes that the current limits constrain certain investors from trading index options. Pursuant to Rules 1001A and 1002A, the position and exercise limits for the VLE and TPX are 25,000 contracts with no more than 15,000 contracts expiring in the nearest expiration month. The position and exercise limits for the XOC is 25,000 contracts with no additional restrictions for the nearest expiration month. For the reasons given below, the Exchange proposes tripling the limits or the VLE and TPX to 75,000 contracts overall with no more than 45,000 contracts expiring in the nearest expiration month. Further, the Exchange proposed to triple the limits for XOC to three times the current level, or 75,000 contracts.

The Exchange believes that the proposed increase is appropriate at this time, in light of the Exchange's nearly 13 years experience trading market index options. In 1985, the National Over-the-Counter Index, XOC, was the first market index option to be traded on the Phlx.⁵ Since that time, the Exchange has listed additional market index options. Additionally, the market for index options has also evolved, as more investors are familiar with the product and it uses. Currently, the Phlx lists

³ Specifically, NSCC is amending Rule 52, A. Fund/Serv, SEC 21. Transfers of Fund/Serv Eligible Mutual Fund Shares and UIT Units.

⁴ 15 U.S.C. 78q-1(b)(3)(F).

⁵ 15 U.S.C. 78q-1.

⁶ 15 U.S.C. 78s(b)(2).

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Position limits impose a ceiling on the number of option contracts in each class on the same side of the market (i.e., aggregating long calls and short puts or long puts and short calls) that can be held or written by an investor or group of investors acting in concert.

⁴ Exercise limits prohibit an investor or group of investors acting in concert from exercising more than a specified number of puts or calls in a particular class within five consecutive business days.

⁵ Exchange Act Release No. 22044 (May 17, 1985), 50 FR 21532 (May 24, 1985) (order approving File No. SR-Phlx-84-28).

options on the following three market indexes, noting the current position limits.⁶

(1) US Top 100 Index ("TPX") 25,000 contracts (no more than 15,000 contracts can be in the nearest expiration month);

(2) Value Line Composite Index ("VLE") 25,000 contracts (no more than 15,000 contracts can be in the nearest expiration month); and

(3) National Over-the-Counter Index ("XOC") 25,000 contracts.

The Exchange recognizes that the purposes of these limits are to prevent manipulation and to protect against disruption of the markets for both the option as well as the underlying securities. The Exchange has considered the effects of increased position limits on the marketplace, and believes that manipulation and disruption concerns are addressed by a tripled position limits and are offset by the market need for the increased limits. Specifically, the Phlx continues to monitor the markets for evidence of manipulation or disruption caused by investors with positions at or near current position or exercise limits; the new limits will not diminish the surveillance function in this regard.

The current levels have been in place since October 1996,⁷ such that a review of the current position limits is appropriate. Position and exercise limits for the National Over-the-Counter Index were raised from 17,000 to 25,000 contracts or 47% in 1996. Position and exercise limits for the Value Line Composite Index were raised from approximately 13,000 contracts, based on a position limit based on monetary value, to 25,000 contracts or 92% in 1988. The US Top 100 Index were created with limits of 25,000 contracts in 1995.

In prior releases approving increased position limits, the Commission acknowledged that a gradual, evolutionary approach has been adopted by the Commission and the various options exchanges in increasing position and exercise limits. In light of the nearly two years since limits were changed, the Exchange believes that these increases are reasonable. Recently,

the options exchanges have filed similar proposals respecting equity options.⁸

The Phlx also believes that higher position limits would further accommodate the hedging needs of Exchange market makers and specialists, who are also restricted by current levels. The Exchange continues to believe that increases are needed for traders and investors. The Exchange has been requested by its members and customers, who have repeatedly expressed that these limits hamper the ability to execute investment strategies, to again propose an increase in position limits. Such requests emphasize that institutional hedging needs and trading objectives may exceed current limits, in view of the large portfolios common to institutional trading and that certain sized transactions are required to execute complicated, cross-market strategies. Phlx also notes that floor members have expressed the resulting deleterious effect on index options trading in an exchange environment. Based on such member and customer requests, the Exchange believes that the current position limit levels continue to discourage market participation by large investors and the institutions that compete to facilitate the trading interests of large investors. Accordingly, this proposal aims to also accommodate the liquidity and hedging needs of large investors and the facilitators of those investors.

Concurrent with the proposed increase to position limits, the Exchange is also proposing a corresponding increase to market index option exercise limits. The Exchange believes that this increase is necessary and appropriate for the same reasons as the rationale cited herein for the proposed position limit increases. Furthermore, the Exchange believes that exercise limits constrict trading strategies by preventing investors from exercising positions larger than the limit within five consecutive business days. The Exchange also notes that all of the market index options currently trade on the Exchange are European style, exercisable only during a specified period at expiration, such that the manipulation and market disruption concerns associated with large exercises will be limited. Finally, since index

options are settled in cash, not in securities, the Phlx believes the underlying securities would experience very little price movement or increased volume, if any, due to the exercise of the index options.⁹

2. Basis

The Exchange believes that the proposal to increase market index option position limits is consistent with Section 6 of the Act in general,¹⁰ and in particular, with Section 6(b)(5), in that it is design to promote just and equitable principles of trade, prevent fraudulent and manipulative acts and practices, as well as to protect investors and the public interest. The Exchange believes that the proposal should remove impediments to and perfect the mechanism of a free and open market by providing market opportunity to investors constricted by current position limit levels.

The Phlx also believes that by stimulating market participation and thereby increasing option market depth and liquidity, the proposed rule change should promote just and equitable principles of trade. At the same time, the Phlx believes that the proposed position limits should continue to prevent fraudulent and manipulative acts and practices as well as protect investors and the public interest by limiting the ability to disrupt and manipulate the markets for options as well as the underlying securities. The Exchange believes that the proposal represents a balance between creating a disincentive to manipulate or disrupt the marketplace consistent with the purposes of such limits, and setting such limits so low so as to discourage market participation or liquidity providing activity.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments on the proposed rule change were neither solicited nor received.

⁶ Please note that the Big Cap Index is being removed from the text of both Rule 1001A as well as 1101A, in order to correct both rules to reflect its delisting.

⁷ See Exchange Act Release No. 36745 (January 19, 1996), 61 FR 2561 (January 26, 1996) (SR-Phlx-95-38) (establishing XOC position and exercise limits); Exchange Act Release No. 35591 (April 11, 1995), 60 FR 19423 (April 18, 1995) (SR-Phlx-95-07) (establishing TPX position and exercise limits); Exchange Act Release No. 25644 (May 3, 1988) 53 FR 16829 (May 11, 1988) (SR-Phlx-88-06) (establishing VLE position and exercise limits).

⁸ See Exchange Act Release No. 40172 (July 6, 1998), 63 FR 37913 (July 14, 1998) (SR-PCX-98-33); Exchange Act Release No. 40160 (July 1, 1998), 63 FR 37155 (July 9, 1998) (SR-CBOE-98-25); and Exchange Act Release No. 40159 (July 1, 1998), 63 FR 37151 (July 9, 1998) (SR-Amex-98-22). The Commission notes that these proposed rule changes were approved in January 1999. See Exchange Act Release No. 40875 (December 31, 1998), 64 FR 1842 (January 12, 1999) (order approving PCX-98-33, CBOE-98-25 and Amex-98-22).

⁹ The Commission notes that, depending on the trading strategy used by an investor in trading index options, the underlying securities could experience significant price movement and increased volume regardless of the fact that such index options are cash-settled.

¹⁰ 15 U.S.C. 78f(b).

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

Within 35 days of the date of publication of this notice the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reason for so finding or (ii) as to which the self-regulatory organization 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. 20549-0609. 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 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, located at the above address. Copies of such filing will also be available for inspection and copying at the principal office of the self-regulatory organization. All submissions should refer to File No. SR-Phlx-98-55 and should be submitted by April 23, 1999.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 99-8146 Filed 4-1-99; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

Business Loan Programs; Notice of Initial Benchmark Number

AGENCY: Small Business Administration.

ACTION: Notice.

SUMMARY: SBA regulations governing the securitization of Section 7(a) loans require that from time to time the SBA publish in the **Federal Register** the "Benchmark Number" to be used in overseeing securitizing lenders. The Benchmark Number is the number of percentage points that a securitizing lender's Currency Rate may decline before SBA takes action. The purpose of this Notice is to establish an initial Benchmark Number of 2.5 percentage points.

SUPPLEMENTARY INFORMATION: In February of 1999, SBA published its final rule governing the securitization of the unguaranteed portions of 7(a) loans in the **Federal Register**. Section 120.420 of the rule requires the SBA to publish the "Benchmark Number" for securitizations in the **Federal Register** from time to time. The Benchmark Number will be used in the oversight of securitizing lenders. The Benchmark Number is the number of percentage points that a securitizing lender's Currency Rate may decline before SBA takes action.

The 2.5 percentage point Benchmark was proposed in comments to the May 1998 proposed securitization rule (63 FR 27221). SBA considers a 2.5 percentage point decline in Currency Rate a significant event warranting action. SBA will monitor the Benchmark Number and, if economic conditions or policy considerations warrant, SBA may modify it to protect the safety and soundness of the 7(a) program. SBA will publish any modifications to the Benchmark Number in the **Federal Register** at least 30 days before the effective date.

DATES: Effective April 2, 1999.

FOR FURTHER INFORMATION CONTACT:

James W. Hammersley, Director, Secondary Market Sales, 202-205-7505, U.S. Small Business Administration, 409 Third Street, S.W., Suite 8200, Washington, D.C. 20416.

Aida Alvarez,

Administrator.

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BILLING CODE 8025-01-P

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3164]

State of Tennessee

Loudon County and the contiguous counties of Anderson, Blount, Knox, McMinn, Monroe, and Roane in the State of Tennessee constitute a disaster area as a result of damages caused by a fire that occurred on March 6, 1999 in Lenoir City. Applications for loans for

physical damages as a result of this disaster may be filed until the close of business on May 21, 1999 and for economic injury until the close of business on December 22, 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	6.375
Homeowners without credit available elsewhere	3.188
Business with credit available elsewhere	8.000
Business and non-profit organizations without credit available elsewhere	4.000
Others (including non-profit organizations) with credit available elsewhere	7.000
For Economic Injury:	
Businesses and small agricultural cooperatives without credit available elsewhere	4.000

The number assigned to this disaster for physical damage is 316405 and for economic injury the number is 9B4600.

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

Dated: March 22, 1999.

Aida Alvarez,

Administrator.

[FR Doc. 99-8149 Filed 4-1-99; 8:45 am]

BILLING CODE 8025-01-P

SMALL BUSINESS ADMINISTRATION

[Declaration of Economic Injury Disaster #9B45]

State of Washington

Ferry and Okanogan Counties and the contiguous counties of Chelan, Douglas, Grant, Lincoln, Skagit, Stevens, and Whatcom constitute an economic injury disaster area as a result of flooding that occurred in May of 1998. Eligible small businesses and small agricultural cooperatives without credit available elsewhere may file applications for economic injury assistance for this disaster until the close of business on *December 23, 1999* at the address listed below or other locally announced locations: U.S. Small Business Administration, Disaster Area 4 Office, P.O. Box 13795, Sacramento, CA 95853-4795. The interest rate for eligible small businesses and small agricultural cooperatives is 4 percent.

¹¹ 17 CFR 200.30-3(a)(12).