

ready to revalue Government securities on a daily basis and to include the valuation in its overall daily assessment of clearing member margin and clearing fund deposits. OCC believes the par value methodology and prohibition on deposits of securities with maturities beyond ten years are overly conservative and no longer necessary to protect OCC from risk associated with value changes in margin and clearing fund deposits.

Before setting the haircut levels, OCC reviewed the haircut policies of other derivative clearing houses and analyzed recent historical volatilities of government securities. OCC collected daily data since 1990 on government securities of various maturities across the yield curve and analyzed this historical volatility for the setting of margin intervals within OCC's Theoretical Intermarket Margin System. The proposed haircut levels should adequately cover more than 99% of the movements of all days since 1990.

Section 17A(b)(3)(F) of the Act requires that a clearing agency's rules be designed to ensure the safeguarding of securities and funds in its custody or control or for which it is responsible.<sup>5</sup> Based on the foregoing, the Commission believes that OCC's proposed modifications to its rules governing the acceptance, valuation, and haircutting of Government securities is consistent with OCC's obligation to safeguard securities and funds.

### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act and particularly with Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,<sup>6</sup> that the proposed rule change (File No. SR-OCC-96-09) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Margaret H. McFarland,  
*Deputy Secretary.*

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[Release No. 34-37883; File No. SR-PHILADEP-96-11]

### Self-Regulatory Organizations; Philadelphia Depository Trust Company; Order Granting Approval of a Proposed Rule Change Regarding the Destruction of Certain Expired Securities Certificates

October 28, 1996.

On June 28, 1996, the Philadelphia Depository Trust Company ("Philadep") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-PHILADEP-96-11) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> regarding the destruction of certain expired securities certificates. Notice of the proposal was published in the Federal Register on August 21, 1996.<sup>2</sup> No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

#### I. Description

The rule change will amend Philadep Rule 31 which governs the orderly destruction of securities certificates relating to expired warrants and rights to permit the destruction of such securities certificates to be carried out under the supervision of Philadep's internal audit department.<sup>3</sup> Section (c) of Rule 31 previously required that all securities to be destroyed pursuant to the rule had to be forwarded to Philadep's internal audit department for destruction.<sup>4</sup> Under the rule change, Philadep is permitted to destroy the certificates in a designated area of

<sup>1</sup> 15 U.S.C. § 78s(b)(1) (1988).

<sup>2</sup> Securities Exchange Act Release No. 37570 (August 14, 1996), 61 FR 43287.

<sup>3</sup> The procedures for the destruction of expired securities set forth in Rule 31 require Philadep to (i) contact the transfer agent or the issuer of the expired securities to verify that the respective warrants or rights have expired, (ii) obtain written confirmation from such transfer agent or issuer that the certificates representing such warrants or rights have expired (if there is no transfer agent, Philadep personnel must exercise all reasonable due diligence to confirm the expired nature of the respective certificates including consulting with the Philadep's legal department, internal audit department and senior management), (iii) notify its participants that in the judgment of the transfer agent, or other appropriate parties if a transfer agent does not exist, the securities certificates have expired, (iv) delete such securities positions from its participants' account on or after the thirtieth day following the date of such notice, and (v) appropriately mark the securities certificates and forward them to its internal audit department for destruction.

<sup>4</sup> Securities Exchange Act Release No. 35426 (February 28, 1995) [File No. SR-PHILADEP-94-05] (order approving proposed rule change authorizing Philadep to implement a program for the destruction of securities certificates relating to expired warrants and rights).

Philadep under the supervision of the internal audit department instead of being required to destroy such certificates in the internal audit department itself.

#### II. Discussion

Section 17A(b)(3)(F)<sup>5</sup> of the Act requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible. The Commission believes Philadep's proposed rule change is consistent with Philadep's obligations under Section 17A of the Act because the rule change does not significantly alter the procedures previously approved by the Commission by which expired rights and warrants certificates are to be destroyed and thereby should not negatively affect Philadep's ability to safeguard securities or funds.<sup>6</sup>

#### 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 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-PHILADEP-96-11) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Margaret H. McFarland,  
*Deputy Secretary.*

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## SMALL BUSINESS ADMINISTRATION

### [Declaration of Disaster Loan Area #2908]

#### Declaration of Disaster Loan Area; Florida

Manatee County and the contiguous counties of De Soto, Hardee, Hillsborough, Polk, and Sarasota in the State of Florida constitute a disaster area

<sup>5</sup> 15 U.S.C. § 78q-1(b)(3)(F) (1988).

<sup>6</sup> The Commission previously stated upon establishment of Philadep's expired certificate destruction program for warrants and rights that such program is consistent with Section 17A of the Act because the program should reduce the administrative expenses associated with safekeeping and storage of worthless certificates and that Philadep's procedures were reasonably designed to prevent inadvertent destruction of warrants and rights certificates that have not expired. *Supra* note 4.

<sup>7</sup> 17 CFR 200.30-3(a)(12) (1996).

<sup>5</sup> 15 U.S.C. 78q-1(b)(3)(F) (1988).

<sup>6</sup> 15 U.S.C. 78s(b)(2) (1988).

<sup>7</sup> 17 CFR 200.30(a)(12) (1996).