

risk management features that are employed in the SDFS system. The Commission previously examined these features with DTC first proposed the SDFS system,¹⁰ when the CP program was added,¹¹ and when the Commission granted temporary approval to the expanded MMI program.¹² At those times, the Commission found, and continues to believe, that these risk management measures are consistent with Section 17A of the Act and should minimize the impact of a default by a participant in the SDFS system.

The use of provisional credits and unwind procedures if an MMI issuer were to default, however, could increase the risk of settlement gridlock in certain circumstances. For example, if DTC were to confirm the insolvency of an MMI issuer before 3:00 p.m.,¹³ DTC would reverse all participants' credits attributable to the insolvent issuer without regard to any of the risk management controls. Such reversals of credits could result in a participant having a net debit that exceeds the participant's net debit cap and DTC's liquidity resources. If such a participant then failed to settle its net debit with DTC, DTC could possibly have difficulty completing other settlements.

As an interim solution to reduce these risks, DTC has obtained additional lines of credit dedicated to the completion of settlement in the SDFS system in the event a participant fails to settle after application of the unwind procedures. The additional lines of credit are supported by securities pledged to the SDFS fund and are not included as a part of DTC's liquidity resources when determining a participant's net debit cap. DTC also continues to employ its liquidity monitoring system which simulates double default scenarios every fifteen minutes beginning at 2:00 p.m. E.S.T.

As discussed in the original order granting temporary approval to DTC's MMI program, DTC proposed a long term solution to reduce the risks associated with the use of provisional credits. The solution, which changes the components of DTC's liquidity resources and seeks to implement new risk management controls, was designed after consulting with the Federal Reserve Bank of New York and recently has been filed with the Commission for

approval.¹⁴ However, because the largest provisional net credit procedure is not scheduled for implementation until the third quarter of 1995, the Commission believes that extension of temporary approval of the rule change is appropriate pending the full operational capability of DTC's system enhancements.

III. 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 Act 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-DTC-95-05) be, and hereby is, approved on a temporary basis through April 30, 1996.

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

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SMALL BUSINESS ADMINISTRATION

Declaration of Disaster Loan Area #2768

Alabama; Declaration of Disaster Loan Area

As a result of the President's major disaster declaration on April 21, 1995, I find that the counties of Cullman, DeKalb, Marion, Marshall and Winston in the State of Alabama constitute a

¹⁴ For a complete discussion of DTC's proposed changes, refer to Securities Exchange Act Release No. 35613 (April 17, 1995), 60 FR 19971 [File No. SR-DTC-95-06] (notice of proposed rule change). DTC proposes to establish to all-cash participants fund in an amount of \$400 million and a fixed net debit cap of \$900 million. DTC has also proposed to add the Largest Provisional Net Credit ("LPNC") calculation control which is to be applied to a participant's net settlement balance and collateral monitor in order to protect DTC against the combined failure of a MMI issuer and a participant.

Under the LPNC Control, DTC will subtract the amount of a participant's largest provisional net credit due to transactions in any single issuer's MMIs from the participant's collateral monitor ("simulated collateral monitor") and net debit or credit balance ("simulated balance"). If a transaction will cause the simulated collateral monitor to turn negative (i.e., the participant's collateral would be insufficient to cover its simulated net debit after the transaction) or the resulting net debit balance to exceed the participant's net debit cap, the transaction will be blocked. Blocked transactions will be recycled until credits from other transactions in MMIs of issuers other than those of the largest provisional net credit cause the simulated collateral monitor to be positive or the resulting net debit balance to be within the net debit cap limits.

¹⁵ 17 CFR 200.30-3(a)(12) (1994).

disaster area due to damages caused by severe storms, tornadoes, and flooding which occurred February 15 through February 20, 1995. Applications for loans for physical damages may be filed until the close of business on June 20, 1995, and for loans for economic injury until the close of business on January 22, 1996, 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. In addition, applications for economic injury loans from small businesses located in the contiguous counties of Blount, Cherokee, Etowah, Fayette, Franklin, Jackson, Lamar, Lawrence, Madison, Morgan, and Walker in the State of Alabama; Chatooga, Dade, and Walker in the State of Georgia; and Itawamba and Monroe in the State of Mississippi may be filed until the specified date at the above location.

The interest rates are:

	Percent
<i>For Physical Damage:</i>	
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
<i>For Economic Injury:</i>	
Businesses and small agricultural cooperatives without credit available elsewhere	4.000

The number assigned to this disaster for physical damage is 276812. For economic injury the numbers are 850100 for Alabama; 850200 for Georgia; and 850300 for Mississippi.

Dated: April 28, 1995.

James E. Rivera,

Acting Associate Administrator for Disaster Assistance.

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RESOLUTION TRUST CORPORATION

Coastal Barrier Improvement Act; Property Availability; Kitty Hawk Woods, Dare County, NC

AGENCY: Resolution Trust Corporation.

ACTION: Notice.

SUMMARY: Notice is hereby given that the property known as Kitty Hawk

¹⁰ *Supra* note 4.

¹¹ *Supra* note 4.

¹² *Supra* note 3.

¹³ If DTC can not confirm that an MMI issuer is insolvent before 3:00 p.m. E.S.T., DTC will not reverse credits attributable to that issuer because after 3:00 p.m. E.S.T. credits are no longer provisional in DTC's SDFS system.